

CITY OF NOME, ALASKA

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

Year Ended June 30, 2024

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CITY OF NOME, ALASKA

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Unmodified and Disclaimer of Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska (the City) as of and for the year ended June 30, 2024, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the City of Nome, Alaska's basic financial statements as listed in the table of contents.

Summary of Opinions

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

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

We do not express an opinion on the financial statements of the aggregately presented component units of the City of Nome, Alaska. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Nome Joint Utility System have not been audited, and we were not engaged to audit the Nome Joint Utility System financial statements as part of our audit of the City of Nome, Alaska's basic financial statements. Nome Joint Utility System's financial activities are included in the City of Nome, Alaska's basic financial statements as a part of the aggregate discretely presented component units and represent 32 percent, 30 percent, and 25 percent of the assets, net position, and revenues, respectively, of the City of Nome, Alaska's aggregate discretely presented component units.

Basis for Unmodified Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Aggregate Discretely Presented Component Units

Our responsibility is to conduct an audit of the City of Nome, Alaska's financial statements in accordance with generally accepted auditing standards and *Government Auditing Standards* and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units.

We are required to be independent of the City of Nome, Alaska and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Auditor's Responsibilities for the Audit of the Governmental Activities, the Business-type Activities, Each Major Fund, and the Aggregate Remaining Fund Information.

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-16, the budgetary comparison schedule on page 55, the Schedules of City's Share of Net Pension and OPEB Liabilities and Assets and Contributions for the Public Employees' Retirement System on pages 56-59, and the related notes to required supplementary information on pages 60-61, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information listed in the table of contents as "Supplementary Information", which includes Other Governmental Funds: Combining Balance Sheet, Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit), the Schedule of Expenditures of Federal Awards and notes to the schedule as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*; and Schedule of State Financial Assistance and related notes as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. 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 March 31, 2025 on our consideration of City of Nome, Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Nome, Alaska's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Nome, Alaska's internal control over financial reporting and compliance.

Altman, Rogers & Co.

Anchorage, Alaska
March 31, 2025

MANAGEMENT DISCUSSION AND ANALYSIS

City of Nome, Alaska

Management Discussion and Analysis

For the Year Ended June 30, 2024

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, 2024. 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, 2024, the City's assets and deferred outflows (net position) exceeded its liabilities and deferred inflows by \$175,707,375. Of this amount, \$6,628,226 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$80,218,708, an 84% increase from the prior fiscal year's amount. The governmental activities net position decreased by \$3,189,914 (6%) and the business-type activities net position increased by \$83,408,622 (212%). The business-type activities increased significantly due to State investment via Legislative Grants to the Port of Nome Modifications project and is shown in the increase in net investment in capital assets.
- As of June 30, 2024, the City's governmental funds, excluding business-type activities, reported combined ending fund balances of \$13,767,672, representing a decrease of \$1,981,132 compared to the prior year.
- Total general revenues accounted for \$13,846,917 (13.3%) of total revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$89,720,537 (86.6%) of total revenues of \$103,567,454.
- 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 \$6,283,296 or 37.35% of total General Fund expenditures and transfers. The unassigned fund balance continues to decrease due to revenue not meeting City expenses causing a transfer from savings to balance the budget.
- The City's total outstanding long-term debt increased by \$502,739 due to additions in the landfill closure and postclosure costs; as well as additions in the net pension and OPEB liabilities.
- In 2024, per resolution R-24-01-07, the Nome Common Council relinquished the Nome Volunteer Ambulance Department to Norton Sound Health Corporation. There were several public discussions via City work sessions and Council meetings before coming to this very difficult decision.

Management Discussion and Analysis, Continued

Overview of the Financial Statements

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

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

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

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

City of Nome, Alaska
Management Discussion and Analysis, Continued

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

Government-wide Financial Statements

The Government-wide financial statements are intended to provide a comprehensive look at all financial activities of the City. These statements summarize the City's overall financial condition and contain both short-term and long-term information about the City's entity-wide finances, similar to a private-sector business. Both of the Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). These statements can be located as listed on the table of contents of this document.

The **statement of net position** presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may indicate the improvement or deterioration of the City's financial position.

The **statement of activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Nome, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds – not the City as a whole. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

City of Nome, Alaska
Management Discussion and Analysis, Continued

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

The City of Nome, Alaska maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*.

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

- *Proprietary Funds*: When the City charges customers for the services it provides – both to outside customers and to other units of the City – these services are generally reported in the proprietary funds. Proprietary funds are reported in the same manner in the Statement of Net Position and the Statement of Activities. The City maintains one type of proprietary funds.
 - *Enterprise Funds*: are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an Enterprise Fund to account for its port facilities.

Notes to the Financial Statements

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

Other Information

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

Government-Wide Financial Analysis

Statement of Net Position

Over time, net position may serve as a useful indicator of a government's financial position. At June 30, 2024, the City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$175,707,375, representing a net increase of \$80,218,708 from the prior year. Of this amount, \$6,628,226 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

City of Nome, Alaska

Management Discussion and Analysis, Continued

By far the largest portion of the City's net position (95.5%) 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.

| 2024 | | | | |
|-----------------------------------|---------------|---------------|--------------|-------------|
| | Governmental | Business-type | | |
| | Activities | Activities | Eliminations | Total |
| Current and other assets | \$ 22,085,046 | 2,759,249 | (1,810,999) | 23,033,296 |
| Long-term and capital assets | 48,430,116 | 126,545,403 | - | 174,975,519 |
| Total assets | 70,515,162 | 129,304,652 | (1,810,999) | 198,008,815 |
| Deferred outflows of resources | 1,087,842 | 156,791 | - | 1,244,633 |
| Current liabilities | 2,968,656 | 2,526,445 | (1,810,999) | 3,684,102 |
| Long-term liabilities | 10,172,388 | 3,872,385 | - | 14,044,773 |
| Total liabilities | 13,141,044 | 6,398,830 | (1,810,999) | 17,728,875 |
| Deferred inflows of resources | 5,383,145 | 434,053 | - | 5,817,198 |
| Net position | | | | |
| Net investment in capital assets | 44,759,948 | 123,100,089 | - | 167,860,037 |
| Restricted for E-911 surcharge | 338,181 | - | - | 338,181 |
| Restricted for CPV Tax | - | 18,259 | - | 18,259 |
| Restricted for causeway | - | 862,672 | - | 862,672 |
| Unrestricted | 7,980,686 | (1,352,460) | - | 6,628,226 |
| Total net position | 53,078,815 | 122,628,560 | - | 175,707,375 |
| Total Liab, Def Inf, Net Position | \$ 71,603,004 | 129,461,443 | (1,810,999) | 199,253,448 |

| 2023 | | | | |
|-----------------------------------|---------------|---------------|--------------|-------------|
| | Governmental | Business-type | | |
| | Activities | Activities | Eliminations | Total |
| Current and other assets | \$ 23,076,961 | 1,857,206 | (2,705,010) | 22,229,157 |
| Long-term and capital assets | 48,967,001 | 45,273,370 | - | 94,240,371 |
| Total assets | 72,043,962 | 47,130,576 | (2,705,010) | 116,469,528 |
| Deferred outflows of resources | 1,099,261 | 157,604 | - | 1,256,865 |
| Current liabilities | 2,284,891 | 3,558,875 | (2,705,010) | 3,138,756 |
| Long-term liabilities | 9,436,969 | 3,981,490 | - | 13,418,459 |
| Total liabilities | 11,721,860 | 7,540,165 | (2,705,010) | 16,557,215 |
| Deferred inflows of resources | 5,152,634 | 527,877 | - | 5,680,511 |
| Net position | | | | |
| Net investment in capital assets | 45,793,486 | 40,487,591 | - | 86,281,077 |
| Restricted for E-911 surcharge | 735,966 | - | - | 735,966 |
| Restricted for CPV Tax | - | 11,060 | - | 11,060 |
| Restricted for causeway | - | 837,863 | - | 837,863 |
| Unrestricted | 9,739,277 | (2,116,576) | - | 7,622,701 |
| Total net position | 56,268,729 | 39,219,938 | - | 95,488,667 |
| Total Liab, Def Inf, Net Position | \$ 73,143,223 | 47,288,180 | (2,705,010) | 117,726,393 |

City of Nome, Alaska
Management Discussion and Analysis, Continued

A small portion of the City's net position (less than 1% in 2024) 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 \$6,635,425 may be used to meet the government's ongoing obligation to citizens and creditors.

Statement of Activities

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

| Change in Net Position | | | | | | |
|---|----------------------------|---------------------------------|-------------|----------------------------|---------------------------------|------------|
| | 2024 | | | 2023 | | |
| | Governmental Activities | Business- type Activities | Total | Governmental Activities | Business- type Activities | Total |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | 1,110,235 | 2,544,386 | 3,654,621 | 1,028,389 | 2,252,351 | 3,280,710 |
| Operating grants and contributions | 699,829 | 5,469 | 705,298 | 1,717,216 | (9,509) | 1,707,707 |
| Capital grants and contributions | 457,162 | 84,903,456 | 85,360,618 | 272,898 | 2,139,898 | 2,412,796 |
| General revenues: | | | | | | |
| Property taxes | 4,364,021 | - | 4,364,021 | 4,658,158 | - | 4,658,158 |
| Penalties and interest | 127,615 | - | 127,615 | 91,058 | - | 91,058 |
| Sales tax | 7,103,122 | - | 7,103,122 | 7,193,221 | - | 7,193,221 |
| Bed tax | 256,393 | - | 256,393 | 208,718 | - | 208,718 |
| Fines and forfeitures | 2,143 | - | 2,143 | 807 | - | 807 |
| Payment in lieu of taxes | 323,556 | - | 323,556 | 368,470 | - | 368,470 |
| Rentals and royalties | 253,945 | - | 253,945 | 183,092 | - | 183,092 |
| Investment earnings | 563,409 | 78,689 | 642,098 | 328,865 | 70,232 | 399,097 |
| Grants not restricted to specific programs | 735,744 | - | 735,744 | 826,647 | - | 826,647 |
| Gain on sale of assets/ equipment | 38,280 | - | 38,280 | - | - | - |
| Transfer capital asset from component unit | - | - | - | 152,431 | - | 152,431 |
| Other | - | - | - | - | - | - |
| Total revenues | \$ 16,035,454 | 87,532,000 | 103,567,454 | 17,029,970 | 4,452,972 | 21,482,942 |

(continued)

City of Nome, Alaska
Management Discussion and Analysis, Continued

| | Change in Net Position | | | | | |
|---------------------------------|----------------------------|---------------------------------|-------------|----------------------------|---------------------------------|------------|
| | 2024 | | | 2023 | | |
| | Governmental Activities | Business- type Activities | Total | Governmental Activities | Business- type Activities | Total |
| Expenses: | | | | | | |
| Legislative | 216,138 | - | 216,138 | 200,096 | - | 200,096 |
| Administrative | 1,288,998 | - | 1,288,998 | 1,189,380 | - | 1,189,380 |
| Information technology | 304,260 | - | 304,260 | 268,006 | - | 268,006 |
| Planning and engineering | 157,927 | - | 157,927 | 85,308 | - | 85,308 |
| City clerk | 529,180 | - | 529,180 | 473,785 | - | 473,785 |
| Police | 4,613,141 | - | 4,613,141 | 3,048,732 | - | 3,048,732 |
| Animal control | 35,567 | - | 35,567 | 34,713 | - | 34,713 |
| EMS | 979,316 | - | 1,082,633 | 758,823 | - | 758,823 |
| Public works | 4,218,381 | - | 4,218,381 | 4,973,666 | - | 4,973,666 |
| Recreation center | 894,817 | - | 791,500 | 687,202 | - | 687,202 |
| Swimming pool | 44,790 | - | 44,790 | 55,198 | - | 55,198 |
| Museum | 665,274 | - | 665,274 | 588,337 | - | 588,337 |
| Library | 576,311 | - | 576,311 | 465,301 | - | 465,301 |
| Visitor center | 214,790 | - | 214,790 | 241,307 | - | 241,307 |
| Education | 4,155,951 | - | 4,155,951 | 4,162,778 | - | 4,162,778 |
| Non-departmental | 330,527 | - | 330,527 | 1,100,555 | - | 1,100,555 |
| Unallocated interest | - | - | - | 6,844 | - | 6,844 |
| Port | - | 4,123,378 | 4,123,378 | - | 3,647,163 | 3,281,185 |
| Total expenses | 19,225,368 | 4,123,378 | 23,348,746 | 18,339,531 | 3,647,163 | 21,986,694 |
| Change in net position | (3,189,914) | 83,408,622 | 80,218,708 | (1,309,561) | 805,809 | (503,752) |
| Net position, beginning of year | 56,268,729 | 39,219,938 | 95,992,419 | 57,578,290 | 38,414,129 | 95,992,419 |
| Net position, end of year | \$ 53,078,815 | 122,628,560 | 175,707,375 | 56,268,729 | 39,219,938 | 95,488,667 |

As reflected in the table above, the City's overall net position increased by \$80,218,708 in 2024. Governmental activities in 2024 decreased the City's net position by \$3,189,914.

The primary sources of revenue from governmental activities are sales tax and property tax revenue, which amounted to \$7,103,122 and \$4,364,021 respectively, a decrease of 1.2% in sales tax and a decrease of 6.3% in property tax, from 2023. The Alaska Remote Sellers' collection increased \$10,625 (2%). The decrease in property tax revenue was attributed to value changes in the tax roll, as well as a reduction in the mill rate from 12 mills to 10.5 mills.

Expenses in the governmental activities increased in 2024 by \$885,837 from the prior year. The majority of this increase is attributed to capital projects, such as the Radio upgrades for the Nome Police Department and Emergency Services. Other increases were due to increased staffing and equipment purchases.

City of Nome, Alaska
Management Discussion and Analysis, Continued

The City's governmental activities expenses are predominately related to Public Works (22%), Education (22%), Public Safety (30%), and General Government (13%) or 87% of total governmental activities expenses.

Business-type activities in 2024 increased the City's net position by \$83,408,622 due to local, state, and federal contributions to port upgrades and improvements.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

At June 30, 2024 the City's governmental funds reported combined ending fund balances of \$13,767,672, a decrease of \$1,981,132 over the prior year. Of this amount \$7,754,529 is non-spendable, restricted, committed, or assigned for specific purposes. \$6,013,143 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund decreased by \$1,591,391 in 2024 compared to a decrease of \$1,168,802 in 2023.

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, 2024, the unassigned fund balance of the General Fund was \$6,283,296 which is 53.50% of the total General Fund balance compared to 60.80% in 2023.

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 39.38% of total General Fund expenditures at June 30, 2024 compared to 49.95% at June 30, 2023.

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 \$122,628,560 in 2024, an increase of \$83,408,622 from 2023, while the unrestricted net position is a deficit of \$1,352,520 compared to a deficit of \$2,116,576 in 2023.

City of Nome, Alaska
Management Discussion and Analysis, Continued

General Fund Budgetary Highlights

- General Fund expenditures exceeded revenues by \$993,925 before transfers, and after transfers between funds were accounted for, there was a net decrease in fund balance of \$1,591,391.
- Overall, actual revenues were \$52,888 more than budgeted while actual expenditures before transfers was \$1,050,035 less than budgeted, which is primarily due to staff turnover creating vacancies, as well as encountering challenges in filling open positions. The ambulance service was transferred to an outside entity in April 2024 per R-24-04-03.
- Actual sales tax revenue did not meet budget expectations by \$406,878. Actual Bed Tax revenues were \$36,393 greater than budgeted amounts. Licenses and permits were also greater than budgeted by \$74,281.

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, 2024 amounts to \$171,459,146 net of accumulated depreciation, an increase of \$81,140,524 over last year. Major capital asset events during FY2024 included the following:

- Capital projects completed:
 - Acquisition of 2023 F350 Super Cab Flatbed
 - Acquisition of 2023 F150 Pickup
 - Acquisition of 2023 Ford Transit Van
 - Acquisition of Genie Boom Lift
 - Acquisition of CAT 966F Loader Bucket
 - Acquisition of MadVac Kubota RTV 1100 for Landfill
 - Upgrades to Nome Recreation Center: AFS Camera Project & Wi-Fi
 - Upgrades to Senior Center: Fire Alarm
 - Upgrades to Front Street Sound System
- Ongoing projects:
 - Port of Nome Modifications Project/Deep Water Port Expansion
 - FEMA Projects due to Typhoon Merbok
 - Port Waste Facility
 - Nome Recreation Center/Emergency Shelter Heater & Ventilation Upgrades
 - City Hall Heat & Ventilation Upgrades
 - Covered ice hockey rink facility
 - Nome-Beltz High School Roof
 - 18 Plex for Teacher & Police Housing

City of Nome, Alaska
Management Discussion and Analysis, Continued

| | | 2024 | | | 2023 | | |
|-------------------------------|----|-------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| | | Governmental | | Business- | Governmental | | Business- |
| | | Activities | Activities | Total | Activities | Activities | Total |
| Land | \$ | 7,368,689 | 6,618,242 | 13,986,931 | 7,368,689 | 6,618,242 | 13,986,931 |
| Tideland patent | | - | 736,400 | 736,400 | - | 736,400 | 736,400 |
| Buildings | | 33,166,780 | 35,472 | 33,202,252 | 35,374,115 | 48,130 | 35,422,245 |
| Small Boat Harbor | | - | - | - | - | 2,486,766 | 2,486,766 |
| Causeway | | - | - | - | - | 3,007,138 | 3,007,138 |
| Quarry Jetty | | - | - | - | - | 1,024,443 | 1,024,443 |
| Cape Nome Quarry | | - | - | - | - | 3,195,782 | 3,195,782 |
| C-cell dock/WG | | - | - | - | - | 1,554,165 | 1,554,165 |
| Infrastructure | | | 25,873,859 | 25,873,859 | | | |
| Vehicles, trucks and trailers | | 644,177 | - | 644,177 | 690,118 | - | 690,118 |
| Assets other than buildings | | 1,145,546 | - | 1,145,546 | 916,177 | - | 916,177 |
| Other | | 92,732 | - | 92,732 | 102,336 | 17,058,790 | 17,161,126 |
| Machinery and equipment | | 396,272 | 101,913 | 498,185 | 324,397 | 33,474 | 357,871 |
| Right to Use Asset | | | - | | - | - | - |
| Construction in progress | | 2,394,249 | 92,884,815 | 95,279,064 | 1,747,549 | 8,030,911 | 9,778,460 |
| Total capital assets | \$ | <u>45,208,445</u> | <u>126,250,701</u> | <u>171,459,146</u> | <u>46,523,381</u> | <u>43,795,241</u> | <u>90,318,622</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 \$3,599,109. This entire amount is backed by the full faith and credit of the City. The remainder of the City's debt represents loans, compensated absences and landfill closure and post-closure costs and Net Pension and OPEB liability.

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

| | | Governmental | | Business-type | | Total | |
|----------------------------------|----|-------------------|------------------|------------------|------------------|-------------------|-------------------|
| | | Activities | | Activities | | | |
| | | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| General obligation bonds, | | | | | | | |
| including premium | \$ | 448,497 | 729,895 | - | - | 448,497 | 729,895 |
| Revenue bonds | | - | - | 3,150,612 | 3,307,650 | 3,150,612 | 3,307,650 |
| Compensated absences | | 618,053 | 551,587 | - | - | 618,053 | 551,587 |
| Landfill post closure care costs | | 2,772,919 | 2,715,840 | - | - | 2,772,919 | 2,715,840 |
| Landfill loan | | - | - | - | - | - | - |
| Net pension and OPEB Liability | | 6,452,919 | 5,689,647 | 885,235 | 830,877 | 7,338,154 | 6,520,524 |
| | \$ | <u>10,292,388</u> | <u>9,686,969</u> | <u>4,035,847</u> | <u>4,138,527</u> | <u>14,328,235</u> | <u>13,825,496</u> |

City of Nome, Alaska
Management Discussion and Analysis, Continued

During the current fiscal year, in Government Activities, total debt increased approximately \$605,419 due to increases in the Landfill closure and postclosure costs, as well as additions in Net pension and OPEB liabilities, plus a decrease in General Obligation Bonds due to the maturity of the 2012 II School Bonds. In Business-type activities, total debt decreased by \$102,680 as a result of debt scheduled repayments and changes to the Net pension and OPEB liability. Additional information on the City of Nome, Alaska's long-term debt can be found in Note 6 on pages 40-41 of this report.

Economic Factors and Next Year's 2025 Budgets and Rates

- Inflation was considered as part of the 2025 budget process.
- Sales tax remains the primary source of revenue for the General Fund accounting for approximately 50% of total budgeted revenues. This amount was levied for the operation and maintenance activities in the General Fund and to fund 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 2025 budget. Major aspects of the adopted FY 2025 budget include:

- Overall revenue in the General Fund (before fund balance appropriation) is projected to increase by \$841,375 while overall expenditure and transfers are projected to increase by \$1,239,202, and includes a \$900,000 savings projection recorded in Non-Departmental. There is a fund balance appropriation of \$2,255,600 from savings to balance the budget of \$17,813,567.
- The property tax mill rate increased to 11.5 mills as compared to 10.5 mills in FY24. In FY25, 1 mill is approximately 420,753). This amount was levied to fund education at \$3,400,000 and to continue the increased funding for public safety.
- Sales tax rate is 5% year round. The 2% seasonal sales tax was voted down in the October 2022 election. Bed tax remains at 6%. The Port Tariff rates will be reviewed in January 2025 based on the Anchorage CPI. If necessary, additional rate changes, as well as language adjustments may take place in March 2025.
- Capital improvements include the purchase of an EMS used Multi-purpose hose truck, one police vehicle, heat and ventilation improvements at City Hall, OSJ flooring, police impound storage, improvements at the Fire Department (replace 2 bay doors), improvements at the Recreation Center (paint the gym interior), the annual payment for the purchase of the Cat 160M grader, and the purchase of public works equipment: a large towable air compressor and funds to rebuild the D7R rails, undercarriage, and tensioners.

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: ncrowe@nomealaska.org

BASIC FINANCIAL STATEMENTS

CITY OF NOME, ALASKA

Statement of Net Position

Government-Wide Financial Statements

June 30, 2024

| | Primary Government | | | | Component Units | |
|--|-------------------------|--------------------------|--------------|-------------|---------------------|---------------------------|
| | Governmental Activities | Business-type Activities | Eliminations | Totals | Nome Public Schools | Nome Joint Utility System |
| Assets and Deferred Outflows of Resources | | | | | | |
| Current assets: | | | | | | |
| Cash and investments | \$ 13,292,706 | 765,288 | - | 14,057,994 | 6,913,210 | 1,423,339 |
| Receivables: | | | | | | |
| Property taxes, net | 5,193,208 | - | - | 5,193,208 | - | - |
| Sales and bed taxes | 781,102 | - | - | 781,102 | - | - |
| Accounts receivable, net | - | 219,358 | - | 219,358 | 956,214 | 1,283,686 |
| State of Alaska and federal government | 283,535 | 516,661 | - | 800,196 | 580,144 | - |
| Unbilled revenues | - | - | - | - | - | 681,944 |
| Other, net | 337,023 | - | - | 337,023 | - | 118,627 |
| Leases | 350,273 | 94,457 | - | 444,730 | - | - |
| Inventory | - | - | - | - | 89,705 | 8,024,605 |
| Prepaid items | 32,281 | - | - | 32,281 | 842,070 | 395,823 |
| Internal balances | 1,810,999 | - | (1,810,999) | - | - | - |
| Due from component units: | | | | | | |
| Nome Joint Utility System | 3,919 | - | - | 3,919 | - | - |
| Other assets | - | - | - | - | - | - |
| Noncurrent assets: | | | | | | |
| Restricted assets - | | | | | | |
| Cash and investments | - | 862,672 | - | 862,672 | - | - |
| Leases receivable | - | 300,813 | - | 300,813 | - | - |
| Long-term notes receivable, due within one year | - | - | - | - | - | - |
| Long-term notes receivable, due in more than one year | - | - | - | - | - | - |
| Capital assets: | | | | | | |
| Not being depreciated or amortized | 10,103,475 | 100,239,457 | - | 110,342,932 | 403,509 | 5,726,009 |
| Net of depreciation and amortization | 35,104,970 | 26,011,244 | - | 61,116,214 | 554,744 | 62,844,455 |
| Investment in ARECA | - | - | - | - | - | 2,055,372 |
| Net OPEB assets | 3,221,671 | 294,702 | - | 3,516,373 | 3,120,954 | - |
| Total assets | 70,515,162 | 129,304,652 | (1,810,999) | 198,008,815 | 13,460,550 | 82,553,860 |
| Deferred Outflows of Resources | | | | | | |
| Pension and OPEB deferrals | 1,087,842 | 156,791 | - | 1,244,633 | 1,022,329 | 70,589 |
| Deferred charges | - | - | - | - | - | 1,845,042 |
| Loss on refunding bonds | - | - | - | - | - | 10,563 |
| Total assets and deferred outflows of resources | \$ 71,603,004 | 129,461,443 | (1,810,999) | 199,253,448 | 14,482,879 | 84,480,054 |
| Liabilities and Deferred Inflows of Resources | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 1,389,586 | 121,333 | - | 1,510,919 | 279,153 | 5,682,940 |
| Accrued payroll | 172,406 | - | - | 172,406 | - | 108,628 |
| Accrued payroll liabilities | 129,437 | - | - | 129,437 | 194,033 | 401,132 |
| Health insurance payable | - | - | - | - | 450,032 | - |
| Accrued interest payable | - | 48,516 | - | 48,516 | - | - |
| Unearned revenue | 1,157,227 | - | - | 1,157,227 | 584,300 | - |
| Internal balances | - | 1,810,999 | (1,810,999) | - | - | - |
| Deposits payable | - | - | - | - | - | 75,825 |
| Prepaid lease revenue | - | 382,135 | - | 382,135 | - | - |
| Fuel loan payable | - | - | - | - | - | - |
| Long-term debt due within one year | 120,000 | 163,462 | - | 283,462 | - | 826,746 |
| Noncurrent liabilities: | | | | | | |
| Long-term debt due in more than one year | 3,101,416 | 2,987,150 | - | 6,088,566 | - | 7,741,543 |
| Net pension liabilities | 6,452,919 | 885,235 | - | 7,338,154 | 5,378,846 | 124,785 |
| Compensated absences | 618,053 | - | - | 618,053 | 84,824 | - |
| Total current and noncurrent liabilities | 13,141,044 | 6,398,830 | (1,810,999) | 17,728,875 | 6,971,188 | 14,961,599 |
| Deferred Inflows of Resources | | | | | | |
| Taxes levied for a future year | 4,863,523 | 2,056 | - | 4,865,579 | - | - |
| Leases | 321,346 | 364,970 | - | 686,316 | - | - |
| OPEB deferrals | 198,276 | 67,027 | - | 265,303 | 170,875 | 1,972,072 |
| Total deferred inflows of resources | 5,383,145 | 434,053 | - | 5,817,198 | 170,875 | 1,972,072 |
| Total liabilities and deferred inflows of resources | 18,524,189 | 6,832,883 | (1,810,999) | 23,546,073 | 7,142,063 | 16,933,671 |
| Net Positions: | | | | | | |
| Net investment in capital assets | 44,759,948 | 123,100,089 | - | 167,860,037 | 958,253 | 58,105,350 |
| Restricted for general fund reserve | - | - | - | - | 483,707 | 70,197 |
| Restricted for insurance reserve | - | - | - | - | - | 125,500 |
| Restricted for debt service | - | - | - | - | - | 233,000 |
| Restricted for E-911 surcharge | 338,181 | - | - | 338,181 | - | - |
| Restricted for causeway debt | - | 862,672 | - | 862,672 | - | - |
| Restricted for commercial passenger vessel tax | - | 18,259 | - | 18,259 | - | - |
| Unrestricted | 7,980,686 | (1,352,460) | - | 6,628,226 | 5,898,856 | 9,012,336 |
| Total net position | 53,078,815 | 122,628,560 | - | 175,707,375 | 7,340,816 | 67,546,383 |
| Total liabilities, deferred inflows of resources, and net position | \$ 71,603,004 | 129,461,443 | (1,810,999) | 199,253,448 | 14,482,879 | 84,480,054 |

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, 2024

| | | Net (Expense) Revenue and Changes in Net Position | | | | | | | |
|--|---------------|---|---------------|---------------|--------------------|---------------|--------------|-----------------|---------------|
| | | Program Revenues | | | Primary Government | | | Component Units | |
| | | Charges for | Operating | Capital | Governmental | Business-type | | Nome | Nome |
| Expenses | | Services | Grants and | Grants and | Activities | Activities | Total | Public | Joint Utility |
| | | | Contributions | Contributions | | | | Schools | System |
| Primary government: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| Legislative | \$ 216,138 | 121 | 16 | - | (216,001) | - | (216,001) | - | - |
| Administrative | 1,288,998 | 15,573 | 9,412 | - | (1,264,013) | - | (1,264,013) | - | - |
| Information technology | 304,260 | - | 615 | - | (303,645) | - | (303,645) | - | - |
| Planning and engineering | 157,927 | 143,011 | 789 | - | (14,127) | - | (14,127) | - | - |
| City clerk | 529,180 | - | 3,675 | - | (525,505) | - | (525,505) | - | - |
| Police | 4,613,141 | 78,439 | 36,957 | - | (4,497,745) | - | (4,497,745) | - | - |
| Animal control | 35,567 | 8,620 | - | - | (26,947) | - | (26,947) | - | - |
| Emergency services | 979,316 | 193,795 | 238,858 | - | (546,663) | - | (546,663) | - | - |
| Public works | 4,218,381 | 368,622 | 42,367 | 457,162 | (3,350,230) | - | (3,350,230) | - | - |
| Recreation center | 894,817 | 290,659 | 5,338 | - | (598,820) | - | (598,820) | - | - |
| Swimming pool | 44,790 | 5,242 | - | - | (39,548) | - | (39,548) | - | - |
| Museum | 665,274 | 4,987 | 1,925 | - | (658,362) | - | (658,362) | - | - |
| Library | 576,311 | 1,166 | 29,314 | - | (545,831) | - | (545,831) | - | - |
| Visitor center | 214,790 | - | 114,120 | - | (100,670) | - | (100,670) | - | - |
| Education | 4,155,951 | - | 153,986 | - | (4,001,965) | - | (4,001,965) | - | - |
| Non-departmental | 330,527 | - | 62,457 | - | (268,070) | - | (268,070) | - | - |
| Total governmental activities | 19,225,368 | 1,110,235 | 699,829 | 457,162 | (16,958,142) | - | (16,958,142) | - | - |
| Business-type activities: | | | | | | | | | |
| Port facility | 4,123,378 | 2,544,386 | 5,469 | 84,903,456 | - | 83,329,933 | 83,329,933 | - | - |
| Total primary government | \$ 23,348,746 | 3,654,621 | 705,298 | 85,360,618 | (16,958,142) | 83,329,933 | 66,371,791 | - | - |
| Component Units: | | | | | | | | | |
| Nome Public Schools | \$ 18,625,944 | 248,994 | 3,957,121 | 85,360 | | | | (14,334,469) | - |
| Nome Joint Utility System | 19,758,667 | 14,213,589 | - | - | | | | - | (5,545,078) |
| Total component units | \$ 38,384,611 | 14,462,583 | 3,957,121 | 85,360 | | | | (14,334,469) | (5,545,078) |
| General revenues: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property taxes | | | | | \$ 4,364,021 | - | 4,364,021 | - | - |
| Sales taxes | | | | | 7,103,122 | - | 7,103,122 | - | - |
| Payments in lieu of taxes | | | | | 323,556 | - | 323,556 | - | - |
| Penalties and interest | | | | | 127,615 | - | 127,615 | - | - |
| Bed taxes | | | | | 256,393 | - | 256,393 | - | - |
| Fines and forfeitures | | | | | 2,143 | - | 2,143 | - | - |
| Grants and contributions not restricted to specific programs | | | | | 735,744 | - | 735,744 | 9,604,712 | - |
| E-rate revenue | | | | | - | - | - | 1,065,766 | - |
| Investment earnings | | | | | 563,409 | 78,689 | 642,098 | 112,358 | - |
| Appropriation from City of Nome | | | | | - | - | - | 3,221,299 | - |
| Rentals and royalties | | | | | 253,945 | - | 253,945 | - | - |
| Other | | | | | - | - | - | 331,301 | 1,218,354 |
| Gain on sale from capital assets | | | | | 38,280 | - | 38,280 | - | - |
| Total general revenues | | | | | 13,768,228 | 78,689 | 13,846,917 | 14,335,436 | 1,218,354 |
| Change in net position | | | | | (3,189,914) | 83,408,622 | 80,218,708 | 967 | (4,326,724) |
| Net position, beginning of year | | | | | 56,268,729 | 39,219,938 | 95,488,667 | 7,339,849 | 71,873,107 |
| Net position, end of year | | | | | \$ 53,078,815 | 122,628,560 | 175,707,375 | 7,340,816 | 67,546,383 |

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

CITY OF NOME, ALASKA

Governmental Funds

Balance Sheet

June 30, 2024

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------------|--------------------------------|
| <u>Assets</u> | | | |
| Cash and investments | \$ 12,085,982 | 1,206,724 | 13,292,706 |
| Receivables: | | | |
| Property tax levies due in subsequent year | 4,827,282 | - | 4,827,282 |
| Delinquent taxes, net of \$173,020 allowance for doubtful accounts | 365,926 | - | 365,926 |
| Sales and bed taxes | 781,102 | - | 781,102 |
| State of Alaska and federal government | 17,619 | 265,916 | 283,535 |
| Other, net of \$17,993 allowance for doubtful accounts | 232,289 | 104,734 | 337,023 |
| Lease receivable | 350,273 | - | 350,273 |
| Prepaid items | 32,281 | - | 32,281 |
| Due from other funds: | | | |
| General Fund | - | 2,837,959 | 2,837,959 |
| Port Fund | 1,810,999 | - | 1,810,999 |
| Other Governmental Funds | 619,415 | - | 619,415 |
| Due from component units - Nome Joint Utility System | 3,919 | - | 3,919 |
| Total assets | <u>\$ 21,127,087</u> | <u>4,415,333</u> | <u>25,542,420</u> |
| <u>Liabilities, deferred inflows of resources, and fund balances</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 753,874 | 635,712 | 1,389,586 |
| Accrued payroll | 172,406 | - | 172,406 |
| Accrued payroll liabilities | 129,437 | - | 129,437 |
| Due to other funds: | | | |
| General Fund | - | 619,415 | 619,415 |
| Other Governmental Funds | 2,837,959 | - | 2,837,959 |
| Unearned revenue | 21,446 | 1,135,781 | 1,157,227 |
| Total liabilities | <u>3,915,122</u> | <u>2,390,908</u> | <u>6,306,030</u> |
| Deferred inflows of resources: | | | |
| Taxes levied for a future year | 4,863,523 | - | 4,863,523 |
| Leases | 321,346 | - | 321,346 |
| Unavailable revenues | 283,849 | - | 283,849 |
| Total deferred inflows of resources | <u>5,468,718</u> | <u>-</u> | <u>5,468,718</u> |
| Total liabilities and deferred inflows of resources | <u>9,383,840</u> | <u>2,390,908</u> | <u>11,774,748</u> |
| Fund balances: | | | |
| Non-spendable - | | | |
| Prepaid items | 32,281 | - | 32,281 |
| Restricted - | | | |
| E-911 surcharge | - | 338,181 | 338,181 |
| Committed: | | | |
| Equipment and upgrades | - | 203,315 | 203,315 |
| Community projects | - | 49,232 | 49,232 |
| Assigned: | | | |
| Debt service | - | 999,183 | 999,183 |
| Self insurance/ equipment replacement | 1,124,962 | - | 1,124,962 |
| Clara Mielke Richards estate | 363,635 | - | 363,635 |
| PERS | 1,021,843 | - | 1,021,843 |
| Landfill | 2,917,230 | 704,667 | 3,621,897 |
| Unassigned | 6,283,296 | (270,153) | 6,013,143 |
| Total fund balances | <u>11,743,247</u> | <u>2,024,425</u> | <u>13,767,672</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 21,127,087</u> | <u>4,415,333</u> | <u>25,542,420</u> |

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

CITY OF NOME, ALASKA

Reconciliation of the Net Position Between the
Governmental Funds Balance Sheet and the Statement of Net Position

June 30, 2024

| | | |
|--|----|---------------------|
| Amounts reported as fund balances on the governmental funds | \$ | 13,767,672 |
| 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. | | 45,208,445 |
| Other postemployment benefit plans have been funded in excess of required contributions. These assets are not financial resources and therefore are not reported in the funds. | | |
| Proportionate share of the collective net OPEB assets | | 3,221,671 |
| Certain changes in net pension and OPEB liability and assets are deferred rather than recognized immediately. These are amortized over time. | | |
| Deferred outflows related to pension and OPEB plans | | 1,087,842 |
| Deferred inflows related to pension and OPEB plans | | (198,276) |
| Long-term receivables and delinquent property taxes are not available to pay current period expenditures and therefore are deferred in the funds. | | |
| Delinquent property taxes | | 283,849 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds. These consist of: | | |
| Compensated absences | \$ | (618,053) |
| General obligation bonds | | (390,000) |
| Premium on general obligation bonds | | (58,497) |
| Proportionate share of the collective net pension liability: | | (6,452,919) |
| Landfill closure and post closure care costs | | <u>(2,772,919)</u> |
| | | <u>(10,292,388)</u> |
| Net position of governmental activities | \$ | <u>53,078,815</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, 2024

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------------------|--------------------------------|
| Revenues: | | | |
| Local sources: | | | |
| Taxes: | | | |
| Property taxes | \$ 4,420,267 | - | 4,420,267 |
| Sales taxes | 7,103,122 | - | 7,103,122 |
| Payments in lieu of taxes | 323,556 | - | 323,556 |
| Penalties and interest | 127,615 | - | 127,615 |
| Bed tax | 256,393 | - | 256,393 |
| Charges for services: | | | |
| Licenses and permits | 161,161 | 77,839 | 239,000 |
| Usage fees | 871,235 | - | 871,235 |
| Fines and forfeitures | 2,143 | - | 2,143 |
| Investment income | 563,409 | - | 563,409 |
| Rental and royalties | 253,945 | - | 253,945 |
| Contributions | 37,813 | - | 37,813 |
| Other | - | 476,030 | 476,030 |
| Total local sources | <u>14,120,659</u> | <u>553,869</u> | <u>14,674,528</u> |
| Intergovernmental: | | | |
| State of Alaska | 297,047 | 162,061 | 459,108 |
| Federal sources | 542,616 | 325,198 | 867,814 |
| Total intergovernmental | <u>839,663</u> | <u>487,259</u> | <u>1,326,922</u> |
| Total revenues | <u>14,960,322</u> | <u>1,041,128</u> | <u>16,001,450</u> |
| Expenditures: | | | |
| Current: | | | |
| Legislative | 203,317 | - | 203,317 |
| Administrative | 1,216,733 | - | 1,216,733 |
| Information technology | 300,884 | - | 300,884 |
| Planning and engineering | 158,605 | - | 158,605 |
| City clerk | 515,540 | - | 515,540 |
| Police | 4,008,252 | 479,251 | 4,487,503 |
| Animal control | 34,492 | - | 34,492 |
| Emergency services | 668,262 | 142,542 | 810,804 |
| Public works | 3,606,220 | 28,053 | 3,634,273 |
| Recreation center | 818,390 | 103,317 | 921,707 |
| Swimming pool | 35,986 | - | 35,986 |
| Museum | 314,054 | - | 314,054 |
| Library | 403,156 | 29,222 | 432,378 |
| Visitor center | 214,183 | - | 214,183 |
| Education | 3,208,950 | - | 3,208,950 |
| Non-departmental | 247,223 | 83,304 | 330,527 |
| Debt service: | | | |
| Principal | - | 250,000 | 250,000 |
| Interest | - | 25,750 | 25,750 |
| Capital outlay | - | 1,044,666 | 1,044,666 |
| Total expenditures | <u>15,954,247</u> | <u>2,186,105</u> | <u>18,140,352</u> |
| Excess (deficiency) of revenues over expenditures | <u>(993,925)</u> | <u>(1,144,977)</u> | <u>(2,138,902)</u> |
| Other financing sources (uses): | | | |
| Proceeds from insurance | 114,120 | - | 114,120 |
| Proceeds from sale of capital assets | 43,650 | - | 43,650 |
| Transfers in | - | 807,550 | 807,550 |
| Transfers out | (755,236) | (52,314) | (807,550) |
| Net other financing sources (uses) | <u>(597,466)</u> | <u>755,236</u> | <u>157,770</u> |
| Net change in fund balance | <u>(1,591,391)</u> | <u>(389,741)</u> | <u>(1,981,132)</u> |
| Fund balance, beginning of year | <u>13,334,638</u> | <u>2,414,166</u> | <u>15,748,804</u> |
| Fund balance, ending of year | <u>\$ 11,743,247</u> | <u>2,024,425</u> | <u>13,767,672</u> |

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, 2024

Net change in fund balance - total governmental funds \$ (1,981,132)

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:

Changes in the unfunded net pension and OPEB liability and assets 14,779

Changes in deferred inflows and outflows of resources related to pension and OPEB plans (10,232)

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 | \$ 1,390,253 | |
| Depreciation and amortization expense | <u>(2,699,819)</u> | (1,309,566) |

Governmental funds only report the revenue from the sale of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale or disposal.

The net effect of transactions involving capital asset dispositions:

| | | |
|---|---------------|---------|
| Cost of assets disposed | (16,917) | |
| Accumulated depreciation of assets disposed | <u>11,547</u> | (5,370) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Change in unavailable property tax revenues (56,246)

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:

| | | |
|---|-----------------|----------------|
| Change in compensated absences | (66,466) | |
| Principal repayments on debt | 250,000 | |
| Amortization of bond premium | 31,398 | |
| Change in landfill closure and post-closure liabilities | <u>(57,079)</u> | <u>157,853</u> |

Change in net position of governmental activities \$ (3,189,914)

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, 2024

Assets and Deferred Outflows of Resources

| | |
|--|-----------------------|
| Current assets: | |
| Unrestricted: | |
| Cash and cash equivalents | \$ 765,288 |
| Accounts receivable, net of \$87,930 allowance for doubtful accounts | 219,358 |
| Leases receivable | 94,457 |
| Due from the State of Alaska and federal government | 516,661 |
| Total unrestricted current assets | <u>1,595,764</u> |
| Non-current assets: | |
| Restricted assets - | |
| Cash and cash equivalents | 862,672 |
| Leases receivable | 300,813 |
| Capital assets: | |
| Not being depreciated | 100,239,457 |
| Depreciated, net | 26,011,244 |
| Net OPEB assets | 294,702 |
| Total non-current assets | <u>127,708,888</u> |
| Total assets | <u>129,304,652</u> |
| Deferred outflows of resources- | |
| Pension and OPEB deferrals | 156,791 |
| Total assets and deferred outflows of resources | <u>\$ 129,461,443</u> |
| <u>Liabilities, Deferred Inflows of Resources and Net Position</u> | |
| Current liabilities: | |
| Accounts payable | \$ 121,333 |
| Accrued interest payable | 48,516 |
| Due to General Fund | 1,810,999 |
| Bonds payable - current portion | 163,462 |
| Total current liabilities | <u>2,144,310</u> |
| Non-current liabilities: | |
| Prepaid lease revenue | 382,135 |
| Bonds payable | 2,987,150 |
| Net pension liability | 885,235 |
| Total non-current liabilities | <u>4,254,520</u> |
| Total liabilities | <u>6,398,830</u> |
| Deferred inflows of resources: | |
| Taxes levied for a future year | 2,056 |
| Leases | 364,970 |
| OPEB deferrals | 67,027 |
| Total deferred inflows of resources | <u>434,053</u> |
| Total liabilities and deferred inflows of resources | <u>6,832,883</u> |
| Net position: | |
| Net investment in capital assets | 123,100,089 |
| Restricted for causeway debt | 862,672 |
| Restricted for commercial passenger vessel tax | 18,259 |
| Unrestricted | (1,352,460) |
| Total net position | <u>122,628,560</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 129,461,443</u> |

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, 2024

| | |
|--|-----------------------|
| Operating revenues: | |
| Causeway facility | \$ 1,434,167 |
| Harbor facility | 782,969 |
| Industrial park facility | 304,109 |
| Bad debt | (14,136) |
| Other | 37,277 |
| Total operating revenues | <u>2,544,386</u> |
| Operating expenses: | |
| Direct expenses: | |
| Causeway facility | 224,499 |
| Harbor facility | 142,230 |
| Industrial park facility | 141,189 |
| Total direct expenses | <u>507,918</u> |
| General and administrative expenses: | |
| Other | <u>997,927</u> |
| Total operating expenses, excluding depreciation | <u>1,505,845</u> |
| Depreciation: | |
| Causeway facility | 1,205,062 |
| Harbor facility | 1,221,926 |
| Industrial park facility | 45,079 |
| Total depreciation | <u>2,472,067</u> |
| Total operating expenses | <u>3,977,912</u> |
| Operating (loss) | <u>(1,433,526)</u> |
| Non-operating income (expenses): | |
| Interest income | 78,689 |
| Interest expense | (145,466) |
| State of Alaska PERS on-behalf | 5,469 |
| Total non-operating income (expense) | <u>(61,308)</u> |
| (Loss) before capital contributions | (1,494,834) |
| Capital contributions: | |
| State of Alaska | 84,594,419 |
| Federal sources | 309,037 |
| Total capital contributions | <u>84,903,456</u> |
| Change in net position | 83,408,622 |
| Net position, beginning of year | <u>39,219,938</u> |
| Net position, end of year | <u>\$ 122,628,560</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, 2024

| | |
|---|----------------------------|
| Cash flows provided (used) by operating activities: | |
| Receipts from customers and users | \$ 2,576,479 |
| Payments to employees | (643,254) |
| Payments to vendors | (971,918) |
| Net cash provided by operating activities | <u>961,307</u> |
| Cash flows provided (used) by noncapital financing activities- | |
| Internal activity - payments to/from other funds | <u>(894,011)</u> |
| Cash flows provided (used) by capital and related financing activities: | |
| Principal paid on debt | (157,038) |
| Interest paid on debt | (141,360) |
| Capital contributions | 84,942,018 |
| Acquisition of capital assets | (84,927,527) |
| Net cash (used) by capital and related financing activities | <u>(283,907)</u> |
| Cash flows provided by investing activities- | |
| Interest income | <u>78,689</u> |
| Net change in cash and cash equivalents | (137,922) |
| Cash and cash equivalents, beginning of year | <u>1,765,882</u> |
| Cash and cash equivalents, end of year | \$ <u><u>1,627,960</u></u> |
| Composed of: | |
| Unrestricted cash and cash equivalents | \$ 765,288 |
| Restricted cash and cash equivalents | 862,672 |
| | \$ <u><u>1,627,960</u></u> |
| Reconciliation of change in net assets to cash provided by operating activities: | |
| Operating (loss) | \$ (1,433,526) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 2,472,067 |
| Bad debt | 14,136 |
| Noncash - State of Alaska PERS on-behalf | 5,469 |
| Changes in assets and liabilities that provided (used) cash: | |
| (Increase) decrease in assets and deferred outflows of resources: | |
| Accounts receivable | 56,315 |
| Leases receivable | 89,859 |
| OPEB assets | (55,410) |
| Deferred outflows of resources- | |
| Pension and OPEB deferrals | 813 |
| Increase (decrease) in liabilities and deferred inflows of resources: | |
| Accounts payable | (114,472) |
| Prepaid lease revenue | (34,478) |
| Net pension liabilities | 54,358 |
| Deferred inflows of resources: | |
| Taxes levied for a future year | (219) |
| Leases | (93,520) |
| OPEB deferrals | (85) |
| Net cash provided by operating activities | \$ <u><u>961,307</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, 2024

(1) Summary of Significant Accounting Policies

(a) *General*

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

The financial results of the recurring activities performed directly by the City (which include public safety, roads and building maintenance and improvements (Public Works), swimming pool, administration, planning and engineering, 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.

(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 units for which the primary government is financially accountable.

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Notes to the Financial Statements, Continued

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Notes to the Financial Statements, Continued

(e) Estimates

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

(f) Cash and Investments

The City's investments have maturities between less than one year to five years, and are reported at amortized cost 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 Depositary Insurance Corporation (FDIC) or secured by eligible collateral held by a third party in the City's name. 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, 2024, the fair value of the investments in AMLIP approximates the amortized cost at which they are reported. The fair value of the investments in AMLIP is the same as the value of our AMLIP units. The Pool was rated a principal stability rating of AAAM by Standard & Poor's (S&P). Stand-alone financial statements can be obtained by writing to the Alaska Permanent Capital Management by visiting www.amlip.org.

(g) Restricted Assets

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

(h) Receivables and Payables

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

Notes to the Financial Statements, Continued

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

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

(i) Capital Assets

Capital assets, which include property, buildings, vehicles and equipment are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements and proprietary fund financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed and depreciated on a straight-line basis.

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

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

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

| | <u>Life in years</u> |
|-------------------------------|----------------------|
| Causeway | 40 |
| Infrastructure (C-Cell docks) | 15-36 |
| Improvements not buildings | 5-40 |
| Quarry jetty | 40 |
| Building | 5-30 |
| Machinery and equipment | 5-10 |
| Vehicles | 5-10 |

(j) Compensated Absences

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

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

(m) Unbilled Revenue

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

(n) Unearned Revenues

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

(o) Prepaid Lease Revenue

The City received advanced payment on a 35-year lease of land it owns. Revenue is recognized in the Port Facility Enterprise 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:

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements, Continued

(q) Net Position

Government-wide net position is divided into three components:

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

(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.

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.

(w) Leases*Lessor*

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

Notes to the Financial Statements, Continued

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

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

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

(2) Property Taxes

Property taxes attach as an enforceable lien on property. Taxes are levied on the assessed value of taxable property as of January 1. Pursuant to Alaska Statute 29.53.170, the City establishes the mill rate on or before June 15. Tax bills mailed prior to July 1 are payable in two installments on July 31 and October 31. City property tax revenues are recognized in the fiscal year in which they become collectable. At June 30, 2024 the real and personal property tax levy of \$4,863,523 is reflected as deferred inflows of resources in the General Fund.

At June 30, 2024, property tax receivables included the following:

| | |
|---|---------------------|
| 2024 real and personal property taxes due in fiscal year 2025 | \$ 4,863,523 |
| Real and personal property taxes currently past due | <u>538,946</u> |
| | <u>5,402,469</u> |
| Less: | |
| Estimated allowance for doubtful collections | 173,020 |
| Pre-payment of property taxes due in fiscal year 2024 | <u>36,241</u> |
| | <u>\$ 5,193,208</u> |

(3) Cash and Short-Term Investments

Reconciliation to the City's June 30, 2024 financial statements follows:

| | |
|---|----------------------|
| Petty cash | \$ 16,733 |
| Demand deposits | 5,913,924 |
| Investments measured at amortized cost: | |
| Money Market | 1,136,122 |
| Certificate of deposit | 6,164,000 |
| AMLIP | <u>1,689,887</u> |
| | <u>\$ 14,920,666</u> |
| Governmental activities | \$ 13,292,706 |
| Business-type activities | <u>1,627,960</u> |
| | <u>\$ 14,920,666</u> |

Notes to the Financial Statements, Continued

(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, 2024 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.

(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. The City's investments in AMLIP were rated AAAm by Standard & Poor's and the City's Certificates of Deposit were unrated.

(c) Custodial Credit Risk – Deposits

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

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

(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 investment securities exposed to custodial credit risk at June 30, 2024.

(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.

Notes to the Financial Statements, Continued

The City's investments in certificates of deposit, money market funds, and investment in the Alaska Municipal League Investment Pool are all valued at amortized cost and the City does not have any recurring fair value measurements at June 30, 2024.

(4) Receivables

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

| | General Fund | Other Governmental Funds | Total Governmental Funds | Port Facility Enterprise Fund | Total |
|---|-----------------|--------------------------------|--------------------------------|----------------------------------|-----------|
| Receivables: | | | | | |
| Property tax | \$ 5,366,228 | - | 5,366,228 | - | 5,366,228 |
| Sales and bed tax | 781,102 | - | 781,102 | - | 781,102 |
| State of Alaska and Federal Government | 17,619 | 265,916 | 283,535 | 516,661 | 800,196 |
| Accounts | - | - | - | 307,288 | 307,288 |
| Lease receivable | 350,273 | - | 350,273 | 395,270 | 745,543 |
| Other | 250,282 | 104,734 | 355,016 | - | 355,016 |
| Gross receivables | 6,765,504 | 370,650 | 7,136,154 | 1,219,219 | 8,355,373 |
| Less: allowance for uncollectibles | (191,013) | - | (191,013) | (87,930) | (278,943) |
| Net total receivables | \$ 6,574,491 | 370,650 | 6,945,141 | 1,131,289 | 8,076,430 |

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

| | General Fund | Other Governmental Funds | Total | Port Facility Enterprise Fund | Total |
|---|-----------------|--------------------------------|-----------|-------------------------------------|-----------|
| Taxes levied for a future year – deferred inflows | \$ 4,863,523 | - | 4,863,523 | 2,056 | 4,865,579 |
| Unavailable taxes receivable – deferred inflows | \$ 267,392 | - | 267,392 | - | 267,392 |
| Unavailable other receivables – deferred inflows | \$ 16,457 | - | 16,457 | - | 16,457 |
| Unavailable leases – deferred inflows | \$ 321,346 | - | 321,346 | 364,970 | 686,316 |
| Unearned revenues | \$ 21,446 | 1,135,781 | 1,157,227 | - | 1,157,227 |

Notes to the Financial Statements, Continued

(5) Capital Assets

Capital asset activity for the year ended June 30, 2024, was as follows:

| | Balance at July 1, 2023 | Increases and transfers | Decreases and transfers | Balance at June 30, 2024 |
|---|----------------------------|----------------------------|----------------------------|-----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land - general government | \$ 6,645,489 | - | - | 6,645,489 |
| Land - schools | 723,200 | - | - | 723,200 |
| Artwork | 337,537 | 3,000 | - | 340,537 |
| Construction in progress | 1,747,549 | 998,753 | (352,053) | 2,394,249 |
| Total | 9,453,775 | 1,001,753 | (352,053) | 10,103,475 |
| Capital assets being depreciated: | | | | |
| Buildings - general government | 41,994,103 | - | - | 41,994,103 |
| Buildings - schools | 50,305,361 | - | - | 50,305,361 |
| Vehicles, trucks and trailers | 7,436,081 | 164,781 | - | 7,600,862 |
| Assets other than buildings | 2,318,727 | 363,025 | - | 2,681,752 |
| Machinery and equipment | 1,424,167 | 177,569 | (16,917) | 1,584,819 |
| Office machinery and equipment | 840,812 | 35,178 | - | 875,990 |
| Total | 104,319,251 | 740,553 | (16,917) | 105,042,887 |
| Less accumulated depreciation and amortization: | | | | |
| Buildings - general government | 17,535,390 | 1,254,686 | - | 18,790,076 |
| Buildings - schools | 39,389,959 | 952,649 | - | 40,342,608 |
| Vehicles, trucks and trailers | 6,745,963 | 210,722 | - | 6,956,685 |
| Assets other than buildings | 1,740,087 | 136,656 | - | 1,876,743 |
| Machinery and equipment | 1,099,770 | 100,324 | (11,547) | 1,188,547 |
| Office machinery and equipment | 738,476 | 44,782 | - | 783,258 |
| Total | 67,249,645 | 2,699,819 | (11,547) | 69,937,917 |
| Total capital assets, being depreciated and amortized, net | 37,069,606 | (1,959,266) | (5,370) | 35,104,970 |
| Governmental activities | \$ 46,523,381 | (957,513) | (357,423) | 45,208,445 |

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

| | Balance at July 1, 2023 | Increases and transfers | Decreases and transfers | Balance at June 30, 2024 |
|---|----------------------------|----------------------------|----------------------------|-----------------------------|
| Business-type activities: | | | | |
| Capital assets not being: depreciated | | | | |
| Land | \$ 7,354,642 | - | - | 7,354,642 |
| Construction in progress | 8,030,911 | 84,853,904 | - | 92,884,815 |
| Total | 15,385,553 | 84,853,904 | - | 100,239,457 |
| Capital assets being depreciated: | | | | |
| Buildings | 413,928 | - | - | 413,928 |
| Infrastructure | 71,055,322 | - | - | 71,055,322 |
| Equipment and vehicles | 441,204 | 73,623 | (8,000) | 506,827 |
| Total | 71,910,454 | 73,623 | (8,000) | 71,976,077 |
| Less accumulated depreciation: | | | | |
| Buildings | 365,798 | 12,658 | - | 378,456 |
| Infrastructure | 42,727,238 | 2,454,225 | - | 45,181,463 |
| Equipment and vehicles | 407,730 | 5,184 | (8,000) | 404,914 |
| Total | 43,500,766 | 2,472,067 | (8,000) | 45,964,833 |
| Total capital assets, being depreciated, net | 28,409,688 | (2,398,444) | - | 26,011,244 |
| Total Business-type activities | \$ 43,795,241 | 82,455,460 | - | 126,250,701 |

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

Governmental activities:

| | |
|-------------------------------|--------------|
| Legislative | \$ 21,363 |
| Administrative | 26,801 |
| Information technology | 50,555 |
| City clerk | 16,802 |
| Police | 321,497 |
| Animal control | 1,075 |
| Emergency Services | 222,170 |
| Public works | 492,489 |
| Recreation center | 82,968 |
| Swimming pool | 8,804 |
| Museum | 355,876 |
| Library | 146,163 |
| Visitor Center | 607 |
| Education | 952,649 |
| Total governmental activities | \$ 2,699,819 |

Business-type activities:

| | |
|--------------------------|--------------|
| Port Facility | \$ 2,472,067 |
| Total primary government | \$ 5,171,886 |

Notes to the Financial Statements, Continued

(6) Long-Term Debt**(a) Changes in long-term debt follows:**

| | | Balance at July 1, 2023 | Additions | Reductions | Balance at June 30, 2024 | Due within one year |
|--|----|----------------------------|------------------|----------------|-----------------------------|------------------------|
| Governmental activities: | | | | | | |
| Compensated absences | \$ | 551,587 | 729,357 | 662,891 | 618,053 | - |
| General obligation bonds | | 640,000 | - | 250,000 | 390,000 | 120,000 |
| Premium on general obligation bonds | | 89,895 | - | 31,398 | 58,497 | - |
| Landfill closure and post closure costs | | 2,715,840 | 57,079 | - | 2,772,919 | - |
| Net pension liability | | 5,689,647 | 763,272 | - | 6,452,919 | - |
| Total governmental activities | \$ | <u>9,686,969</u> | <u>1,549,708</u> | <u>944,289</u> | <u>10,292,388</u> | <u>120,000</u> |
| Business-type activities: | | | | | | |
| Revenue bonds | \$ | 3,307,650 | - | 157,038 | 3,150,612 | 163,462 |
| Net pension liability | | 830,877 | 54,358 | - | 885,235 | - |
| Total business - type activities | \$ | <u>4,138,527</u> | <u>54,358</u> | <u>157,038</u> | <u>4,035,847</u> | <u>163,462</u> |

A summary of long-term bonded debt serviced directly by the City Port Facility Enterprise Fund at June 30, 2024 follows:

| Year ending June 30 | 1986 Series A Port Revenue Bonds | |
|------------------------|-------------------------------------|------------------|
| | Principal | Interest |
| 2025 | \$ 163,462 | 125,961 |
| 2026 | 170,150 | 119,274 |
| 2027 | 177,110 | 112,313 |
| 2028 | 184,356 | 105,068 |
| 2029 | 191,898 | 97,526 |
| 2030-2034 | 1,083,872 | 363,246 |
| 2035-2039 | 1,179,764 | 122,642 |
| | <u>\$ 3,150,612</u> | <u>1,046,030</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 Enterprise Fund.

Notes to the Financial Statements, Continued

A summary of long-term bonded debt serviced directly by the City's government activities at June 30, 2024 follows:

| Year ending June 30 | 2015 School G.O. Bonds | | Total |
|------------------------|------------------------|---------------|----------------|
| | Principal | Interest | |
| 2025 | \$ 120,000 | 16,500 | 136,500 |
| 2026 | 125,000 | 10,375 | 135,375 |
| 2027 | 45,000 | 6,125 | 51,125 |
| 2028 | 50,000 | 3,750 | 53,750 |
| 2029 | 50,000 | 1,250 | 51,250 |
| | <u>\$ 390,000</u> | <u>38,000</u> | <u>428,000</u> |

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, 2024 the City amortized \$8,803 and \$5,831 leaving \$35,175 and \$23,322, respectively, of unamortized premiums. The \$815,000 of 2006 Series A bonds and the \$400,000 of 2009-2 bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements. The bonds have been fully refunded.

Utility System Bond Ordinance Requirements

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

(7) Leases

Lease Receivable: The City has entered into agreements to lease property to third parties. The leases range in term from nine to twenty-two years. The City received approximately \$243,237 in lease payments for the year ended June 30, 2024. The lease receivable at June 30, 2024 was \$745,543. The City has deferred inflows of resources associated with the leases that will be recognized as revenue over the lease term. At June 30, 2024 the deferred inflows of resources was \$686,316.

(8) Interfund Receivables, Payables and Transfers

(a) Interfund Receivables and Payables

A summary of interfund receivables and payables at June 30, 2024 is as follows:

| Receivable Fund | Payable Fund | Amount |
|--------------------------|-------------------------------|---------------------|
| General Fund | Other Governmental Funds | \$ 619,415 |
| General Fund | Port Facility Enterprise Fund | 1,810,999 |
| Other Governmental Funds | General Fund | 2,837,959 |
| Total primary government | | <u>\$ 5,268,373</u> |

Notes to the Financial Statements, Continued

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

(b) Interfund Transfers

A summary of interfund transfers in and out of June 30, 2024 is as follows:

| <u>Transfer in:</u> | | <u>Transfer out:</u> | |
|--------------------------|----|----------------------|----------------|
| | | General | Other |
| | | Fund | Governmental |
| | | | Funds |
| | | | |
| Other Governmental Funds | \$ | <u>755,236</u> | <u>52,314</u> |
| | | | <u>807,550</u> |

There were transfers from the General Fund to the Debt Service Fund to cover scheduled bond payments, the Rasmuson Foundation Special Revenue Fund to cover expenditures, the FEMA Typhoon Special Revenue Fund to cover operating expenditures, the School Renovation and Repairs Fund to cover capital expenditures, the HUD 3D Housing to cover operating expenditures, and the Equipment and Upgrades Fund to cover capital expenditures. There was a transfer from the NSEDC Community Benefits Share Fund to the Equipment and Upgrades Fund to cover capital outlays, and to the School Renovation and Repair fund to cover capital expenditures.

(9) Employee Retirement Systems and Plans

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

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

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

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

Notes to the Financial Statements, Continued

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

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

Plan Memberships

The table below includes the plan membership counts from the separately issued financial statements for the various plans:

| | PERS |
|--|-------------|
| Retired plan members or beneficiaries currently receiving benefits | 36,951 |
| Inactive plan members entitled to but not yet receiving benefits | 4,781 |
| Inactive plan members not entitled to benefits | 9,961 |
| Active plan members | 8,557 |
| Total plan memberships | 60,250 |

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, 2024 (latest available information) the employer contribution rate is 0.68% for peace officers and firefighters and 0.30% for all other members.

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, 2024 employer contributions were 0.00% of annual payroll.

Notes to the Financial Statements, Continued

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, 2024 employer contributions were 1.01%.

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 3.00% of the average annual compensation of all employees in the plan.

Investments

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

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

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual weighted rate of return, net of investment expense, for the year ended June 30, 2023 (latest available report) for the DB Plans for PERS are: DB Pension 7.56%, ARHCT 7.64%, ODD 7.71%, and RMP is 7.71%.

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

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

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Notes to the Financial Statements, Continued

The long-term expected rate of return on pension and OPEB plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below for the PERS plan (rates shown below exclude an annual inflation component of 2.82%):

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------|--|
| Broad Domestic Equity | 6.17% |
| Global Equity (ex-U.S.) | 6.55% |
| Aggregate Bonds | 1.63% |
| Real Assets | 4.87% |
| Private Equity | 11.57% |
| Cash Equivalents | 0.49% |

Discount Rate: The discount rate used to measure the total pension and OPEB liabilities and assets is 7.25%. 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 4.13% as of June 30, 2023.

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

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

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2040. This will result in lower ARM Board Rates in future years.

Notes to the Financial Statements, Continued

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 7.25% discount rate.

Employer Contribution rates for the plan year ended 2024 are as follows:

| | Employer Effective Rate | ARM Board Adopted Rate | State Contribution Rate |
|-------------------------------|-------------------------------|---------------------------------|-------------------------------|
| PERS: | | | |
| Pension | 22.00% | 25.10% | 3.10% |
| OPEB | 0.00% | 0.00% | 0.00% |
| Total PERS contribution rates | <u>22.00%</u> | <u>25.10%</u> | <u>3.10%</u> |

Termination Costs: If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group, or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For plan year ended 2023 (measurement period) the past service rate for PERS is 16.33%.

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Notes to the Financial Statements, Continued

Actuarial Assumptions: The total pension and OPEB liabilities (assets) on June 30, 2023 (latest available) were determined by an actuarial valuation as of June 30, 2022 which was rolled forward to the measurement date June 30, 2023. These actuarial assumptions were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021.

| | |
|-----------------------------------|---|
| Inflation | 2.50% per year. |
| Salary Increases | Increases range from 2.85% to 8.50% based on service. |
| Investment return / discount rate | 7.25%, net of expenses based on average inflation of 2.50% and a real return of 4.75%. |
| Mortality | Based upon 2017-2021 actual experience study and applicable tables contained in Pub-2010, projected with MP-2021 generational improvement. |
| Healthcare cost trend rates | Pre-65 medical: 6.7% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Rx/EGWP: 7.2% grading down to 4.5%. Ultimate trend rates reached in FY2050. |

The actuarial assumptions used in the June 30, 2022 actuarial valuation are the same as those used in the June 30, 2021 valuation with the following exceptions related to the ARHCT plan:

1. Per capita claims costs were updated to reflect recent experience.
2. Normal cost for administrative expenses were updated to reflect recent two years of actual administrative expenses paid from plan assets.

The changes of assumptions from the latest experience study significantly reduced deferred inflows of resources attributable to the City, as well as a net 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/dr/pers>.

Notes to the Financial Statements, Continued

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

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

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. The plan has two types of postretirement pension adjustments (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The discretionary PRPA may be granted to eligible recipients by the DB Plan's administrator if the funding ratio of the DB Plan meets or exceeds 105%. If both an automatic and discretionary PRPA are granted, the retiree is eligible for both adjustments, the one that provides the retiree with the greatest benefit will be paid.

Funding Policy. In April 2008 the Alaska Legislature passed legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

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

Notes to the Financial Statements, Continued

Employee Contribution Rate. PERS active members are required to contribute 6.75%, 7.50% for peace officers and firefighters, and 9.60% for certain school district employees.

Employer contributions for the year ended June 30, 2024, were:

| | Pensions (DB) | Other Post-Employment Benefits (DB) | Total |
|----|------------------|--|----------------|
| \$ | <u>801,894</u> | <u>62,629</u> | <u>864,523</u> |

Public Employees Retirement Plans

For the year ended June 30, 2024, the State of Alaska contributed \$149,587 (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, 2023 to a total of \$83,011 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, 2024, 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 | \$ 7,338,154 |
| State's proportionate share of the net pension liability | <u>2,446,418</u> |
| Total | <u>\$ 9,784,572</u> |
| | OPEB |
| City's proportionate share of the ARHCT OPEB liability (asset) | \$ (3,252,623) |
| State's proportionate share of the ARHCT OPEB liability (asset) | <u>(1,092,891)</u> |
| Total | <u>\$ (4,345,514)</u> |
| City's proportionate share of the ODD OPEB liability (asset) | <u>\$ (145,701)</u> |
| City's proportionate share of the RMP OPEB liability (asset) | <u>\$ (118,049)</u> |
| Total City's share of net pension and OPEB liabilities and (assets) | <u>\$ 3,821,781</u> |

The net pension and OPEB liabilities and assets were determined by an actuarial valuation as of June 30, 2022, rolled forward to the measurement date of June 30, 2023 and adjusted to reflect updated assumptions. The City's proportion of the net pension and OPEB liabilities and assets were based on the present value of contributions for the fiscal years ending 2024 through 2039, as determined by projections based on the June 30, 2022 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, 2023 Measurement | June 30, 2022 Measurement | Change |
|---------|------------------------------|------------------------------|---------|
| Pension | 0.1415% | 0.1279% | 0.0136% |
| OPEB: | | | |
| ARHCT | 0.1414% | 0.1271% | 0.0143% |
| ODD | 0.2840% | 0.2439% | 0.0401% |
| RMP | 0.2486% | 0.2143% | 0.0343% |

Based on the measurement date of June 30, 2023, the City recognized pension and OPEB expense (benefit) of \$1,866,974 and (\$906,822), respectively, for the year ended June 30, 2024. At June 30, 2024, 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 | \$ - | - |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 191,537 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | - | - |
| City contributions subsequent to the measurement date | 801,894 | - |
| Total | \$ 993,431 | - |
| | | |
| | OPEB ARHCT | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 6,753 | - |
| Changes of assumptions | - | (59,856) |
| Net difference between projected and actual earnings on OPEB plan investments | 148,044 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | - | (47,024) |
| City contributions subsequent to the measurement date | - | - |
| Total | \$ 154,797 | (106,880) |

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 | \$ - | (40,939) |
| Changes of assumptions | - | (606) |
| Net difference between projected and actual earnings on OPEB plan investments | 3,364 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 2,743 | (14,401) |
| City contributions subsequent to the measurement date | 18,528 | - |
| Total | \$ 24,635 | (55,946) |

| | OPEB RMP | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 3,598 | (3,810) |
| Changes of assumptions | 12,694 | (95,995) |
| Net difference between projected and actual earnings on OPEB plan investments | 9,892 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 1,485 | (2,672) |
| City contributions subsequent to the measurement date | 44,101 | - |
| Total | \$ 71,770 | (102,477) |

\$801,894 and \$62,629 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 liability and as an increase to the net OPEB assets in the year ended June 30, 2025, 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 (benefit) as follows:

| Year Ended June 30 | Pension | OPEB ARHCT | OPEB ODD | OPEB RMP |
|-----------------------|-------------|---------------|-------------|-------------|
| 2025 | \$ (72,645) | (164,530) | (11,119) | (15,284) |
| 2026 | (160,661) | (133,730) | (11,789) | (17,186) |
| 2027 | 434,644 | 355,241 | (6,172) | (468) |
| 2028 | (9,801) | (9,064) | (7,982) | (17,793) |
| 2029 | - | - | (6,069) | (12,888) |
| Thereafter | - | - | (6,708) | (11,189) |
| Total | \$ 191,537 | 47,917 | (49,839) | (74,808) |

Notes to the Financial Statements, Continued

For the year ended June 30, 2024, the City recognized \$790,070 and (\$178,168) of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

Sensitivity of the Net Pension and OPEB Liabilities and Assets to Changes in the Discount Rate: The following presents the net pension and OPEB liabilities and assets of the plan calculated using the discount rate of 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Rate (7.25%) | 1% Increase (8.25%) |
|----------------------------------|------------------------|-------------------------|------------------------|
| Net pension liability (asset) | \$ 9,851,450 | 7,338,154 | 5,215,159 |
| Net OPEB ARHCT liability (asset) | \$ (2,161,998) | (3,252,623) | (4,168,809) |
| Net OPEB ODD liability (asset) | \$ (136,900) | (145,701) | (152,551) |
| Net OPEB RMP liability (asset) | \$ (4,102) | (118,049) | (205,093) |

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:

| | 1% Decrease | Current Rate | 1% Increase |
|----------------------------------|----------------|--------------|-------------|
| Net OPEB ARHCT liability (asset) | \$ (4,273,607) | (3,252,623) | (2,036,910) |
| Net OPEB RMP liability (asset) | \$ (216,775) | (118,049) | (14,563) |

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

Plan Description and Funding Requirements. Cities and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. Plan members make mandatory contributions of 6.75% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5.00% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.01% for the retiree medical plan (DB), 0.30% and 0.68% (peace officers) for occupational and death and disability benefits (DB) and 3.00% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is capped at 22.00% with anything in excess of the previously listed rates being contributed to the Defined Benefit Unfunded Liability (DBUL).

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%

Notes to the Financial Statements, Continued

The City contributed \$326,588 for the year ended June 30, 2024, which included forfeitures of \$43,199 which have been applied as employer contributions.

(10) Landfill Closure and Post Closure Costs

State and Federal laws and regulations require the City to place a final cover on its landfill sites when they stop accepting waste to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and post closure costs as a long-term liability at June 30, 2024, based on the landfill capacities used as of that date. The \$2,772,919 amount reported to date is based on the use of 100% of the Center Creek Landfill prior to closure, 83% of the Center Creek Monofill, and 32% of the Beam Road Landfill. Total estimated costs of closure and post closure for these landfills total \$3,920,990 as the remaining capacity is filled. The City recorded \$57,079 of estimated future costs for closure and post-closure costs. These amounts are based on what it would cost to perform all closure and post closure costs as of June 30, 2024. 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.

(11) Litigation

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

(12) Contingent Liabilities

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

(13) Subsequent Accounting Pronouncements

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

- GASB 101 *Compensated Absences*. Effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.
- GASB 102 *Certain Risk Disclosures*. Effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.
- GASB 103 *Financial Reporting Model Improvements*: Effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

Notes to the Financial Statements, Continued

- GASB 104 *Disclosure of Certain Capital Assets*: Effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

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

GASB Statement No. 102 will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

GASB Statement No. 103 will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The changes primarily include updates to three key areas: management's discussion and analysis, presentation of proprietary fund financial statements, and budgetary comparison information. This Statement also addresses certain application issues.

GASB Statement No. 104 establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. The Statement also establishes requirements for capital assets held for sale and requires additional disclosures for those capital assets. Under the guidance, a capital asset is a capital asset held for sale if: (a) the government has decided to pursue the sale of the asset, and (b) it is probable the sale will be finalized within a year of the financial statement date. A government should disclose the historical cost and accumulated depreciation of capital assets held for sale, by major class of asset.

(14) Change within the Financial Reporting

A change in the ARPA Special Revenue Fund's presentation from major to nonmajor occurred during the year then ended June 30, 2024. There were no effects on the fund balance/net position of any opinion unit as a result of this change.

(15) Related Parties

The City received payments for landfill fees, PILT and Smartnet renewal in the amount of \$452,075, and had receivable at year end of \$151,676 from Nome Joint Utility System. During the year the City made a required contribution of \$3,200,000 to Nome Public Schools. The City also made payments to multiple companies owned by City Council and Commission members during the normal course of business totaling \$724,184.

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, 2024

| | Original Budget | Final Budget | Actual | Variance with Final Budget- Positive (Negative) |
|---|-----------------------|--------------------|----------------------|--|
| Revenues: | | | | |
| Local sources: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 4,516,222 | 4,389,652 | 4,420,267 | 30,615 |
| Sales taxes | 7,360,000 | 7,510,000 | 7,103,122 | (406,878) |
| Payments in lieu of taxes | 370,215 | 361,410 | 323,556 | (37,854) |
| Penalties and interest | 77,500 | 109,500 | 127,615 | 18,115 |
| Bed tax | 175,000 | 220,000 | 256,393 | 36,393 |
| Charges for services: | | | | |
| Licenses and permits | 40,800 | 86,880 | 161,161 | 74,281 |
| Usage fees | 843,700 | 811,270 | 871,235 | 59,965 |
| Fines and forfeitures | 3,000 | 3,000 | 2,143 | (857) |
| Investment income | 460,500 | 490,500 | 563,409 | 72,909 |
| Rental and royalties | 157,742 | 205,242 | 253,945 | 48,703 |
| Contributions | 38,500 | 20,500 | 37,813 | 17,313 |
| Total local sources | <u>14,043,179</u> | <u>14,207,954</u> | <u>14,120,659</u> | <u>(87,295)</u> |
| Intergovernmental: | | | | |
| State of Alaska | 109,912 | 156,864 | 297,047 | 140,183 |
| Federal sources | 515,000 | 542,616 | 542,616 | - |
| Total revenues | <u>14,668,091</u> | <u>14,907,434</u> | <u>14,960,322</u> | <u>52,888</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Legislative | 229,739 | 221,789 | 203,317 | 18,472 |
| Administrative | 1,367,081 | 1,263,004 | 1,216,733 | 46,271 |
| Information technology | 270,950 | 277,098 | 300,884 | (23,786) |
| Planning and engineering | 179,728 | 182,521 | 158,605 | 23,916 |
| City clerk | 595,670 | 548,576 | 515,540 | 33,036 |
| Police | 4,296,836 | 4,166,500 | 4,008,252 | 158,248 |
| Animal control | 41,643 | 37,326 | 34,492 | 2,834 |
| Emergency services | 797,933 | 861,866 | 668,262 | 193,604 |
| Public works | 3,355,106 | 3,809,607 | 3,606,220 | 203,387 |
| Recreation center | 966,882 | 899,094 | 818,390 | 80,704 |
| Swimming pool | 58,335 | 41,709 | 35,986 | 5,723 |
| Museum | 356,510 | 343,136 | 314,054 | 29,082 |
| Library | 424,284 | 426,744 | 403,156 | 23,588 |
| Visitor center | 220,719 | 219,887 | 214,183 | 5,704 |
| Education | 3,207,399 | 3,207,690 | 3,208,950 | (1,260) |
| Non-departmental | 394,046 | 420,235 | 247,223 | 173,012 |
| Debt service: | | | | |
| Principal | 25,000 | 25,000 | - | 25,000 |
| Interest | 2,000 | 2,000 | - | 2,000 |
| Capital outlay | 50,500 | 50,500 | - | 50,500 |
| Total expenditures | <u>16,840,361</u> | <u>17,004,282</u> | <u>15,954,247</u> | <u>1,050,035</u> |
| Excess (deficiency) of revenues over expenditures | (2,172,270) | (2,096,848) | (993,925) | 1,102,923 |
| Other financing sources (uses): | | | | |
| Proceeds from issuance of leases | 48,500 | 48,500 | - | (48,500) |
| Proceeds from insurance | - | 114,120 | 114,120 | - |
| Proceeds from sale of capital assets | - | 43,650 | 43,650 | - |
| Transfers out | (888,699) | (1,209,794) | (755,236) | 454,558 |
| Net other financing sources (uses) | <u>(840,199)</u> | <u>(1,003,524)</u> | <u>(597,466)</u> | <u>406,058</u> |
| Net change in fund balance | \$ <u>(3,012,469)</u> | <u>(3,100,372)</u> | <u>(1,591,391)</u> | <u>1,508,981</u> |
| Fund balance, beginning of year | | | <u>13,334,638</u> | |
| Fund balance, ending of year | | | \$ <u>11,743,247</u> | |

See accompanying notes to Required Supplementary Information.

CITY OF NOME, ALASKA

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

Public Employees' Retirement System (PERS)

June 30, 2024

| 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 | 78.11% | 62.37% |
| 2016 | 0.1062% | \$ 5,152,410 | \$ 138,151 | \$ 5,290,561 | \$ 3,091,332 | 166.67% | 63.96% |
| 2017 | 0.1269% | \$ 7,091,710 | \$ 893,136 | \$ 7,984,846 | \$ 3,016,750 | 235.08% | 59.55% |
| 2018 | 0.1051% | \$ 5,432,839 | \$ 2,023,811 | \$ 7,456,650 | \$ 3,057,182 | 177.71% | 63.37% |
| 2019 | 0.1127% | \$ 5,599,916 | \$ 1,619,291 | \$ 7,219,207 | \$ 3,169,595 | 176.68% | 65.19% |
| 2020 | 0.1055% | \$ 5,775,101 | \$ 2,292,576 | \$ 8,067,677 | \$ 3,130,982 | 184.45% | 63.42% |
| 2021 | 0.1063% | \$ 6,271,667 | \$ 2,595,580 | \$ 8,867,247 | \$ 3,666,977 | 171.03% | 61.61% |
| 2022 | 0.1495% | \$ 5,485,323 | \$ 743,512 | \$ 6,228,835 | \$ 3,956,041 | 138.66% | 76.46% |
| 2023 | 0.1279% | \$ 6,520,524 | \$ 1,806,538 | \$ 8,327,062 | \$ 4,231,791 | 154.08% | 67.97% |
| 2024 | 0.1415% | \$ 7,338,154 | \$ 2,446,418 | \$ 9,784,572 | \$ 5,187,595 | 141.46% | 68.23% |

See accompanying notes to Required Supplementary Information.

CITY OF NOME, ALASKA

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

Public Employees' Retirement System (PERS)

June 30, 2024

| 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 (Asset) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset) |
|--|--|---|--|---|------------------------------|--|---|
| Alaska Retiree Healthcare Trust Plan (ARHCT): | | | | | | | |
| 2018 | 0.1051% | \$ 887,886 | \$ 331,346 | \$ 1,219,232 | \$ 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% |
| 2022 | 0.1501% | \$ (3,849,775) | \$ (507,030) | \$ (4,356,805) | \$ 3,956,041 | -97.31% | 135.54% |
| 2023 | 0.1271% | \$ (2,501,565) | \$ (714,876) | \$ (3,216,441) | \$ 4,231,791 | -59.11% | 128.51% |
| 2024 | 0.1414% | \$ (3,252,623) | \$ (1,092,891) | \$ (4,345,514) | \$ 5,187,595 | -62.70% | 133.96% |
| Occupational Death and Disability (ODD): | | | | | | | |
| 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% |
| 2022 | 0.2436% | \$ (107,378) | \$ - | \$ (107,378) | \$ 3,956,041 | -2.71% | 374.22% |
| 2023 | 0.2439% | \$ (106,918) | \$ - | \$ (106,918) | \$ 4,231,791 | -2.53% | 348.80% |
| 2024 | 0.2840% | \$ (145,701) | \$ - | \$ (145,701) | \$ 5,187,595 | -2.81% | 349.24% |
| Retiree Medical Plan (RMP): | | | | | | | |
| 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% | \$ 15,068 | \$ - | \$ 15,068 | \$ 1,011,932 | 1.49% | 92.23% |
| 2022 | 0.2067% | \$ (55,470) | \$ - | \$ (55,470) | \$ 1,085,723 | -5.11% | 115.10% |
| 2023 | 0.2143% | \$ (74,429) | \$ - | \$ (74,429) | \$ 1,191,741 | -6.25% | 120.08% |
| 2024 | 0.2486% | \$ (118,049) | \$ - | \$ (118,049) | \$ 1,443,700 | -8.18% | 124.29% |

See accompanying notes to Required Supplementary Information.

CITY OF NOME, ALASKA

Schedule of City's Contributions (Pensions)

Public Employees' Retirement System (PERS)

June 30, 2024

| 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% |
| 2022 | \$ 564,034 | \$ (564,034) | \$ - | \$ 4,231,791 | 13.33% |
| 2023 | \$ 758,916 | \$ (767,953) | \$ (9,037) | \$ 5,187,595 | 14.63% |
| 2024 | \$ 810,942 | \$ (801,894) | \$ 9,048 | \$ 5,414,141 | 14.98% |

See accompanying notes to Required Supplementary Information.

CITY OF NOME, ALASKA

Schedule of City's Contributions (OPEB)

Public Employees' Retirement System (PERS)

June 30, 2024

| 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 |
|--|---|---|--|------------------------------|---|
| Alaska Retiree Healthcare Trust Plan (ARHCT): | | | | | |
| 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% |
| 2022 | \$ 54,445 | \$ (54,445) | \$ - | \$ 4,231,791 | 1.29% |
| 2023 | \$ - | \$ - | \$ - | \$ 5,187,595 | 0.00% |
| 2024 | \$ - | \$ - | \$ - | \$ 5,414,141 | 0.00% |
| Occupational Death and Disability (ODD): | | | | | |
| 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% |
| 2022 | \$ 14,071 | \$ (14,071) | \$ - | \$ 4,231,791 | 0.33% |
| 2023 | \$ 17,303 | \$ (17,303) | \$ - | \$ 5,187,595 | 0.33% |
| 2024 | \$ 18,528 | \$ (18,528) | \$ - | \$ 5,414,141 | 0.34% |
| Retiree Medical Plan (RMP): | | | | | |
| 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% |
| 2022 | \$ 36,261 | \$ (36,261) | \$ - | \$ 1,191,741 | 3.04% |
| 2023 | \$ 46,622 | \$ (46,622) | \$ - | \$ 1,443,700 | 3.23% |
| 2024 | \$ 44,101 | \$ (44,101) | \$ - | \$ 1,484,491 | 2.97% |

See accompanying notes to Required Supplementary Information.

CITY OF NOME, ALASKA

Notes to Required Supplementary Information

Year Ended June 30, 2024

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 District and Joint 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 District'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 Public Schools' 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 Joint 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 adoption.

The City Manager, the Nome Public 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 District's General Fund, Special Revenue Funds and the City's Capital Projects Funds and Port Facility Enterprise Fund. All budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America, and all lapse at year-end except for budgets related to the Debt Service Fund, Capital Projects Funds and Special Revenue Funds. Budgeted amounts are presented as originally adopted or as amended by the Council for the General Fund and are prepared on the modified accrual basis of accounting.

The following functions had expenditures in excess of appropriations in the General Fund for the year ended June 30, 2024:

| | | |
|------------------------|----|--------|
| Information Technology | \$ | 23,786 |
| Education | \$ | 1,260 |

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.

CITY OF NOME, ALASKA

Notes to Required Supplementary Information, Continued

Changes in Actuarial Assumptions, Methods, and Benefits Since the Prior Valuation

Defined Benefit Pension and Postemployment Healthcare Benefit Plan

a) Changes in Methods Since the Prior Valuation – June 30, 2021 to June 30, 2022

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

b) Changes in Assumptions Since the Prior Valuation – June 30, 2021 to June 30, 2022

Effective for the June 30, 2022 valuation, the Alaska Retirement Management Board adopted the changes to the demographic and economic assumptions recommended by the actuary, based on the results of an experience study performed on the plan experience from July 1, 2017 to June 30, 2021. The changes in assumptions were adopted at the June 2022 Board meeting. The effect of the new assumptions was to increase the actuarial accrued liability as of June 30, 2022 by approximately \$206 million for pension and decrease by approximately \$88 million for healthcare.

The healthcare per capital claims cost assumption is updated for each valuation. The amounts included in the Normal Cost for the administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets.

c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2021 to June 30, 2022

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

Defined Contribution Occupational Death and Disability and Retiree Medical Benefits Plan

a) Changes in Methods Since the Prior Valuation – June 30, 2021 to June 30, 2022

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

b) Changes in Assumptions Since the Prior Valuation – June 30, 2021 to June 30, 2022

Effective for the June 30, 2022 valuation, the Alaska Retirement Management Board adopted the changes to the demographic and economic assumptions recommended by the actuary, based on the results of an experience study performed on the plan experience from July 1, 2017 to June 30, 2021. The changes in assumptions were adopted at the June 2022 Board meeting. The effect of the new assumptions was to increase the actuarial accrued liability as of June 30, 2022 by approximately \$1,222,000 for occupational death & disability and decrease by approximately \$22,348,000 for retiree medical.

The healthcare per capital claims cost assumption is updated for each valuation. The amounts included in the Normal Cost for the administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets.

c) Changes in Benefit Provisions Since the Prior Valuation – June 30, 2021 to June 30, 2022

There have been no changes in benefit provisions valued since the prior valuation.

The 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, 2022 which was rolled forward to June 30, 2023. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

SUPPLEMENTARY INFORMATION

CITY OF NOME, ALASKA

Other Governmental Funds

Combining Balance Sheet

June 30, 2024

| | Special Revenue Funds | | | | |
|--------------------------------------|-----------------------|---|--------------|------------------------|---|
| | E-911 Surcharge | Healthy and Equitable Communities | NPD SART | Rasmuson Foundation | NSEDC Community Benefits Share |
| <u>Assets</u> | | | | | |
| Cash and short-term investments | \$ - | - | - | - | - |
| Receivables: | | | | | |
| Federal | - | 83,132 | 1,032 | - | - |
| State of Alaska | - | - | - | - | - |
| Other | 101,977 | - | - | - | - |
| Due from other funds | 711,828 | - | - | 5,488 | 49,232 |
| Total assets | <u>\$ 813,805</u> | <u>83,132</u> | <u>1,032</u> | <u>5,488</u> | <u>49,232</u> |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 475,624 | - | - | - | - |
| Unearned revenue | - | - | - | 5,488 | - |
| Due to other funds | - | 83,132 | 1,032 | - | - |
| Total liabilities | <u>475,624</u> | <u>83,132</u> | <u>1,032</u> | <u>5,488</u> | <u>-</u> |
| Fund balances: | | | | | |
| Restricted - | | | | | |
| E-911 surcharge | 338,181 | - | - | - | - |
| Committed: | | | | | |
| Equipment and upgrades | - | - | - | - | - |
| Community projects | - | - | - | - | 49,232 |
| Assigned: | | | | | |
| Debt service | - | - | - | - | - |
| Landfill | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balances | <u>338,181</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>49,232</u> |
| | <u>\$ 813,805</u> | <u>83,132</u> | <u>1,032</u> | <u>5,488</u> | <u>49,232</u> |

(Continued)

CITY OF NOME, ALASKA
Other Governmental Funds
Combining Balance Sheet, Continued

| | Special Revenue Funds | | | | Debt Service Fund |
|--------------------------------------|---|---------------------------------|------------------|------------------|-------------------------|
| | NSEDC Community Employment Program | Public Library Assistance | FEMA Typhoon | Total | |
| <u>Assets</u> | | | | | |
| Cash and short-term investments | \$ - | - | - | - | 1,206,724 |
| Receivables: | | | | | |
| Federal | - | - | 53,280 | 137,444 | - |
| State of Alaska | - | - | - | - | 1,520 |
| Other | 2,757 | - | - | 104,734 | - |
| Due from other funds | - | 651 | - | 767,199 | - |
| Total assets | <u>\$ 2,757</u> | <u>651</u> | <u>53,280</u> | <u>1,009,377</u> | <u>1,208,244</u> |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | 651 | - | 476,275 | - |
| Unearned revenue | - | - | - | 5,488 | - |
| Due to other funds | 2,757 | - | 323,433 | 410,354 | 209,061 |
| Total liabilities | <u>2,757</u> | <u>651</u> | <u>323,433</u> | <u>892,117</u> | <u>209,061</u> |
| Fund balances: | | | | | |
| Restricted - | | | | | |
| E-911 surcharge | - | - | - | 338,181 | - |
| Committed: | | | | | |
| Equipment and upgrades | - | - | - | - | - |
| Community projects | - | - | - | 49,232 | - |
| Assigned: | | | | | |
| Debt service | - | - | - | - | 999,183 |
| Landfill | - | - | - | - | - |
| Unassigned | - | - | (270,153) | (270,153) | - |
| Total fund balances | <u>-</u> | <u>-</u> | <u>(270,153)</u> | <u>117,260</u> | <u>999,183</u> |
| | <u>\$ 2,757</u> | <u>651</u> | <u>53,280</u> | <u>1,009,377</u> | <u>1,208,244</u> |

(Continued)

CITY OF NOME, ALASKA
Other Governmental Funds
Combining Balance Sheet, Continued

| | Capital Project Funds | | | | | | Total Other Governmental Funds |
|--------------------------------------|-----------------------|------------------|-------------------|-----------------------------|-------------------------------------|------------------|---|
| | Landfill | ARPA CLFRF | HUD 3D Housing | Equipment and Repairs | School Renovation and Repairs | Total | |
| <u>Assets</u> | | | | | | | |
| Cash and short-term investments | \$ - | - | - | - | - | - | 1,206,724 |
| Receivables: | | | | | | | |
| Federal | - | - | 126,952 | - | - | 126,952 | 264,396 |
| State of Alaska | - | - | - | - | - | - | 1,520 |
| Other | - | - | - | - | - | - | 104,734 |
| Due from other funds | 704,667 | 1,133,062 | - | 203,315 | 29,716 | 2,070,760 | 2,837,959 |
| Total assets | <u>\$ 704,667</u> | <u>1,133,062</u> | <u>126,952</u> | <u>203,315</u> | <u>29,716</u> | <u>2,197,712</u> | <u>4,415,333</u> |
| <u>Liabilities and Fund Balances</u> | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ - | 2,769 | 126,952 | - | 29,716 | 159,437 | 635,712 |
| Unearned revenue | - | 1,130,293 | - | - | - | 1,130,293 | 1,135,781 |
| Due to other funds | - | - | - | - | - | - | 619,415 |
| Total liabilities | <u>-</u> | <u>1,133,062</u> | <u>126,952</u> | <u>-</u> | <u>29,716</u> | <u>1,289,730</u> | <u>2,390,908</u> |
| Fund balances: | | | | | | | |
| Restricted - | | | | | | | |
| E-911 surcharge | - | - | - | - | - | - | 338,181 |
| Committed: | | | | | | | |
| Equipment and upgrades | - | - | - | 203,315 | - | 203,315 | 203,315 |
| Community projects | - | - | - | - | - | - | 49,232 |
| Assigned: | | | | | | | |
| Debt service | - | - | - | - | - | - | 999,183 |
| Landfill | 704,667 | - | - | - | - | 704,667 | 704,667 |
| Unassigned | - | - | - | - | - | - | (270,153) |
| Total fund balances | <u>704,667</u> | <u>-</u> | <u>-</u> | <u>203,315</u> | <u>-</u> | <u>907,982</u> | <u>2,024,425</u> |
| | <u>\$ 704,667</u> | <u>1,133,062</u> | <u>126,952</u> | <u>203,315</u> | <u>29,716</u> | <u>2,197,712</u> | <u>4,415,333</u> |

CITY OF NOME, ALASKA

Other Governmental Funds

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

Year Ended June 30, 2024

| | Special Revenue Funds | | | | | |
|--|--------------------------|---|-----------------|------------------------|---|--------------------------------|
| | E-911 Surcharge | Healthy and Equitable Communities | NPD SART | Rasmuson Foundation | NSEDC Community Benefits Share | FEMA Floodplain Training |
| Revenues: | | | | | | |
| Local sources: | | | | | | |
| Charges for services | \$ 77,839 | - | - | - | - | - |
| Other | - | - | - | 9,512 | 62,457 | - |
| Intergovernmental: | | | | | | |
| State of Alaska | - | - | - | - | - | 661 |
| Federal sources | - | 103,317 | 3,627 | - | - | 1,983 |
| Total revenues | <u>77,839</u> | <u>103,317</u> | <u>3,627</u> | <u>9,512</u> | <u>62,457</u> | <u>2,644</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Police | 475,624 | - | 3,627 | - | - | - |
| Emergency services | - | - | - | - | - | 2,644 |
| Public works | - | - | - | - | - | - |
| Recreation center | - | 103,317 | - | - | - | - |
| Library | - | - | - | 12,012 | - | - |
| Non-departmental | - | - | - | - | 83,304 | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Total expenditures | <u>475,624</u> | <u>103,317</u> | <u>3,627</u> | <u>12,012</u> | <u>83,304</u> | <u>2,644</u> |
| Excess (deficiency) of revenues over expenditures | (397,785) | - | - | (2,500) | (20,847) | - |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | 2,500 | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,500</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (397,785) | - | - | - | (20,847) | - |
| Fund balances, beginning of year | <u>735,966</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>70,079</u> | <u>-</u> |
| Fund balances (deficit), end of year | \$ <u><u>338,181</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>49,232</u></u> | <u><u>-</u></u> |

(Continued)

CITY OF NOME, ALASKA

Other Governmental Funds

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

| | Special Revenue Funds | | | | | |
|--|---|---------------------------------|------------------------------------|------------------|----------------|-------------------------|
| | NSEDC Community Employment Program | Public Library Assistance | Library Continuing Education | FEMA Typhoon | Total | Debt Service Fund |
| Revenues: | | | | | | |
| Local sources: | | | | | | |
| Charges for services | \$ - | - | - | - | 77,839 | - |
| Other | 7,960 | - | 1,000 | 96,652 | 177,581 | - |
| Intergovernmental: | | | | | | |
| State of Alaska | - | 7,000 | - | 2,454 | 10,115 | 151,946 |
| Federal sources | - | - | 1,250 | 56,308 | 166,485 | - |
| Total revenues | <u>7,960</u> | <u>7,000</u> | <u>2,250</u> | <u>155,414</u> | <u>432,020</u> | <u>151,946</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Police | - | - | - | - | 479,251 | - |
| Emergency services | - | - | - | 139,898 | 142,542 | - |
| Public works | - | - | - | 28,053 | 28,053 | - |
| Recreation center | - | - | - | - | 103,317 | - |
| Library | 7,960 | 7,000 | 2,250 | - | 29,222 | - |
| Non-departmental | - | - | - | - | 83,304 | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | 250,000 |
| Interest | - | - | - | - | - | 25,750 |
| Capital outlay | - | - | - | - | - | - |
| Total expenditures | <u>7,960</u> | <u>7,000</u> | <u>2,250</u> | <u>167,951</u> | <u>865,689</u> | <u>275,750</u> |
| Excess (deficiency) of revenues over expenditures | - | - | - | (12,537) | (433,669) | (123,804) |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | 22,911 | 25,411 | 123,804 |
| Transfers out | - | - | - | - | - | (52,314) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,911</u> | <u>25,411</u> | <u>71,490</u> |
| Net change in fund balances | - | - | - | 10,374 | (408,258) | (52,314) |
| Fund balances, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>(280,527)</u> | <u>525,518</u> | <u>1,051,497</u> |
| Fund balances (deficit), end of year | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>(270,153)</u> | <u>117,260</u> | <u>999,183</u> |

(Continued)

CITY OF NOME, ALASKA

Other Governmental Funds

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

| | Capital Project Funds | | | | | | Total Other Governmental Funds |
|--|-----------------------|---------------|-------------------|------------------------------|-------------------------------------|-----------|---|
| | Landfill | ARPA CLFRF | HUD 3D Housing | Equipment and Upgrades | School Renovation and Repairs | Total | |
| Revenues: | | | | | | | |
| Local sources: | | | | | | | |
| Charges for services | \$ - | - | - | - | - | - | 77,839 |
| Other | - | - | 298,449 | - | - | 298,449 | 476,030 |
| Intergovernmental: | | | | | | | |
| State of Alaska | - | - | - | - | - | - | 162,061 |
| Federal sources | - | 31,761 | 126,952 | - | - | 158,713 | 325,198 |
| Total revenues | - | 31,761 | 425,401 | - | - | 457,162 | 1,041,128 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Police | - | - | - | - | - | - | 479,251 |
| Emergency services | - | - | - | - | - | - | 142,542 |
| Public works | - | - | - | - | - | - | 28,053 |
| Recreation center | - | - | - | - | - | - | 103,317 |
| Library | - | - | - | - | - | - | 29,222 |
| Non-departmental | - | - | - | - | - | - | 83,304 |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | - | 250,000 |
| Interest | - | - | - | - | - | - | 25,750 |
| Capital outlay | 41,659 | 31,761 | 429,020 | 489,912 | 52,314 | 1,044,666 | 1,044,666 |
| Total expenditures | 41,659 | 31,761 | 429,020 | 489,912 | 52,314 | 1,044,666 | 2,186,105 |
| Excess (deficiency) of revenues over expenditures | (41,659) | - | (3,619) | (489,912) | (52,314) | (587,504) | (1,144,977) |
| Other financing sources (uses): | | | | | | | |
| Transfers in | 41,659 | - | 3,619 | 560,743 | 52,314 | 658,335 | 807,550 |
| Transfers out | - | - | - | - | - | - | (52,314) |
| Total other financing sources (uses) | 41,659 | - | 3,619 | 560,743 | 52,314 | 658,335 | 755,236 |
| Net change in fund balances | - | - | - | 70,831 | - | 70,831 | (389,741) |
| Fund balances, beginning of year | 704,667 | - | - | 132,484 | - | 837,151 | 2,414,166 |
| Fund balances, end of year | \$ 704,667 | - | - | 203,315 | - | 907,982 | 2,024,425 |

CITY OF NOME, ALASKA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

| <u>Federal Agency/Program Title</u> | <u>Pass Through/ Grant Number</u> | <u>Federal Assistance Listing Number</u> | <u>Total Grant Award</u> | <u>Passed through to Subrecipients</u> | <u>Federal Expenditures</u> |
|--|---|--|----------------------------------|--|---------------------------------|
| U.S. Department of the Interior: Passed through the State of Alaska, Department of Commerce, Community, and Economic Development - Payment in lieu of taxes | None | 15.226 | \$ 542,616 | - | 542,616 |
| U.S. Department of Housing and Urban Development Direct: General Research and Technology Activity | RP-22-AK-004 | 14.506 | 600,000 | 126,952 | 126,952 |
| U.S. Department of Justice: Passed through State of Alaska, Department of Public Safety - SART | None | 16.588 | 3,627 | - | 3,627 |
| U.S. Department of Health and Human Services: Passed through State of Alaska, Department of Health - COVID-19 Healthy and Equitable Communities | C062-584-Q | 93.391 | 58,415 | - | 58,415 |
| COVID-19 Healthy and Equitable Communities | C062-584-Q | 93.268 | 44,902 | - | 44,902 |
| Total U.S. Department of Health and Human Services | | | 103,317 | - | 103,317 |
| U.S. Department of the Treasury - Passed through State of Alaska, Department of Commerce, Community, and Economic Development - COVID-19 Coronavirus Local Fiscal Recovery Fund | AK0090 | 21.027 | 1,700,834 | - | 31,761 |
| U.S. Department of Homeland Security - Passed through the State of Alaska, Department of Military and Veterans Affairs: | | | | | |
| Belmont Beach House | DR-4672-AK PW 0008 | 97.036 | 4,111 | - | 4,111 |
| City of Nome Street Signs | DR-4672-AK PW 0009 | 97.036 | 3,250 | - | 3,250 |
| Fire Response | DR-4672-AK PW 0087 | 97.036 | 15,982 | - | 15,982 |
| City of Nome Emergency Protective Measures | DR-4672-AK PW 0091 | 97.036 | 32,965 | - | 32,965 |
| Cape Nome Jetty | DR-4672-AK PW 0005 | 97.036 | 317,363 | - | 227,425 |
| Causeway Rd and 3 Docks | DR-4672-AK PW 0057 | 97.036 | 954,675 | - | 72,801 |
| Inner Harbor | DR-4672-AK PW 0078 | 97.036 | 386,250 | - | 8,811 |
| Total ALN 97.036 | | | 1,714,596 | - | 365,345 |
| Passed through the State of Alaska, Department of Commerce, Community, and Economic Development - Community Assistance Program - State Support Services Element (CAP-SSSE) | EMS-20222-CA-00009-S01 | 97.023 | 1,983 | - | 1,983 |
| Total U.S. Department of Homeland Security | | | 1,716,579 | - | 367,328 |
| U.S. Department of Museum and Library Services - Passed through the State of Alaska, Department of Education and Early Development - Continuing Education Grant | LS-249948-OLS-21 | 45.310 | 1,250 | - | 1,250 |
| Total expenditures of federal awards | | | \$ 4,668,223 | 126,952 | 1,176,851 |
| Reconciliation from Federal Financial Assistance to Federal sources revenues, Exhibit D-1: | | | | | |
| Above expenditures, per schedule | | | | | \$ 1,176,851 |
| Less: Federal Capital Contributions, Port Facility Enterprise Fund | | | | | (309,037) |
| Total Federal sources revenue Exhibit D-1 | | | | | \$ 867,814 |

See accompanying notes to the schedule.

CITY OF NOME, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

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, 2024. 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

The following were subrecipients of Federal Awards issued by the City of Nome:

From U.S. Department of Housing and Urban Development 14.506:

| | | | |
|-----|---------------------------|----|----------------|
| To: | Xtreme Habitats Institute | \$ | <u>126,952</u> |
|-----|---------------------------|----|----------------|

CITY OF NOME, ALASKA
Schedule of State Financial Assistance
Year Ended June 30, 2024

| <u>Grant Title</u> | <u>Pass Through/ Grant Number</u> | <u>Total Grant Award</u> | <u>State Expenditures</u> |
|---|---|----------------------------------|-------------------------------|
| Department of Commerce, Community and Economic Development: | | | |
| * Arctic Deep Draft Port Design | 23-DC-005 | \$ 150,300,000 | 84,182,145 |
| Deep Draft Port | 23-DC-006 | 25,000,000 | 309,262 |
| State Support Services Element (CAP-SSSE) | EMS-20222-CA-00009-S01 | 661 | 661 |
| Total Department of Commerce, Community and Economic Development | | <u>175,300,661</u> | <u>84,492,068</u> |
| Department of Military and Veterans Affairs: | | | |
| Belmont Beach House | DR-4672-AK PW 0008 | 1,371 | 1,371 |
| City of Nome Street Signs | DR-4672-AK PW 0009 | 1,083 | 1,083 |
| Cape Nome Jetty | DR-4672-AK PW 0005 | 105,788 | 75,808 |
| Causeway Rd and 3 Docks | DR-4672-AK PW 0057 | 318,225 | 24,267 |
| Inner Harbor | DR-4672-AK PW 0078 | 128,750 | 2,937 |
| Total Department of Military and Veterans Affairs | | <u>555,217</u> | <u>105,466</u> |
| Department of Education and Early Development: | | | |
| Debt Reimbursement | None | 151,946 | 151,946 |
| OWL Internet - Library | OWL24NOMEE01 | 2,040 | 2,040 |
| Public Library Assistance | PLA-24-NOME | 7,000 | 7,000 |
| Total Department of Education and Early Development | | <u>160,986</u> | <u>160,986</u> |
| Total State Financial Assistance | | <u>\$ 176,016,864</u> | <u>84,758,520</u> |
| Reconciliation from State Financial Assistance to State of Alaska revenues, Exhibit D-1: | | | |
| Above expenditures, per schedule | | \$ | 84,758,520 |
| Add: Community revenue sharing | | | 119,824 |
| Add: General Fund PERS on behalf funding | | | 139,692 |
| Add: Motor Vehicle Tax | | | 35,491 |
| Less: State of Alaska Capital Contributions, Port Facility Enterprise Fund | | | <u>(84,594,419)</u> |
| Total State of Alaska revenue Exhibit D-1 | | \$ | <u>459,108</u> |

See accompanying notes to the schedule

CITY OF NOME, ALASKA

Notes to Schedule of State Financial Assistance

Year Ended June 30, 2024

Note 1. General

The accompanying Schedule of State Financial Assistance (the "Schedule") includes the state award activity of the City under programs of the State of Alaska for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirement of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the basic financial statements of the City.

Note 2. Basis of Accounting

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

Note 3. Reporting Entity

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

Note 4. Subrecipients

No State funds were passed through to subrecipients.

Note 5. Major Programs

* Denotes a major program for compliance audit purposes.

COMPLIANCE SECTION

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, 2024 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 March 31, 2025. The financial statements of the Nome Joint Utility System have not been audited, and we were not engaged to audit the Nome Joint Utility System financial statements as part of our audit of the City of Nome, Alaska's basic financial statements and our report disclaims an opinion on the aggregate discretely presented component units.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Nome, Alaska's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Nome, Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

A handwritten signature in cursive script that reads "Altman, Rogers & Co.".

Anchorage, Alaska
March 31, 2025

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Nome, Alaska's compliance with the types of compliance requirements identified as subject to an audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Nome, Alaska's major federal programs for the year ended June 30, 2024. City of Nome, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying Federal Schedule of Findings and Questioned Costs.

City of Nome, Alaska's basic financial statements include the operations of Nome Public Schools and Nome Joint Utility System, component units, which expended \$2,673,911 and \$0, respectively, in federal awards which are not included in City of Nome, Alaska's Schedule of Expenditures of Federal Awards for the year ended June 30, 2024. Our audit, described below, did not include the operations of Nome Public Schools because the organizational unit was subjected to a separate audit performed in accordance with the Uniform Guidance, and Nome Joint Utility System because the organizational unit engaged other auditors to perform an audit.

In our opinion, City of Nome, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



Anchorage, Alaska
March 31, 2025

CITY OF NOME, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

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:

Opinion Unit

Governmental Activities

Business-type Activities

Aggregate Discretely Presented Component Units

General Fund

Port Facility Enterprise Fund

Aggregate Remaining Fund Information

Type of Opinion

Unmodified

Unmodified

Disclaimer

Unmodified

Unmodified

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

CITY OF NOME, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Identification of major programs:

ALN Number(s)/Cluster
15.226

Name of Federal Program or Cluster
Payment in Lieu of Taxes

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

\$ 750,000

Auditee qualified as low-risk auditee?

____ Yes X No

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

The City of Nome, Alaska did not have any findings that related to Federal Awards.

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited City of Nome, Alaska's compliance with the types of compliance requirements identified as subject to audit in the State of Alaska Audit Guide and Compliance Supplements that could have a direct and material effect on each of City of Nome, Alaska's major state programs for the year ended June 30, 2024. City of Nome, Alaska's major state programs are identified on the accompanying Schedule of State Financial Assistance.

The City of Nome, Alaska's basic financial statements include the operations of Nome Public Schools and Nome Joint Utility System, component units, which expended \$10,080,245 and \$0, respectively in state awards which are not included in City of Nome, Alaska's Schedule of State Financial Assistance for the year ended June 30, 2024. Our audit, described below, did not include the operations of Nome Public Schools because the organizational unit was subjected to a separate audit performed in accordance with the State of Alaska Audit Guide and Compliance Supplements and the Nome Joint Utility System because the organizational unit engaged other auditors to perform the audit.

In our opinion, City of Nome, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2024.

Basis for Opinion on Each Major State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State of Alaska Audit Guide, we:

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

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

Report on Internal Control over Compliance

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

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

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

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



Anchorage, Alaska
March 31, 2025

CITY OF NOME, ALASKA

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Opinion Unit

Governmental Activities

Business-type Activities

Aggregate Discretely Presented Component Units

General Fund

Port Facility Enterprise Fund

Aggregate Remaining Fund Information

Type of Opinion

Unmodified

Unmodified

Disclaimer

Unmodified

Unmodified

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiency(ies) identified?

___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?

___ Yes X No

Significant deficiency(ies) identified?

___ Yes X None reported

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

Unmodified

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

\$ 2,542,755

Auditee qualified as low-risk auditee?

___ Yes X No

Section II – Financial Statement Findings

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

Section III – State Award Findings and Questioned Costs

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