

**CITY OF NOME, ALASKA**

**Management Discussion and Analysis,  
Basic Financial Statements, Required Supplementary Information,  
Additional Supplementary Information and  
Compliance Reports**

**Year Ended June 30, 2021**

CITY OF NOME, ALASKA

Management Discussion and Analysis,  
Basic Financial Statements, Required Supplementary Information,  
Additional Supplementary Information and  
Compliance Reports

Year Ended June 30, 2021

## CITY OF NOME, ALASKA

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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the City of Nome's basic financial statements as listed in the table of contents. We did not audit the financial statements of Nome Joint Utility System, which is a discretely presented component unit.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Nome Joint Utility System, which is a discretely presented component unit of the reporting entity, which represents 43 percent, 44 percent, and 28 percent, respectively, of the assets, net position and revenues of the total reporting entity. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Nome, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska, as of June 30, 2021, 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.

## **Change in Accounting Principle**

As discussed in Note 14 to the financial statements, in 2021 the City adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities and GASB Statement No. 97 Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Statement No. 84 established criteria for identifying fiduciary activities and the reporting requirements of said fiduciary activities. Statement No. 97 clarifies the criteria for evaluating a Section 457 plan as either a pension plan or employee benefit plan as noted in prior guidance. Furthermore, GASBS Statement No. 97 also adds or amends criteria for assessing fiduciary component units of the City in relation to previously issued accounting principles. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-15, the budgetary comparison schedules on pages XX-XX, the Schedules of City's Share of Net Pension and OPEB Liabilities and Assets and Contributions for the Public Employees' Retirement System on pages 63-66, and the related notes to required supplementary information on pages XX-XX, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nome, Alaska's basic financial statements. The information listed in the table of contents as "Supplementary Information", which includes Other Governmental Funds: Combining Balance Sheet, Combining Statement of Revenues, Expenditures and Changes in Fund Balances is presented for purposes of additional analysis, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis 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 is also not a required part of the basic financial statements.

The "Supplementary Information" listed above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the "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, 2022 on our consideration of the City of Nome'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 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 City of Nome'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, 2022

# **MANAGEMENT DISCUSSION AND ANALYSIS**



**City of Nome, Alaska**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2021**

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, 2021. 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, 2021, the City's assets and deferred outflows (net position) exceeded its liabilities and deferred inflows by \$96,312,881. Of this amount, \$9,623,676 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 \$5,068,987, or 5%, from the prior fiscal year's amount. The governmental activities net position decreased by \$4,694,796 (7.3%) and the business-type activities net position decreased by \$374,191 (1.01%).
- As of June 30, 2021, the City's governmental funds, excluding business-type activities, reported combined ending fund balances of \$17,094,195, representing an increase of \$665,100 compared to the prior year.
- Total general revenues accounted for \$11,879,707 (56.66%) of total revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$9,087,380 (43.34%) of total revenues of \$20,967,087.
- 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 \$9,928,982 or 81.6% of total General Fund expenditures and transfers.
- The City's total outstanding long-term debt decreased by \$201,550 due to scheduled debt repayments during the year; this includes net pension and OPEB liability.
- In September 2020, the City agreed to borrow funds from Wells Fargo Bank through the issuance of a Revenue Anticipation Note for \$3.8 million at 1.28% 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 2021. Subsequently in September 2021, NJUS through the City, sold a \$3.8 million Revenue Anticipation Note to Wells Fargo Bank to finance the 2021-2022 fuel requirements. The Note bears an annual interest of .95% 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.

<p style="text-align: center;"><b>Illustration A-1</b>  <b>Major Features of City of Nome's Government-wide and Fund Financial Statements</b></p>			
	<b>Government-wide Statements</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
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.

**City of Nome, Alaska**  
**Management Discussion and Analysis, Continued**

**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, 2021, the City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$96,312,881, representing a net decrease of \$5,068,987 from the prior year. Of this amount, \$9,623,676 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

By far the largest portion of the City's net position (88.5%) 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.

	2021			
	Governmental Activities	Business-type Activities	Eliminations	Total
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**

**2020**

	Governmental	Business-type		
	Activities	Activities	Eliminations	Total
Current and other assets	\$ 23,967,543	1,935,800	(1,735,801)	24,167,542
Long-term and capital assets	51,087,530	42,366,318	-	93,453,848
Total assets	75,055,073	44,302,118	(1,735,801)	117,621,390
Deferred outflows of resources	949,911	145,266	-	1,095,177
Current liabilities	2,712,047	2,633,895	(1,735,801)	3,610,141
Long-term liabilities	8,750,516	4,507,653	-	13,258,169
Total liabilities	11,462,563	7,141,548	(1,735,801)	16,868,310
Deferred inflows of resources	390,126	76,263	-	466,389
Net position				
Net investment in capital assets	49,329,733	37,809,234	-	87,138,967
Restricted for E-911 surcharge	481,054	-	-	481,054
Restricted for causeway	-	817,979	-	817,979
Restricted for Police Department		-	-	
Unrestricted	14,341,508	(1,397,640)	-	12,943,868
Total net position	\$ 64,152,295	37,229,573	-	101,381,868
Total Liab, Def Inf, Net Position	76,004,984	44,447,384	(1,735,801)	118,716,567

A small portion of the City's net position (approximately 1.5% in 2021) 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 \$9,623,676 may be used to meet the government's ongoing obligation to citizens and creditors.

**City of Nome, Alaska**  
**Management Discussion and Analysis, Continued**

**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						
	2021			2020		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services	867,746	1,809,216	2,676,962	920,716	1,649,408	2,570,124
Operating grants and contributions	5,258,184	16,368	5,274,552	2,038,742	(7,890)	2,030,852
Capital grants and contributions	83,029	1,052,837	1,135,866	180,534	353,383	533,917
General revenues:						
Property taxes	4,318,657	-	4,318,657	4,593,119	-	4,593,119
Penalties and interest	77,186	-	77,186	76,290	-	76,290
Sales tax	5,904,993	-	5,904,993	5,755,855	-	5,755,855
Bed tax	118,589	-	118,589	102,533	-	102,533
Fines and forfeitures	1,801	-	1,801	3,508	-	3,508
Payment in lieu of taxes	374,736	-	374,736	381,642	-	381,642
Rentals and royalties	271,266	-	271,266	149,988	-	149,988
Investment earnings	78,640	28,573	107,213	154,430	51,424	205,854
Grants not restricted to specific programs	659,125	-	659,125	697,684	-	697,684
Gain on sale of assets/equipment	46,120	-	46,120	-	-	-
Transfer capital asset from component unit	-	-	-	-	-	-
Other	21		21	143,650	-	143,650
Total revenues	\$ 18,060,093	2,906,994	20,967,087	15,198,691	2,046,325	17,245,016

(continued)

**City of Nome, Alaska**  
**Management Discussion and Analysis, Continued**

Change in Net Position						
	2021			2020		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
<b>Expenses:</b>						
Legislative	205,540	-	205,540	164,895	-	164,895
Administrative	1,431,916	-	1,431,916	1,020,352	-	1,020,352
Information technology	431,048	-	431,048	253,773	-	253,773
Planning and engineering	148,982	-	148,982	90,684	-	90,684
City clerk	554,060	-	554,060	376,516	-	376,516
Police	4,342,329	-	4,342,329	2,741,456	-	2,741,456
Animal control	51,874	-	51,874	21,469	-	21,469
EMS	933,782	-	933,782	655,922	-	655,922
Public works	3,752,825	-	3,752,825	2,265,756	-	2,265,756
Recreation center	805,671	-	805,671	590,946	-	590,946
Swimming pool	77,973	-	77,973	47,915	-	47,915
Museum	681,960	-	681,960	595,470	-	595,470
Library	537,020	-	537,020	412,615	-	412,615
Visitor center	264,318	-	264,318	214,319	-	214,319
Education	5,212,673	-	5,212,673	4,171,879	-	4,171,879
Non-departmental	3,297,448	-	3,297,448	876,933	-	876,933
Unallocated interest	25,470	-	25,470	44,216	-	44,216
Port	-	3,281,185	3,281,185	-	3,341,908	3,341,908
<b>Total expenses</b>	<b>22,754,889</b>	<b>3,281,185</b>	<b>26,036,074</b>	<b>14,545,116</b>	<b>3,341,908</b>	<b>17,887,024</b>
<b>Increase (decrease) in net position</b>	<b>(4,694,796)</b>	<b>(374,191)</b>	<b>(5,068,987)</b>	<b>653,575</b>	<b>(1,295,583)</b>	<b>(642,008)</b>
<b>Net position, beginning of year</b>	<b>64,152,295</b>	<b>37,229,573</b>	<b>101,381,868</b>	<b>63,498,720</b>	<b>38,525,156</b>	<b>102,023,876</b>
<b>Net position, end of year</b>	<b>\$ 59,457,499</b>	<b>36,855,382</b>	<b>96,312,881</b>	<b>64,152,295</b>	<b>37,229,573</b>	<b>101,381,868</b>

As reflected in the table above, the City's overall net position decreased by \$5,068,987 in 2021. Governmental activities in 2021 decreased the City's net position by \$4,694,796.

The primary sources of revenue from governmental activities are sales tax and property tax revenue, which amounted to \$5,904,993 and \$4,318,657 respectively, an increase of 2.6% in sales tax and a decrease of 6% in property tax, from 2020. The decrease in property tax revenue was attributed to the mill rate decreasing from 13 to 12 mills, as well as other value changes in the tax roll.



**City of Nome, Alaska**  
**Management Discussion and Analysis, Continued**

Expenses in the governmental activities increased in 2021 by \$8,209,773 from the prior year. The increase in expense was due to expenses for the mitigation of the COVID-19 Pandemic (FEMA & CARES). Additionally, the ACSA restroom project was complete (\$370,858), NPD purchased two 2019 F-150 4x4 Super-cab trucks (\$90,945).

The City's governmental activities expenses are predominately related to Public Safety (23.41%), Education (22.91%), Public Works (16.49%), Non-Departmental (14.49%), and General Government (12.18%) or 89.48% of total governmental activities expenses.

Business-type activities in 2021 decreased the City's net position by \$374,191. The Port Harbor Launch Ramp Repair has a 68% EDA, 32% Match - \$668,918 in expense. The Anode replacement project was not grant funded - \$70,704 in expense.

### **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, 2021 the City's governmental funds reported combined ending fund balances of \$17,094,195, an increase of \$665,100 over the prior year. Of this amount \$7,177,852 is non-spendable, restricted, committed, or assigned for specific purposes. \$9,916,343 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 increased by \$1,015,940 in 2021 compared to an increase of \$460,072 in 2020.

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, 2021, the unassigned fund balance of the General Fund was \$9,928,982 which is 66.22% of the total General Fund balance compared to 62.34% in 2020.

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 87.09% of total General Fund expenditures at June 30, 2021 compared to 73.50% at June 30, 2020.

**City of Nome, Alaska**  
**Management Discussion and Analysis, Continued**

***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 \$36,855,382 in 2021, a decrease of \$374,191 from 2020 while the unrestricted net position shows a deficit of \$947,187 compared to a deficit of \$1,397,640 in 2020.

**General Fund Budgetary Highlights**

- General Fund revenues exceeded expenditures by \$1,738,020 before transfers, and after transfers between funds were accounted for, there was a net increase in fund balance of \$1,015,940.
- Overall, actual revenues were \$188,969 more than budgeted while actual expenditures and transfers were \$780,851 less than budgeted, which is primarily due to building closures 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 \$399,993. Rental & Royalties exceeded budgeted revenue by \$111,824. Actual Penalty & Interest revenues were \$19,436 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, 2021 amounts to \$90,167,889 net of accumulated depreciation, a decrease of \$2,420,633 over last year. Major capital asset events during the current fiscal year included the following:

- Capital projects completed:
  - Completion of the ACSA Restroom Renovation
  - Acquisition of two 2019 F-150 Super Cab Trucks
  - Acquisition of Polygraph system
  - Acquisition of 2 - 24 Port Fiber Switches
  - Acquisition of Can-Am 2021 Defender
  - Major Repair to 2003 F350 Ambulance
  - Acquisition of Air Paks, Cylinders, Valves for EMS
  - Acquisition of TIG Welder
  - Acquisition of 2 Integrity DST Cross Trainers
  - Acquisition of medical equipment Pwrpro Cot, Defibrillator, Autopulse
  - Upgrades for phone system, AV work
  - Fuel Line Repair completion, Multi Sensor cameras

**City of Nome, Alaska**  
**Management Discussion and Analysis, Continued**

- Ongoing projects:
  - Deep water port study and design
  - Port Waste Facility feasibility study
  - Harbor Launch Ramp Repair
  - DOT/Port Road Improvements
  - Covered ice hockey rink facility
  - Anode Replacement: Cswy & Fish Docks
  - Nome-Beltz High School Roof

		2021			2020		
		Governmental	Business-type	Total	Governmental	Business-type	Total
		Activities	Activities		Activities	Activities	
Land	\$	7,426,728	6,618,242	14,044,970	7,426,728	6,618,242	14,044,970
Tideland patent		-	736,400	736,400	-	736,400	736,400
Buildings		39,462,891	74,823	39,537,714	41,299,250	88,481	41,387,731
Small Boat Harbor		-	2,808,683	2,808,683	-	2,969,641	2,969,641
Causeway		-	4,436,270	4,436,270	-	5,150,836	5,150,836
Quarry Jetty		-	1,416,715	1,416,715	-	1,612,851	1,612,851
Cape Nome Quarry		-	3,508,800	3,508,800	-	3,665,309	3,665,309
C-cell dock/WVG		-	1,979,626	1,979,626	-	2,192,357	2,192,357
Vehicles, trucks and trailers		637,131		637,131	695,858	-	695,858
Assets other than buildings		985,024		985,024	835,334	-	835,334
Other		190,876	15,329,333	15,520,209	76,155	16,080,847	16,157,002
Machinery and equipment		406,830	43,039	449,869	265,541	47,821	313,362
Construction in progress		482,442	3,624,036	4,106,478	437,729	2,389,142	2,826,871
Total capital assets	\$	<u>49,591,922</u>	<u>40,575,967</u>	<u>90,167,889</u>	<u>51,036,595</u>	<u>41,551,927</u>	<u>92,588,522</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 \$4,881,160. 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	
		2021	2020	2021	2020	2021	2020
General obligation bonds, including premium	\$	1,277,707	1,706,862	-	-	1,277,707	1,706,862
Revenue bonds		-	-	3,603,453	3,742,693	3,603,453	3,742,693
Compensated absences		445,516	422,001	-	-	445,516	422,001
Landfill post closure care costs		1,384,801	1,357,392	-	-	1,384,801	1,357,392
Landfill loan		-	50,001	-	-	-	50,001
Net pension and OPEB Liability		5,472,419	5,163,325	814,316	757,488	6,286,735	5,920,813
	\$	<u>8,580,443</u>	<u>8,699,581</u>	<u>4,417,769</u>	<u>4,500,181</u>	<u>12,998,212</u>	<u>13,199,762</u>

**City of Nome, Alaska**  
**Management Discussion and Analysis, Continued**

During the current fiscal year, the City's total debt decreased by \$201,550 as a result of debt scheduled repayments during the year. There was an increase in 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 2022 Budgets and Rates**

- The impact of COVID-19 remains ongoing. There have been periodic business closures or occupancy reductions, city building closures, and disruptions across the workforce. These issues will most likely continue into the future as we work to mitigate COVID-19.
- Sales tax remains the primary source of revenue for the General Fund accounting for approximately 45% 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 2022 budget. Major aspects of the adopted FY 2022 budget include:

- Overall revenue in the General Fund (before fund balance appropriation) is projected to decrease by \$366,233 while overall expenditure and transfers are projected to increase by \$697,991. There is a fund balance appropriation of \$1,567,729.38 from savings is to balance the budget of \$13,647,220.39.
- The property tax rate mill rate stayed the same at 12 mills (1 mill is approximately 360,788). This amount was levied to fund education at \$3,000,000 and to continue the increased funding for public safety.
- Sales tax rate remains at 5% from September to April and 7% from May to August. Bed tax remains at 6%. The Port Tariff will increase via the Anchorage CPI in January 2022. The Port Tariff is being reviewed for language change and rate changes, which will be implemented in March/April 2022, if approved.
- Capital improvements include the purchase of an EMS used Multi-purpose hose truck, a police vehicle, and an admin vehicle for Dignitaries.

**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](mailto:finance@nomealaska.org)

# **BASIC FINANCIAL STATEMENTS**

## CITY OF NOME, ALASKA

## Statement of Net Position

## Government-Wide Financial Statements

June 30, 2021

	Primary Government				Component Units	
	Governmental Activities	Business-type Activities	Eliminations	Totals	Nome Public Schools	Nome Joint Utility System
<b>Assets and Deferred Inflows of Resources</b>						
Current:						
Cash and investments	\$ 15,854,086	1,065,795	-	16,919,881	7,614,395	810,313
Receivables:						
Property taxes, net	4,455,516	-	-	4,455,516	-	-
Sales and bed taxes	905,220	-	-	905,220	-	-
Accounts receivable, net	-	269,259	-	269,259	-	1,178,601
State of Alaska and federal government	163,404	632,056	-	795,460	1,797,558	-
Unbilled revenues	-	-	-	-	-	516,907
Other, net	208,918	-	-	208,918	9,899	1,098,989
Inventory	-	-	-	-	53,751	4,994,866
Prepaid items	41,737	500	-	42,237	633,176	120,731
Internal balances	821,036	-	(821,036)	-	-	-
Due from component units:						
Nome Joint Utility System	75,535	-	-	75,535	-	-
Other assets	-	-	-	-	-	1,467,064
Noncurrent assets:						
Restricted assets:						
Cash and investments	-	818,995	-	818,995	-	-
Capital assets:						
Not being depreciated	8,217,140	10,978,678	-	19,195,818	-	2,506,589
Depreciated, net	41,374,782	29,597,289	-	70,972,071	1,369,600	77,007,525
Investment in ARC	-	-	-	-	-	1,984,829
Net pension and OPEB assets:	481,511	71,651	-	553,162	895,637	-
Total assets	72,598,885	43,434,223	(821,036)	115,212,072	12,374,016	91,686,414
<b>Deferred outflows of resources</b>						
Pension and OPEB deferrals	999,752	149,551	-	1,149,303	1,242,530	309,705
Deferred charges	-	-	-	-	-	1,383,477
Loss on refunding bonds	-	-	-	-	-	20,314
Total assets and deferred outflows of resources	\$ 73,598,637	43,583,774	(821,036)	116,361,375	13,616,546	93,399,910
<b>Liabilities and Deferred Inflows of Resources</b>						
Current:						
Accounts payable	\$ 487,838	676,159	-	1,163,997	541,795	489,733
Line of credit	-	-	-	-	-	-
Accrued payroll	123,334	-	-	123,334	199,698	155,629
Accrued payroll liabilities	44,606	-	-	44,606	-	213,894
Accrued interest payable	-	48,383	-	48,383	-	59,176
Unearned revenue	195,128	-	-	195,128	634,625	-
Internal balances	-	821,036	(821,036)	-	-	-
Deposits payable	-	-	-	-	-	242,676
Prepaid services	-	689,539	-	689,539	-	-
Fuel loan payable	-	-	-	-	-	2,664,502
Long-term debt due within one year	235,000	144,937	-	379,937	-	894,050
Noncurrent liabilities:						
Long-term debt due in more than one year	2,427,508	3,458,516	-	5,886,024	-	9,432,151
Net pension and OPEB liability	5,472,419	814,316	-	6,286,735	5,777,761	2,120,498
Compensated absences	444,516	-	-	444,516	109,108	-
Total current and noncurrent liabilities	9,430,349	6,652,886	(821,036)	15,262,199	7,262,987	16,272,309
<b>Deferred inflows of resources</b>						
Taxes levied for a future year	4,329,462	-	-	4,329,462	-	-
Pension and OPEB deferrals	381,327	75,506	-	456,833	622,460	216,958
Total deferred inflows of resources	4,710,789	75,506	-	4,786,295	622,460	216,958
Total liabilities and deferred inflows of resources	14,141,138	6,728,392	(821,036)	20,048,494	7,885,447	16,489,267
<b>Net Position:</b>						
Net investment in capital assets	48,314,215	36,972,514	-	85,286,729	1,369,600	71,714,816
Restricted for general fund reserve	-	-	-	-	-	1,108,564
Restricted for insurance reserve	-	-	-	-	-	125,500
Restricted for debt service	-	-	-	-	-	233,000
Restricted for E-911 surcharge	572,421	-	-	572,421	-	-
Restricted for Commercial Passenger Vessel Tax	-	11,060	-	11,060	-	-
Restricted for causeway operations	-	818,995	-	818,995	-	-
Restricted for scholarships and school programs	-	-	-	-	534,528	-
Unrestricted	10,570,863	(947,187)	-	9,623,676	3,826,971	3,728,763
Total net position	59,457,499	36,855,382	-	96,312,881	5,731,099	76,910,643
Total liabilities, deferred inflows of resources, and net position	\$ 73,598,637	43,583,774	(821,036)	116,361,375	13,616,546	93,399,910

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

## CITY OF NOME, ALASKA

## Statement of Activities

## Government-Wide Financial Statements

Year Ended June 30, 2021

Net (Expense) Revenue and Changes in Net Position									
Program Revenues					Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Nome Public Schools	Nome Joint Utility System
Primary government:									
Governmental activities:									
Legislative	\$ 205,540	160	111,333	-	(94,047)	-	(94,047)	-	-
Administrative	1,431,916	18,339	488,563	-	(925,014)	-	(925,014)	-	-
Information technology	431,048	-	113,660	-	(317,388)	-	(317,388)	-	-
Planning and engineering	148,982	65,279	1,506	-	(82,197)	-	(82,197)	-	-
City clerk	554,060	-	10,962	-	(543,098)	-	(543,098)	-	-
Police	4,342,329	105,411	1,229,312	-	(3,007,606)	-	(3,007,606)	-	-
Animal control	51,874	5,185	-	-	(46,689)	-	(46,689)	-	-
Emergency Services	933,782	238,713	218,611	-	(476,458)	-	(476,458)	-	-
Public works	3,752,825	334,871	248,306	-	(3,169,648)	-	(3,169,648)	-	-
Recreation center	805,671	88,457	13,204	-	(704,010)	-	(704,010)	-	-
Swimming pool	77,973	11,331	-	-	(66,642)	-	(66,642)	-	-
Museum	681,960	-	4,500	-	(677,460)	-	(677,460)	-	-
Library	537,020	-	43,018	-	(494,002)	-	(494,002)	-	-
Visitor center	264,318	-	-	-	(264,318)	-	(264,318)	-	-
Education	5,212,673	-	225,000	83,029	(4,904,644)	-	(4,904,644)	-	-
Non-departmental	3,297,448	-	2,550,209	-	(747,239)	-	(747,239)	-	-
Unallocated interest	25,470	-	-	-	(25,470)	-	(25,470)	-	-
Total governmental activities	22,754,889	867,746	5,258,184	83,029	(16,545,930)	-	(16,545,930)	-	-
Business-type activities:									
Port	3,281,185	1,809,216	16,368	1,052,837	-	(402,764)	(402,764)	-	-
Total primary government	\$ 26,036,074	2,676,962	5,274,552	1,135,866	(16,545,930)	(402,764)	(16,948,694)	-	-
Component Unit:									
Nome Public Schools	\$ 14,180,219	210,475	2,755,708	370,976				(10,843,060)	-
Nome Joint Utility System	16,504,501	12,618,630	(650,282)	-				-	(4,536,153)
Total component units	\$ 30,684,720	12,829,105	2,105,426	370,976				(10,843,060)	(4,536,153)
General revenues:									
Taxes:									
Property taxes					\$ 4,318,657	-	4,318,657	-	-
Sales taxes					5,904,993	-	5,904,993	-	-
Payments in lieu of taxes					374,736	-	374,736	-	-
Penalties and interest					77,186	-	77,186	-	-
Bed taxes					118,589	-	118,589	-	-
Fines and forfeitures					1,801	-	1,801	-	-
Grants and contributions not restricted to specific programs					659,125	-	659,125	9,148,961	-
E-rate revenue					-	-	-	828,036	-
Investment earnings					78,640	28,573	107,213	-	1,508
Appropriation from City of Nome					-	-	-	3,225,000	-
Rentals and royalties					271,266	-	271,266	-	-
Gain on sale of assets					46,120	-	46,120	-	13,897
Other					21	-	21	447,884	861,150
Total general revenues					11,851,134	28,573	11,879,707	13,649,881	876,555
Change in net position					(4,694,796)	(374,191)	(5,068,987)	2,806,821	(3,659,598)
Net position, beginning of year					64,152,295	37,229,573	101,381,868	2,924,278	80,570,241
Net position, end of year					\$ 59,457,499	36,855,382	96,312,881	5,731,099	76,910,643

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

## CITY OF NOME, ALASKA

## Governmental Funds

## Balance Sheet

June 30, 2021

	Major Funds			
	General Fund	CARES Act Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and investments	\$ 14,471,746	-	1,382,340	15,854,086
Receivables:				
Property tax levies due in subsequent year	4,208,566	-	-	4,208,566
Delinquent taxes, net of \$105,403 allowance for doubtful accounts	246,950	-	-	246,950
Sales and bed taxes	905,220	-	-	905,220
State of Alaska and federal government	10,128	-	153,276	163,404
Other, net of \$39,950 allowance for doubtful accounts	197,066	-	11,852	208,918
Prepaid items	41,737	-	-	41,737
Due from other funds:				
General Fund	-	186,114	1,452,727	1,638,841
Port Fund	821,036	-	-	821,036
Other Governmental Funds	725,624	-	-	725,624
Due from component units-				
Nome Joint Utility System	75,535	-	-	75,535
Total assets	\$ 21,703,608	186,114	3,000,195	24,889,917
<u>Liabilities, deferred inflows of resources, and fund balances</u>				
Liabilities:				
Accounts payable	312,789	1,028	174,021	487,838
Accrued payroll	123,334	-	-	123,334
Accrued payroll liabilities	44,606	-	-	44,606
Due to other funds:				
General Fund	-	-	725,624	725,624
Other Governmental Funds	1,452,727	-	-	1,452,727
CARES Act	186,114	-	-	186,114
Unearned revenue	10,042	185,086	-	195,128
Total liabilities	2,129,612	186,114	899,645	3,215,371
Deferred inflows of resources:				
Taxes levied for a future year	4,329,462	-	-	4,329,462
Unavailable revenues	250,889	-	-	250,889
Total deferred inflows of resources	4,580,351	-	-	4,580,351
Total liabilities and deferred inflows of resources	6,709,963	186,114	899,645	7,795,722
Fund balances:				
Non-spendable-				
Prepaid items	41,737	-	-	41,737
Restricted-				
E-911 surcharge	-	-	572,421	572,421
Committed-				
Community projects	-	-	16,249	16,249
Assigned:				
Debt service	-	-	819,852	819,852
Self insurance/ equipment replacement	1,059,363	-	-	1,059,363
Clara Mielke Richards estate	332,764	-	-	332,764
PERS	970,280	-	-	970,280
Landfill	2,660,519	-	704,667	3,365,186
Unassigned	9,928,982	-	(12,639)	9,916,343
Total fund balances	14,993,645	-	2,100,550	17,094,195
Total liabilities, deferred inflows and fund balances	\$ 21,703,608	186,114	3,000,195	24,889,917

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



## CITY OF NOME, ALASKA

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

Year Ended June 30, 2021

Amounts reported as fund balances on the governmental funds	\$	17,094,195
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 of \$59,878,880		49,591,922
Proportionate share of the collective net pension and OPEB liability: PERS		(5,472,419)
Proportionate share of the collective net pension and OPEB asset: PERS		481,511
Deferred inflow and outflow of resources are the result of timing differences in the actuarial report:		
Pension and OPEB related assets in the current fiscal year are presented as deferred outflows of resources: PERS		999,752
Pension and OPEB related liabilities in the current fiscal year are presented as deferred inflows of resources: PERS		(381,327)
Other long-term assets, are not available to pay current year expenditures and, therefore, are deferred inflows in the funds: Property taxes		250,889
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	\$	(444,516)
General obligation bonds		(1,125,000)
Premium on general obligation bonds		(152,707)
Landfill loan		-
Landfill closure and post closure care costs		(1,384,801)
		<u>(3,107,024)</u>
Net position of governmental activities	\$	<u>59,457,499</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, 2021

	Major Funds			
	General Fund	CARES Act Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources:				
Taxes:				
Property taxes	\$ 4,564,707	-	-	4,564,707
Sales taxes	5,904,993	-	-	5,904,993
Payments in lieu of taxes	374,736	-	-	374,736
Penalties and interest	77,186	-	-	77,186
Bed tax	118,589	-	-	118,589
Charges for services:				
Licenses and permits	77,339	-	98,561	175,900
Usage fees	691,846	-	-	691,846
Fines and forfeitures	1,801	-	-	1,801
Investment income	78,640	-	-	78,640
Rental and royalties	271,266	-	-	271,266
Contributions	35,856	-	-	35,856
Other	21	-	122,417	122,438
Total local sources	12,196,980	-	220,978	12,417,958
Intergovernmental:				
State of Alaska	432,345	-	72,784	505,129
Federal sources	508,874	4,662,350	293,282	5,464,506
Total intergovernmental	941,219	4,662,350	366,066	5,969,635
Total revenues	13,138,199	4,662,350	587,044	18,387,593
Expenditures:				
Current:				
Legislative	134,206	111,222	-	245,428
Administrative	684,281	468,476	27,482	1,180,239
Information technology	345,773	110,006	-	455,779
Planning and engineering	103,819	-	24,200	128,019
City clerk	475,007	-	-	475,007
Police	2,263,085	1,008,347	262,993	3,534,425
Animal control	40,905	-	-	40,905
Emergency Services	406,767	216,955	56,711	680,433
Public works	2,339,205	194,484	4,469	2,538,158
Recreation center	613,155	-	-	613,155
Swimming pool	51,880	-	-	51,880
Museum	235,536	-	-	235,536
Library	263,215	6,311	32,023	301,549
Visitor center	211,788	-	-	211,788
Education	3,079,672	225,000	-	3,304,672
Non-departmental	101,134	2,321,549	281,695	2,704,378
Debt service:				
Principal	50,001	-	390,000	440,001
Interest	750	-	63,875	64,625
Capital outlay	-	-	562,636	562,636
Total expenditures	11,400,179	4,662,350	1,706,084	17,768,613
Excess (deficiency) of revenues over expenditures	1,738,020	-	(1,119,040)	618,980
Other financing sources (uses):				
Proceeds from sale of capital assets	46,120	-	-	46,120
Transfers in	-	-	951,139	951,139
Transfers out	(768,200)	-	(182,939)	(951,139)
Net other financing sources (uses)	(722,080)	-	768,200	46,120
Net change in fund balance	1,015,940	-	(350,840)	665,100
Fund balance, beginning of year	13,977,705	-	2,451,390	16,429,095
Fund balance, ending of year	\$ 14,993,645	-	2,100,550	17,094,195

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

## 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, 2021

Net change in fund balance - total governmental funds	\$	665,100
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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 liability and assets:		
PERS		172,417

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		58,640

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	\$	1,283,333	
Depreciation expense		<u>(2,728,006)</u>	(1,444,673)

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		(4,575,512)
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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	440,001	
Amortization of bond premium	39,155	
Increase in landfill post closure costs, net	(27,409)	
Compensated absences, net	<u>(22,515)</u>	<u>429,232</u>

Change in net position of governmental activities	\$	<u>(4,694,796)</u>
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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, 2021

Assets and Deferred Outflows of Resources

## Current assets:

## Unrestricted:

Cash and cash equivalents	\$ 1,065,795
Accounts receivable, net of \$84,595 allowance for doubtful accounts	269,259
Prepays	500
Due from the State of Alaska and federal government	632,056
Total unrestricted current assets	<u>1,967,610</u>

## Non-current assets:

## Restricted assets:

Cash and cash equivalents	818,995
---------------------------	---------

## Capital assets:

Not being depreciated	10,978,678
Depreciated, net	29,597,289

## Net pension and OPEB assets:

	71,651
--	--------

Total non-current assets	<u>41,466,613</u>
--------------------------	-------------------

## Deferred outflows of resources-

## Pension and OPEB deferrals

	149,551
--	---------

Total assets and deferred outflows of resources	<u>\$ 43,583,774</u>
---	----------------------

Liabilities, Deferred Inflows of Resources and Net Position

## Current liabilities:

Bonds payable - current portion	\$ 144,937
Accounts payable	676,159
Accrued interest payable	48,383
Due to General Fund	821,036
Prepaid lease revenue	689,539
Total current liabilities	<u>2,380,054</u>

## Non-current liabilities:

Bonds payable	3,458,516
Net pension and OPEB liability	814,316
Total liabilities	<u>6,652,886</u>

## Deferred inflows of resources-

## Pension and OPEB deferrals

	75,506
--	--------

Total liabilities and deferred inflows of resources	<u>6,728,392</u>
---	------------------

## Net position:

Net investment in capital assets	36,972,514
Restricted for Causeway debt	818,995
Restricted for Commercial Passenger Vessel Tax	11,060
Unrestricted	(947,187)
Total net position	<u>36,855,382</u>

Total liabilities, deferred inflows of resources and net position	<u>\$ 43,583,774</u>
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The notes to the financial statements are an integral part of this statement.

## CITY OF NOME, ALASKA

## Port Facility Enterprise Fund

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

Year Ended June 30, 2021

Operating revenues:	
Causeway facility	\$ 927,155
Harbor facility	407,183
Industrial park facility	457,731
Bad debt	(12,565)
Other	29,712
Total operating revenues	<u>1,809,216</u>
Operating expenses:	
Direct expenses:	
Causeway facility	128,081
Harbor facility	81,019
Industrial park facility	70,202
Total direct expenses	<u>279,302</u>
General and administrative expenses:	
Other	<u>613,742</u>
Total operating expenses, excluding depreciation	<u>893,044</u>
Depreciation:	
Causeway facility	1,190,007
Harbor facility	651,563
Quarry terminal facility	352,645
Industrial park facility	45,612
Total depreciation	<u>2,239,827</u>
Total operating expenses	<u>3,132,871</u>
Operating (loss)	<u>(1,323,655)</u>
Non-operating income (expenses):	
Interest income	28,573
Interest expense	(148,314)
State of Alaska on-behalf payments	16,368
Total non-operating income (expense)	<u>(103,373)</u>
(Loss) before capital contributions	(1,427,028)
Capital contributions	<u>1,052,837</u>
Change in net position	(374,191)
Net position, beginning of year	<u>37,229,573</u>
Net position, end of year	<u>\$ 36,855,382</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, 2021

Cash flows provided (used) by operating activities:	
Receipts from customers and users	\$ 1,748,286
Payments to employees	(493,297)
Payments to vendors	133,629
Net cash provided by operating activities	<u>1,388,618</u>
Cash flows provided (used) by noncapital financing activities:	
Internal activity - payments to/from other funds	<u>(914,765)</u>
Cash flows provided (used) by capital and related financing activities:	
Principal paid on debt	(139,240)
Interest paid on debt	(150,183)
Capital contributions	649,585
Acquisition of capital assets	<u>(1,263,867)</u>
Net cash (used) by capital and related financing activities	<u>(903,705)</u>
Cash flows provided by investing activities:	
Interest income	<u>28,573</u>
Net increase in cash and cash equivalents	(401,279)
Cash and cash equivalents at beginning of year	<u>2,286,069</u>
Cash and cash equivalents at end of year	\$ <u><u>1,884,790</u></u>
Composed of:	
Unrestricted cash and cash equivalents	\$ 1,065,795
Restricted cash and cash equivalents	818,995
	\$ <u><u>1,884,790</u></u>
Reconciliation of change in net assets to cash provided by operating activities:	
Operating (loss)	\$ (1,323,655)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,239,827
Bad debt expense	12,565
Noncash expense - PERS on-behalf	16,368
Changes in assets and liabilities that provided (used) cash:	
Accounts receivable	(55,419)
Prepays	941
Accounts payable	535,932
Prepaid lease revenue	(18,076)
Net pension and OPEB asset	(64,179)
Pension and OPEB deferred outflows	(4,285)
Net pension and OPEB liability	49,356
Pension and OPEB deferred inflows	(757)
Net cash provided by operating activities	\$ <u><u>1,388,618</u></u>

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

CITY OF NOME, ALASKA

Notes to Financial Statements

Year Ended June 30, 2021

**(1) Summary of Significant Accounting Policies**

**(a) *General***

The City of Nome, Alaska, Alaska (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 position by the City that are applicable to a future reporting period. Deferred outflows of resources are the consumption of fund balance/net position 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 earned 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 funds:

- *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 Cares Act Fund* is a special revenue fund which accounts for revenues provided by the Coronavirus Aid, Relief and Economic Security Act.

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, 2021, the fair value of the investments in AMLIP approximates the amortized cost at which they are reported. The fair value of our 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](http://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)	36-18
Improvements not buildings	40-5
Quarry jetty	40
Building	25-5
Machinery and equipment	10-5
Vehicles	10-5

**(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 governmental-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.

Notes to Financial Statements, Continued

**(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 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, 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.

Notes to the Financial Statements, Continued

**(p) Fund Balances**

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

**Nonspendable 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.

**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.

## Notes to the Financial Statements, Continued

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 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 of restricted for causeway debt, and E-911 surcharges.
- Unrestricted – all other net position is reported in this category.

**(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.

# CITY OF NOME, ALASKA

## Notes to the Financial Statements, Continued

### (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	-

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.

# CITY OF NOME, ALASKA

## Notes to the Financial Statements, Continued

### (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, 2021 the real and personal property tax levy of \$4,329,462 is reflected as deferred inflows of resources in the General Fund.

At June 30, 2021, property tax receivables included the following:

2021 real and personal property taxes due in fiscal year 2022	\$	4,329,462
Real and personal property taxes currently past due		<u>352,353</u>
		4,681,815
Less:		
Estimated allowance for doubtful collections		105,403
Pre-payment of property taxes due in fiscal year 2022		<u>120,896</u>
	\$	<u>4,455,516</u>

### (3) Cash and Short-Term Investments

Reconciliation to the City's June 30, 2021 financial statements follows:

Petty cash	\$	1,800
Demand deposits		9,120,508
Amortized Cost Investments:		
Money Market		753,464
Certificate of deposit		6,120,000
AMLIP		<u>1,743,104</u>
	\$	<u>17,738,876</u>
Governmental activities	\$	15,854,086
Business type activities		<u>1,884,790</u>
	\$	<u>17,738,876</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, 2021 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.



Notes to the Financial Statements, Continued

**(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 a portion the remaining bank balances. At June 30, 2021 \$551,975 was considered uninsured.

**(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, 2021.

**(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 this the City does not have any recurring fair value measurements at June 30, 2021.

## CITY OF NOME, ALASKA

## Notes to the Financial Statements, Continued

**(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	Business-type Activities	Total
Receivables:					
Property tax	\$ 4,560,919	-	4,560,919	-	4,560,919
Sales and bed tax	905,220	-	905,220	-	905,220
State of Alaska and Federal Government	10,128	153,276	163,404	632,056	795,460
Accounts - unrestricted	-	-	-	353,854	353,854
Other	237,016	11,852	248,868	-	248,868
Gross receivables	5,713,283	165,128	5,878,411	985,910	6,864,321
Less: allowance for uncollectibles	145,353	-	145,353	84,595	229,948
Net total receivables	\$ 5,567,930	165,128	5,733,058	901,315	6,634,373

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 Funds	CARES ACT Special Revenue Fund	Total
Taxes levied for a future year – deferred inflows	\$ 4,329,462	-	4,329,462
Unavailable taxes receivable – deferred inflows	\$ 200,699	-	200,699
Unavailable other receivables – deferred inflows	\$ 50,190	-	50,190
Unearned revenues	\$ 10,042	185,086	195,128

## CITY OF NOME, ALASKA

## Notes to the Financial Statements, Continued

**(5) Capital Assets**

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance at July 1, 2020	Increases and transfers	Decreases and transfers	Balance at June 30, 2021
Governmental activities:				
Capital assets not being depreciated:				
Land general government	\$ 6,703,528	-	-	6,703,528
Land-schools	723,200	-	-	723,200
Artwork	276,926	31,044	-	307,970
Construction in progress	437,729	596,444	551,731	482,442
Total	8,141,383	627,488	551,731	8,217,140
Capital assets being depreciated:				
Buildings-general government	42,322,222	-	-	42,322,222
Buildings-schools	49,673,051	370,859	-	50,043,910
Vehicles, trucks and trailers	6,973,655	217,945	44,680	7,146,920
Assets other than buildings	1,867,903	265,735	-	2,133,638
Machinery and equipment	1,143,278	213,980	17,018	1,340,240
Office machinery and equipment	793,983	139,057	-	933,040
Total	102,774,092	1,207,576	61,698	103,919,970
Less accumulated depreciation:				
Buildings-general government	14,142,903	1,250,516	-	15,393,419
Buildings-schools	36,553,120	956,702	-	37,509,822
Vehicles, trucks and trailers	6,277,797	276,672	44,680	6,509,789
Assets other than buildings	1,309,495	147,089	-	1,456,584
Machinery and equipment	877,737	72,691	17,018	933,410
Office machinery and equipment	717,828	24,336	-	742,164
Total	59,878,880	2,728,006	61,698	62,545,188
Total capital assets, being depreciated, net	42,895,212	(1,520,430)	-	41,374,782
Governmental activities	\$ 51,036,595	(892,942)	(551,731)	49,591,922

## CITY OF NOME, ALASKA

## Notes to the Financial Statements, Continued

	Balance at July 1, 2020	Increases and transfers	Decreases and transfers	Balance at June 30, 2021
Business-type activities:				
Capital assets not being:				
depreciated				
Land	\$ 6,618,242	-	-	6,618,242
Tideland patent	736,400	-	-	736,400
Construction in progress	2,389,142	1,234,894	-	3,624,036
Total	9,743,784	1,234,894	-	10,978,678
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	394,653	44,680	(28,515)	410,818
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	20,940,814	28,973	-	20,969,787
Total	68,371,848	73,653	(28,515)	68,416,986
Less accumulated depreciation:				
Small boat harbor	2,410,888	160,958	-	2,571,846
Causeway	23,431,827	714,566	-	24,146,393
Cape Nome Quarry	247,415	156,509	-	403,924
Buildings	325,447	13,658	-	339,105
Machinery and equipment	346,832	49,462	(28,515)	367,779
Quarry Jetty	2,218,940	196,136	-	2,415,076
C-Cell dock-North	1,308,666	61,833	-	1,370,499
C-Cell dock-South	1,354,552	51,098	-	1,405,650
Westgold Dock	59,171	99,800	-	158,971
Other	4,859,967	780,487	-	5,640,454
Total	36,563,705	2,284,507	(28,515)	38,819,697
Total capital assets, being depreciated, net	31,808,143	(2,210,854)	-	29,597,289
Business-type activities	\$ 41,551,927	(975,960)	-	40,575,967

\* Accumulated depreciation additions for machinery and equipment include \$44,680 of transfers from Governmental Activity for fully depreciated assets.

## 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:

## Depreciation:

Legislative	\$ 5,172
Administrative	12,035
Information technology	41,404
City clerk	13,951
Police	265,098
Animal control	1,075
Emergency Services	277,375
Public works	565,065
Recreation center	74,752
Swimming pool	11,221
Museum	355,876
Library	146,163
Education	956,702
Visitor Center	2,117
Total depreciation	\$ <u>2,728,006</u>

## Business-type activities

Port	\$ <u>2,239,827</u>
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**(6) Long-Term Debt****(a) Changes in long-term debt follows:**

	Balance at July 1, 2020	Additions	Reductions	Balance at June 30, 2021	Due within one year
Governmental activities:					
Compensated absences	\$ 422,001	504,737	481,222	445,516	-
General obligation bonds	1,515,000	-	390,000	1,125,000	235,000
Premium on general obligation bonds	191,862	-	39,155	152,707	-
Landfill loan	50,001	-	50,001	-	-
Landfill closure and postclosure costs	1,357,392	57,409	30,000	1,384,801	-
Net pension and OPEB Liability	5,163,325	481,511	172,417	5,472,419	-
	\$ <u>8,699,581</u>	<u>1,043,657</u>	<u>1,162,795</u>	<u>8,580,443</u>	<u>235,000</u>
Business-type activities:					
Revenue bonds	\$ 3,742,693	-	139,240	3,603,453	144,937
Net pension and OPEB Liability	757,488	56,828	-	814,316	-
Total business type activities	\$ <u>4,500,181</u>	<u>56,828</u>	<u>139,240</u>	<u>4,417,769</u>	<u>144,937</u>

CITY OF NOME, ALASKA

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, 2021 follows:

Year ending June 30	1986 Series A Port Revenue Bonds	
	Principal	Interest
2022	\$ 144,937	144,487
2023	150,866	138,558
2024	157,037	132,386
2025	163,462	125,961
2026	170,149	119,274
2017-2031	961,033	486,086
2032-2036	1,174,368	272,750
2037-2039	681,601	41,959
	<u>\$ 3,603,453</u>	<u>1,461,461</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 general government fund at June 30, 2021 follows:

Year ending June 30	2012		2015	
	School G.O. Bonds		School G.O. Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 130,000	16,100	105,000	33,625
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	8,250
2027-2029	-	-	145,000	11,125
	<u>\$ 400,000</u>	<u>29,350</u>	<u>725,000</u>	<u>120,250</u>

  

Year ending June 30	Total		Total
	Principal	Interest	
2022	\$ 235,000	49,725	284,725
2023	250,000	38,250	288,250
2024	250,000	25,750	275,750
2025	120,000	16,500	136,500
2026	125,000	8,250	133,250
2027-2029	145,000	11,125	156,125
	<u>\$ 1,125,000</u>	<u>190,475</u>	<u>1,274,600</u>

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, 2021, the City amortized \$16,772, leaving \$50,308 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. As of June 30, 2021, the amount of defeased bonds still outstanding was \$430,000.

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, 2021 the City amortized \$8,803 and \$5,831 leaving \$61,584 and \$40,815 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. As of June 30, 2021, the amount of defeased bonds still outstanding was \$400,000 and \$335,000, respectively.

**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).

## Notes to the Financial Statements, Continued

**(7) Interfund Receivables, Payables and Transfers****(a) Interfund Receivables and Payables**

A summary of interfund receivables and payables at June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Port Facility Enterprise Fund	\$ 821,036
General Fund	Other Governmental Funds	725,624
CARES Act	General Fund	186,114
Other Governmental Funds	General Fund	1,452,727
Total primary government		<u>\$ 3,185,501</u>

**(b) Interfund Transfers**

A summary of interfund transfers in and out of June 30, 2021 is as follows:

<u>Transfer in:</u>	<u>Transfer out:</u>		
	General	Other	
	Fund	Governmental	
		Funds	Total
Other Governmental Funds	\$ 768,200	182,939	951,139

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 VSPO Housing fund to cover capital expenditures, the Ice Rink Design fund to cover capital expenditures, the NPD Vehicle fund to cover capital expenditures and the Highway Safety fund, the Public Library Assistance fund, and Historic Preservation Grant fund to cover operating expenditures. There was a transfer from the Debt Service fund to the School Renovation and Repairs fund to cover capital outlays.

**(8) 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.



# CITY OF NOME, ALASKA

## Notes to the Financial Statements, Continued

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	Defined Benefit OPEB
Alaska Retiree Healthcare Trust Plan	Defined Benefit OPEB
Retiree Medical Plan	Defined Benefit OPEB
Defined Contribution Other Postemployment Benefits (DC):	
Healthcare Reimbursement Arrangement Plan	Cost-sharing, Defined Contribution OPEB

### 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, 2021 the employer contribution rate is 0.70% for peace officers/firefighters and 0.31% for all others.

Membership in the plan consisted of the following at June 30, 2020 (latest available report):

Membership	PERS
Active plan members	23,378
Participating employers	152

## Notes to the Financial Statements, Continued

*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, 2020 (latest available information) employer contributions were 4.88% of annual payroll. Membership in the plan consisted of the following at June 30, 2020 (latest report available):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	36,140
Inactive plan members entitled to but not yet receiving benefits	7,208
Inactive plan members not entitled to benefits	10,575
Active plan members	11,162
Total plan membership	65,085

*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, 2021 employer contributions were 1.27%. 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	46
Inactive plan members entitled to but not yet receiving benefits	1,717
Inactive plan members not entitled to benefits	14,643
Active plan members	23,378
Total plan membership	39,784

*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, 2020 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	63
Inactive plan members entitled to but not yet receiving benefits	1,717
Inactive plan members not entitled to benefits	14,643
Active plan members	23,378
Total plan membership	39,801

**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.

## Notes to the Financial Statements, Continued

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, 2020 (latest available report) for the DB Plan for PERS is 4.03%, for the ARHCT plan is 4.16%, for the ODD Plan is 4.28%, and for the RMP is 4.33%.

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>.

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:

<b><u>Asset Class</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Broad Domestic Equity	6.24%
Global Equity (non-U.S.)	6.67%
Intermediate Treasuries	(0.16%)
Opportunistic	3.01%
Real Assets	3.82%
Private Equity	10.00%
Cash Equivalents	(1.09%)

*Discount Rate:* The discount rate used to measure the total pension 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 2.66% as of June 30, 2020.

*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.

## Notes to the Financial Statements, Continued

*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.

*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, 2021 are as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
PERS:			
Pension	14.57%	26.58%	8.85%
OPEB	7.43%	4.27%	0%
Total PERS contribution rates	22.00%	30.85%	8.85%

*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 2021 the past service rate for PERS is 18.23%.

# CITY OF NOME, ALASKA

## Notes to the Financial Statements, Continued

*Actuarial Assumptions:* The total pension and OPEB liabilities on June 30, 2020 (latest available) were determined by an actuarial valuation as of June 30, 2019 which was rolled forward to the measurement date June 30, 2020. 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.
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.
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.

## CITY OF NOME, ALASKA

### Notes to the Financial Statements, Continued

#### Healthcare cost trend rates

Pre-65 medical: 7.0% grading down to 4.5%  
Post-65 medical: 5.4% grading down to 4.5%  
Prescription drugs: 8.0% grading down to 4.5%  
EGWP: 8.0% 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.

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 151 employers participating in PERS defined benefit plan, including the State of Alaska and 150 political subdivisions and public organizations.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

The DB Plan's membership consisted of the following at June 30, 2020 (latest available report):

Inactive plan members or beneficiaries currently receiving benefits	36,140
Inactive plan members entitled to but not receiving benefits	7,208
Inactive members not entitled to benefits	10,575
Active plan members	<u>11,162</u>
Total DB plan membership	<u>65,085</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.

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 25<sup>th</sup> 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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

**Employee Contribution Rate.** The City's PERS active members are required to contribute 7.5% of their annual covered salary for peace officers/firefighters and 6.75% for all others.

Employer contributions for the year ended June 30, 2021, were:

	Pensions (DB)	Other Post-Employment Benefits (DB)	Total
\$	510,166	121,304	631,470

**Public Employees Retirement Plans**

For the year ended June 30, 2021 the State of Alaska contributed \$ 345,286 (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 \$206,748, to represent the pension/OPEB expense attributable to the State under the full accrual basis of accounting.

**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, 2021, 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:		Pension
City's proportionate share of the net pension liability	\$	6,271,667
State's proportionate share of the net pension liability		2,595,580
Total	\$	8,867,247
		OPEB
City's proportionate share of the ARHCT OPEB liability (asset)	\$	(481,197)
State's proportionate share of the ARHCT OPEB liability (asset)		(199,957)
Total	\$	(681,154)
City's proportionate share of the ODD OPEB liability (asset)	\$	(71,965)
City's proportionate share of the RMP OPEB liability	\$	15,067
Total City's share of net pension and OPEB liabilities and assets	\$	5,733,572

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 FY2022 through FY2039, as determined by projections based on the June 30, 2020 valuation.



CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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	0.1055%	0.1063%	0.0008%
OPEB:			
ARHCT	0.1054%	0.1063%	0.0009%
ODD	0.2409%	0.2640%	0.0231%
RMP	0.1997%	0.2124%	0.0127%

Based on the measurement date of June 30, 2020, the City recognized pension and OPEB expense of \$971,844 and (\$384,550), respectively, for the year ended June 30, 2021. At June 30, 2021, 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	\$ 19,896	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	255,257	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(7,504)
City contributions subsequent to the measurement date	510,166	-
Total	\$ 785,319	(7,504)
	OPEB ARHCT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(38,603)
Changes of assumptions	-	(335,422)
Net difference between projected and actual earnings on OPEB plan investments	193,069	-
Changes in proportion and differences between City contributions and proportionate share of contributions	16,152	-
City contributions subsequent to the measurement date	69,955	-
Total	\$ 279,176	(374,025)

## CITY OF NOME, ALASKA

## Notes to the Financial Statements, Continued

	OPEB ODD	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(24,146)
Changes of assumptions	-	(1,054)
Net difference between projected and actual earnings on OPEB plan investments	2,468	-
Changes in proportion and differences between City contributions and proportionate share of contributions	774	(6,628)
City contributions subsequent to the measurement date	12,995	-
Total	\$ 16,237	(31,828)

  

	OPEB RMP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78	(3,238)
Changes of assumptions	21,161	(38,951)
Net difference between projected and actual earnings on OPEB plan investments	6,746	-
Changes in proportion and differences between City contributions and proportionate share of contributions	2,232	(1,287)
City contributions subsequent to the measurement date	38,354	-
Total	\$ 68,571	(43,476)

\$510,166 and \$121,304 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, 2021, 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
2021	\$ 16,903	(359,425)	(4,583)	(1,561)
2022	89,767	68,722	(3,998)	(215)
2023	94,880	73,788	(3,986)	(239)
2024	66,099	52,111	(4,182)	(754)
2025	-	-	(4,804)	(2,379)
Thereafter	-	-	(7,033)	(8,111)
Total	\$ 267,649	(164,804)	(28,586)	(13,259)

For the year ended June 30, 2021, the City recognized (\$174,068) and \$12,406 of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

# CITY OF NOME, ALASKA

## Notes to the Financial Statements, Continued

*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:

		<b>1% Decrease (6.38%)</b>	<b>Current Rate (7.38%)</b>	<b>1% Increase (8.38%)</b>
Net pension liability (asset)	\$	8,154,492	6,271,667	4,692,501
Net OPEB ARHCT liability (asset)	\$	502,119	(481,197)	(1,295,673)
Net OPEB ODD liability (asset)	\$	(67,625)	(71,965)	(75,434)
Net OPEB RMP liability	\$	93,340	15,067	(44,183)

*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:

		<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Net OPEB ARHCT liability (asset)	\$	(855,462)	(481,197)	1,391,112
Net OPEB ODD liability (asset)	\$	N/A	(71,965)	N/A
Net OPEB RMP liability (asset)	\$	(52,866)	15,067	107,470

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

*Plan Description and Funding Requirements.* City's 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): 1.27% for the retiree medical plan (DB), 0.31% 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 \$238,589 for the year ended June 30, 2021, which included forfeitures of \$21,088 which have been applied as employer contributions.

## Notes to the Financial Statements, Continued

**(9) 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, 2021, based on the landfill capacities used as of that date. The \$1,384,801 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.

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.

**(10) 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.

**(11) 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.

**(12) Subsequent Accounting Pronouncements**

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

- GASB 87 *Leases*. Effective for fiscal years beginning after June 15, 2021.
- GASB 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for fiscal years beginning after December 15, 2020.
- GASB 91 *Conduit Debt Obligations*. Effective for fiscal years beginning after December 15, 2021.
- GASB 92 *Omnibus 2020*. This Statement has multiple effective dates which vary by topic.
- GASB 93 *Replacement of Interbank Offered Rates*. Effective for fiscal years beginning after June 15, 2021.
- GASB 94 *Public-Private and Public-Public Partnerships and Availability Payments Arrangements*. Effective for fiscal years beginning after June 15, 2022.
- GASB 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. Effective immediately.
- GASB 96 *Subscription-Based Information Technology Arrangements*. Effective for fiscal years beginning after June 15, 2022.

Notes to the Financial Statements, Continued

GASB Statement No. 94 is not expected to have any significant impact on the financial statements of the City.

GASB Statement No. 87, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease 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 governments' leasing activities.

GASB Statement No. 89 requires interest costs incurred before the end of a construction period to be recognized as an expenditure or expense in the period in which the cost is incurred for financial statements prepared under the current financial resources measurement focus or the economic resource measurement focus.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures

GASB Statement No. 92, the objectives of this Statement are to enhance comparability and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, addresses the fact that some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

GASB Statement No. 95 provides temporary relief to governments in light of the COVID-19 pandemic. The effective dates of the following pronouncement are postponed by one year: GASB Statements No. 83, No. 84, No. 88, No. 89, No. 90, No. 91, No. 92, and No. 93. The effective date for GASB 87 has been postponed by 18 months.

## Notes to the Financial Statements, Continued

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.

**(13) Related Parties**

The City received payments for landfill fees in the amount of \$322,817, and had receivable at year end of \$75,535 from Nome Joint Utility. During the year the city made a required contribution of \$3,225,000 to Nome Public Schools.

**(14) Change in Accounting Principle**

In 2021, the City adopted the provisions GASB Statement No. 84 Fiduciary Activities, which established criteria for identifying fiduciary activities of the City and reporting of said fiduciary activities. In line with the implementation of this statement, the City has also elected to early implement GASB Statement No. 97 Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, which, among other things, clarifies the criteria for evaluating a Section 457 plan as either a pension plan or employee benefit plan as noted in prior guidance. Furthermore, GASB Statement No. 97 also adds or amends criteria for assessing fiduciary component units of the City in relation to previously issued accounting principles.

As a result of these accounting principles, the City evaluated its Section 457 Deferred Compensation Plan described Note 1.S. In evaluating their plan, the City has determined that this plan meets the definition as a pension plan. The City has also determined that the plan is neither a component unit nor a fiduciary fund under current guidance and, as a result, the City no longer reports a Fiduciary Fund.

# **REQUIRED SUPPLEMENTARY INFORMATION**

## 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, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Local sources:			
Taxes:			
Property taxes	\$ 4,574,638	4,564,707	(9,931)
Sales taxes	5,505,000	5,904,993	399,993
Payments in lieu of taxes	372,437	374,736	2,299
Penalties and interest	57,750	77,186	19,436
Bed tax	103,000	118,589	15,589
Charges for services:			
Licenses and permits	70,010	77,339	7,329
Usage fees	1,359,283	691,846	(667,437)
Fines and forfeitures	6,000	1,801	(4,199)
Investment income	80,000	78,640	(1,360)
Rental and royalties	159,442	271,266	111,824
Contributions	34,000	35,856	1,856
Other	5,155	21	(5,134)
Total local sources	12,326,715	12,196,980	(129,735)
Intergovernmental:			
State of Alaska	113,641	432,345	318,704
Federal sources	508,874	508,874	-
Total revenues	12,949,230	13,138,199	188,969
Expenditures:			
Current:			
Legislative	162,410	134,206	28,204
Administrative	842,256	684,281	157,975
Information technology	429,989	345,773	84,216
Planning and engineering	155,069	103,819	51,250
City clerk	517,067	475,007	42,060
Police	2,376,205	2,263,085	113,120
Animal control	54,488	40,905	13,583
Emergency Services	484,973	406,767	78,206
Public works	2,319,982	2,339,205	(19,223)
Recreation center	705,144	613,155	91,989
Swimming pool	93,391	51,880	41,511
Museum	276,900	235,536	41,364
Library	267,737	263,215	4,522
Visitor center	214,158	211,788	2,370
Education	3,079,680	3,079,672	8
Non-departmental	80,917	101,134	(20,217)
Debt service:			
Principal	50,001	50,001	-
Interest	750	750	-
Total expenditures	12,111,117	11,400,179	710,938
Excess of revenues over expenditures	838,113	1,738,020	899,907
Other financing sources (uses):			
Proceeds from sale of capital assets	-	46,120	46,120
Transfers out	(838,113)	(768,200)	69,913
Net other financing sources (uses)	(838,113)	(722,080)	116,033
Net change in fund balance	\$ -	1,015,940	1,015,940
Fund balance, beginning of year		13,977,705	
Fund balance, ending of year		\$ 14,993,645	

See accompanying notes to Required Supplementary Information.



## CITY OF NOME, ALASKA

## CARES Act Special Revenue Fund

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

Year Ended June 30, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental-			
Federal sources	\$ 4,847,260	4,662,350	(184,910)
Expenditures:			
Current:			
Legislative	115,633	111,222	4,411
Administrative	487,056	468,476	18,580
Information technology	114,369	110,006	4,363
Police	1,048,338	1,008,347	39,991
Emergency Services	225,559	216,955	8,604
Public works	202,197	194,484	7,713
Library	6,561	6,311	250
Education	233,924	225,000	8,924
Non-departmental	2,413,623	2,321,549	92,074
Total expenditures	4,847,260	4,662,350	184,910
Excess of revenues over expenditures	-	-	-
Fund balance, beginning of year		-	
Fund balance, ending of year		\$ -	

See accompanying notes to Required Supplementary Information.

CITY OF NOME

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

Public Employees' Retirement System (PERS)

June 30, 2021

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
2015	0.0713%	\$ 3,324,880	\$ 3,063,690	\$ 6,388,570	\$ 4,256,768	78%	62.37%
2016	0.1062%	\$ 5,152,410	\$ 138,151	\$ 5,290,561	\$ 3,091,332	167%	63.96%
2017	0.1269%	\$ 7,091,710	\$ 893,136	\$ 7,984,846	\$ 3,016,750	235%	59.55%
2018	0.1051%	\$ 5,432,839	\$ 2,023,811	\$ 7,456,650	\$ 3,057,182	178%	63.37%
2019	0.1127%	\$ 5,599,916	\$ 1,619,291	\$ 7,219,207	\$ 3,169,595	177%	65.19%
2020	0.1055%	\$ 5,775,101	\$ 2,292,576	\$ 8,067,677	\$ 3,130,982	184%	63.42%
2021	0.1063%	\$ 6,271,667	\$ 2,595,580	\$ 8,867,247	\$ 3,666,977	171%	61.61%

See accompanying notes to Required Supplementary Information.

CITY OF NOME

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

Public Employees' Retirement System (PERS)

June 30, 2021

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 Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
<b>Alaska Retiree Healthcare Trust Plan (ARHCT):</b>							
2018	0.1051%	\$ 887,886	\$ 331,346	\$ 1,219,232	\$ 3,057,182	29.04%	89.68%
2019	0.1126%	\$ 1,155,990	\$ 335,315	\$ 1,491,305	\$ 3,169,595	36.47%	88.12%
2020	0.1054%	\$ 156,336	\$ 62,178	\$ 218,514	\$ 3,130,982	4.99%	98.13%
2021	0.1063%	\$ (481,197)	\$ (199,957)	\$ (681,154)	\$ 3,666,977	-13.12%	106.15%
<b>Occupational Death and Disability (ODD):</b>							
2018	0.2018%	\$ (28,631)	\$ -	\$ (28,631)	\$ 3,057,182	-0.94%	212.97%
2019	0.2141%	\$ (41,590)	\$ -	\$ (41,590)	\$ 3,169,595	-1.31%	270.62%
2020	0.2409%	\$ (58,407)	\$ -	\$ (58,407)	\$ 3,130,982	-1.87%	297.43%
2021	0.2640%	\$ (71,965)	\$ -	\$ (71,965)	\$ 3,666,977	-1.96%	283.80%
<b>Retiree Medical Plan (RMP):</b>							
2018	0.1303%	\$ 10,523	\$ -	\$ 10,523	\$ 891,245	1.18%	93.98%
2019	0.2141%	\$ 27,249	\$ -	\$ 27,249	\$ 603,292	4.52%	88.71%
2020	0.1997%	\$ 47,783	\$ -	\$ 47,783	\$ 452,109	10.57%	83.17%
2021	0.2124%	\$ 15,067	\$ -	\$ 15,067	\$ 1,011,932	1.49%	92.23%

See accompanying notes to Required Supplementary Information.

CITY OF NOME

Schedule of the City's Contributions (Pensions)

Public Employees' Retirement System (PERS)

June 30, 2021

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
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%

See accompanying notes to Required Supplementary Information.

CITY OF NOME

Schedule of the City's Contributions (OPEB)  
Public Employees' Retirement System (PERS)

June 30, 2021

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
<b>Alaska Retiree Healthcare Trust Plan (ARHCT):</b>					
2018	\$ 104,974	\$ (104,974)	\$ -	\$ 3,169,595	3.31%
2019	\$ 129,124	\$ (129,124)	\$ -	\$ 3,130,982	4.12%
2020	\$ 152,200	\$ (152,200)	\$ -	\$ 3,666,977	4.15%
2021	\$ 69,955	\$ (69,955)	\$ -	\$ 3,956,041	1.77%
<b>Occupational Death and Disability (ODD):</b>					
2018	\$ 5,344	\$ (5,344)	\$ -	\$ 3,169,595	0.17%
2019	\$ 9,836	\$ (9,836)	\$ -	\$ 3,130,982	0.31%
2020	\$ 11,577	\$ (11,577)	\$ -	\$ 3,666,977	0.32%
2021	\$ 12,995	\$ (12,995)	\$ -	\$ 3,956,041	0.33%
<b>Retiree Medical Plan (RMP):</b>					
2018	\$ 24,963	\$ (24,963)	\$ -	\$ 603,292	4.14%
2019	\$ 23,439	\$ (23,439)	\$ -	\$ 452,109	5.18%
2020	\$ 37,891	\$ (37,891)	\$ -	\$ 1,011,932	3.74%
2021	\$ 38,354	\$ (38,354)	\$ -	\$ 1,085,723	3.53%

See accompanying notes to Required Supplementary Information.

CITY OF NOME

Notes to Required Supplementary Information

June 30, 2021

**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.

The following had expenditures in excess of appropriations in the General Fund for the year ended June 30, 2021:

Non-departmental	20,217
Public Works	19,223

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

## 2. Public Employees' Retirement System

### **Schedule of City'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, 2019 to June 30, 2020:***

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

#### ***Changes in Assumptions Since the Prior Valuation – June 30, 2019 to June 30, 2020:***

Healthcare claim costs are updated annually. Retired member contribution trend rates were updated to reflect the ongoing shift in population from pre-Medicare to Medicare-eligible and a projection of expected future retiree contributions reflecting the 10% decrease from 2019 to 2020. The Further Consolidated Appropriations Act, 2020 that was signed in December 2019 made several changes, including the repeal of the Cadillac Tax. The amounts included in the Normal Cost for administrative expenses were updated based on the most recent two years of actual administrative expenses paid from plan assets.

#### ***Changes in Benefit Provisions Since the Prior Valuation – June 30, 2019 to June 30, 2020:***

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 City will present only those years for which information is available.

### **Schedule of City Contributions (Pension) and (OPEB)**

The table valuation date is June 30, 2019 which was rolled forward to June 30, 2020. Actuarially determined contribution rates are calculated as of June 30<sup>th</sup>, 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, 2021

		Special Revenue Funds													
		NSEDG		Historic Preservation Grant		National Park Service		NSEDG Community Employment Program		Public Library Assistance		FEMA Pandemic		Institute of Museum and Library Services Grant	
		NPD SART		NSEDG Community Benefits Share											

## CITY OF NOME, ALASKA

## Other Governmental Funds

## Combining Balance Sheet, Continued

	Debt Service Fund	Capital Project Funds				Total Other Governmental Funds
		Landfill	NPS 18-Plex	School Renovation and Repairs	Total	
<b>Assets</b>						
Cash and short-term investments	\$ 1,382,340	-	-	-	-	1,382,340
Receivables:						
Federal	-	-	-	-	-	120,221
State of Alaska	-	-	-	-	-	33,055
Other	-	-	338	201	539	11,852
Due from other funds	-	704,667	-	165,274	869,941	1,452,727
Total assets	\$ 1,382,340	704,667	338	165,475	870,480	3,000,195
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	-	-	338	165,475	165,813	174,021
Due to other funds	562,488	-	-	-	-	725,624
Total liabilities	562,488	-	338	165,475	165,813	899,645
Fund balances:						
Restricted -						
E-911 Surcharge	-	-	-	-	-	572,421
Committed -						
Community projects	-	-	-	-	-	16,249
Assigned:						
Debt service	819,852	-	-	-	-	819,852
Landfill	-	704,667	-	-	-	704,667
Unassigned	-	-	-	-	-	(12,639)
Total fund balances	819,852	704,667	-	-	704,667	2,100,550
	\$ 1,382,340	704,667	338	165,475	870,480	3,000,195

CITY OF NOME, ALASKA  
Other Governmental Funds

Exhibit H-2

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances

Year Ended June 30, 2021

Special Revenue Funds							
	E-911 Surcharge	State of Alaska DHSS	Highway Safety	Public Safety	National Park Service	NPD SART	NSEDC Community Benefits Share
Revenues:							
Local sources:							
Charges for services	\$ 98,561	-	-	-	-	-	-
Other	-	-	-	-	-	38,295	-
Intergovernmental:							
State of Alaska	-	-	7,864	-	-	54,320	-
Federal sources	-	33,861	-	51,994	240	15,009	-
Total revenues	98,561	33,861	7,864	51,994	240	107,624	-
Expenditures:							
Current:							
Administrative	-	-	-	-	-	-	-
Planning and engineering	-	-	-	-	-	-	-
Police	7,194	-	11,501	51,994	-	107,624	-
Emergency services	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Non-departmental	-	33,861	-	-	240	-	246,629
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	7,194	33,861	11,501	51,994	240	107,624	246,629
Excess (deficiency) of revenues over expenditures	91,367	-	(3,637)	-	-	-	(246,629)
Other financing sources (uses):							
Transfers (out)	-	-	-	-	-	-	-
Transfers in	-	-	3,637	-	-	-	-
Total other financing sources (uses)	-	-	3,637	-	-	-	-
Net change in fund balances	91,367	-	-	-	-	-	(246,629)
Fund balances, beginning of year	481,054	-	-	-	-	-	262,878
Fund balances, end of year	\$ 572,421	-	-	-	-	-	16,249
							(Continued)

(Continued)

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
	NSEDC Community Employment Program	Public Library Assistance	Historic Preservation Grant	FEMA Pandemic	Institute of Museum and Library Services Grant			
Revenues:								
Local sources:								
Charges for services	-	-	-	-	-	-	98,561	
Other	1,093	-	-	-	-	-	39,388	
Intergovernmental:								
State of Alaska	-	10,600	-	-	-	-	72,784	
Federal sources	-	7,510	11,256	161,668	11,744	-	293,282	
Total revenues	1,093	18,110	11,256	161,668	11,744	-	504,015	
Expenditures:								
Current:								
Administrative	-	-	-	27,482	-	-	27,482	
Planning and engineering	-	-	24,200	-	-	-	24,200	
Police	-	-	-	84,680	-	-	262,993	
Emergency services	-	-	-	56,711	-	-	56,711	
Public works	-	-	-	4,469	-	-	4,469	
Library	1,093	19,186	-	-	11,744	-	32,023	
Non-departmental	-	-	-	965	-	-	281,695	
Debt service:								
Principal	-	-	-	-	-	-	390,000	
Interest	-	-	-	-	-	-	63,875	
Capital outlay	-	-	-	-	-	-	-	
Total expenditures	1,093	19,186	24,200	174,307	11,744	-	453,875	
Excess (deficiency) of revenues over expenditures	-	(1,076)	(12,944)	(12,639)	-	-	(453,875)	
Other financing sources (uses):								
Transfers (out)	-	-	-	-	-	-	(182,939)	
Transfers in	-	1,076	12,944	-	-	-	453,875	
Total other financing sources (uses)	-	1,076	12,944	-	-	-	270,936	
Net change in fund balances	-	-	-	(12,639)	-	-	(182,939)	
Fund balances, beginning of year	-	-	-	-	-	-	1,002,791	
Fund balances, end of year	-	-	-	(12,639)	-	-	819,852	

(Continued)

## CITY OF NOME, ALASKA

Exhibit H-2, Continued

## 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	Equipment and Upgrades	Total	
Revenues:						
Local sources:						
Charges for services	-	-	-	-	-	98,561
Other	-	57,334	25,695	-	83,029	122,417
Intergovernmental:						
State of Alaska	-	-	-	-	-	72,784
Federal sources	-	-	-	-	-	293,282
Total revenues	-	57,334	25,695	-	83,029	587,044
Expenditures:						
Current:						
Administrative	-	-	-	-	-	27,482
Planning and engineering	-	-	-	-	-	24,200
Police	-	-	-	-	-	262,993
Emergency services	-	-	-	-	-	56,711
Public works	-	-	-	-	-	4,469
Library	-	-	-	-	-	32,023
Non-departmental	-	-	-	-	-	281,695
Debt service:						
Principal	-	-	-	-	-	390,000
Interest	-	-	-	-	-	63,875
Capital outlay	-	240,273	227,864	94,499	562,636	562,636
Total expenditures	-	240,273	227,864	94,499	562,636	1,706,084
Excess (deficiency) of revenues over expenditures	-	(182,939)	(202,169)	(94,499)	(479,607)	(1,119,040)
Other financing sources (uses):						
Transfers (out)	-	-	-	-	-	(182,939)
Transfers in	-	182,939	202,169	94,499	479,607	951,139
Total other financing sources (uses)	-	182,939	202,169	94,499	479,607	768,200
Net change in fund balances	-	-	-	-	-	(350,840)
Fund balances, beginning of year	704,667	-	-	-	704,667	2,451,390
Fund balances, end of year	704,667	-	-	-	704,667	2,100,550

CITY OF NOME, ALASKA  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

<u>Federal Grant Title</u>	<u>Pass Through/ Grant Number</u>	<u>Federal Assistance Listing Number</u>	<u>Total Grant Award</u>	<u>Expenditures</u>
U.S. Department of Interior:				
Direct -				
Cultural Resource Management	P16AC00333	15.946	\$ 28,000	240
Passed through the State of Alaska, Department of Commerce, Community, and Economic Development - Payment in lieu of taxes	None	15.226	508,874	508,874
Passed through the State of Alaska, Department of Natural Resources - Nome Historic Preservation Plan	HPF Grant 19004	15.904	11,256	11,256
Total U.S. Department of Interior			548,130	520,370
U.S. Department of Justice:				
Passed through State of Alaska, Department of Public Safety:				
COVID-19 Coronavirus Emergency Supplemental Funding	None	16.034	57,000	51,994
SART	None	16.588	15,009	15,009
Total U.S. Department of Justice			72,009	67,003
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	33,861
U.S. Department of 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	4,662,350
U.S. Department of Homeland Security -				
Passed through the State of Alaska, Department of Military and Veteran Affairs - COVID-19 Pandemic Response	DR-4533-AK	97.036	348,021	161,668
U.S. Department of Commerce -				
Direct -				
Nome Inner Harbor Launch Ramp Repair	07-01-07499	11.300	1,692,413	407,045
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	ILC21-034	45.310	7,510	7,510
Passed through Nome Eskimo Community:				
Native American and Native Hawaiian Library Services	NG-01-19-0174-19	45.311	10,000	1,744
Native American and Native Hawaiian Library Services	NAB-246479-OLS-20	45.311	10,000	10,000
Total ALN 45.311			20,000	11,744
Total U.S. Department of Museum and Library Services			27,510	19,254
Total expenditures of federal awards			\$ 8,538,205	5,871,551
Reconciliation from Federal Financial Assistance				
to Federal sources revenues, Exhibit D-1:				
Above expenditures, per schedule			\$ 5,871,551	
Less: Capital Contributions, Port Facility Enterprise Fund			(407,045)	
Total Federal sources revenue Exhibit D-1			\$ 5,464,506	

## CITY OF NOME, ALASKA

### Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

#### **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, 2021. 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.

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# **COMPLIANCE REPORTS**

**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, 2021 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. Our report includes a reference to other auditors who audited the financial statements of Nome Joint Utility System, a discretely presented component unit, as described in our report on the City of Nome, Alaska's financial statements. This report does not include the result of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of 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, 2022

**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**

We have audited the City of Nome, Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Nome, Alaska's major federal programs for the year ended June 30, 2021. 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 received \$2,216,196 and \$0, respectively, in federal awards which are not included in City of Nome, Alaska's Schedule of Expenditures of Federal Awards during the year ended June 30, 2021. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Nome, Alaska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Nome, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Nome, Alaska's compliance.

### **Opinion on Each Major Federal Program**

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, 2021.

### **Report on Internal Control Over Compliance**

Management of the City of Nome, Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Nome, Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Nome, Alaska's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

CITY OF NOME, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

**Section I – Summary of Auditor’s Results**

Financial Statements

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

Unmodified

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?

\_\_\_ Yes X 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  
21.019

Name of Federal Program or Cluster  
COVID-19 Coronavirus Relief Funds

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 did not have any findings that related to the financial statements.

***Section III – Federal Award Findings and Questioned Costs***

The City of Nome did not have any findings that related to federal awards.