

CITY OF NOME, ALASKA

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

Year Ended June 30, 2020

CITY OF NOME, ALASKA

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Basic Financial Statements, Required Supplementary Information,
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Compliance Reports

Year Ended June 30, 2020

CITY OF NOME, ALASKA

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Nome Public Schools discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Nome's basic financial statements as listed in the table of contents. We did not audit the financial statements of Nome Joint Utility System, which is a discretely presented component unit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Members of the City Council
City of Nome, Alaska

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedules of City's Share of Net Pension and OPEB Liabilities and Assets and Contributions for the Public Employees' Retirement System on pages 4-15 and 63-66, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Members of the City Council
City of Nome, Alaska

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nome, Alaska's basic financial statements. The information listed in the table of contents as "Additional Supplementary Information", which includes Other Governmental Funds: Combining Balance Sheet, Combining Statement of Revenues, Expenditures and Changes in Fund Balances is presented for purposes of additional analysis, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The "Additional Supplementary Information" listed above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the "Additional 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 January 27, 2021 on our consideration of the City of Nome's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Nome's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Nome's internal control over financial reporting and compliance.



Anchorage, Alaska
January 27, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

City of Nome, Alaska
Management Discussion and Analysis
For the Year Ended June 30, 2020

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, 2020. 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, 2020, the City's assets and deferred outflows (net position) exceeded its liabilities and deferred inflows by \$101,381,868. Of this amount, \$12,943,868 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$642,008, or less than 1%, from the prior fiscal year's amount. The governmental activities net position increased by \$653,57 (1%) and the business-type activities net position decreased by \$1,295,583 (3.4%).
- As of June 30, 2020, the City's governmental funds, excluding business-type activities, reported combined ending fund balances of \$16,429,095, representing an increase of \$571,347 compared to the prior year.
- Total general revenues accounted for \$12,110,123 (70.22%) of total revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$5,134,893 (29.78%) of total revenues of \$17,245,016.
- The governmental fund balance is comprised of Non-spendable, Restricted, Committed, and Assigned and Unassigned classifications. At the end of the year, unassigned fund balance for the General Fund was \$8,713,206 or 70.71% of total General Fund expenditures and transfers.
- The City's total outstanding long-term debt decreased by \$1,392,238 due to scheduled debt repayments during the year.
- In October 2019, the City agreed to borrow funds from Wells Fargo Bank through the issuance of a Revenue Anticipation Note for \$5 million at 2.13% interest per annum to finance the purchase of diesel fuel for Nome Joint Utility System (NJUS). NJUS is obligated and makes direct payment to Wells Fargo Bank as principal and interest become due. The Note was paid over 9 equal installments and fully repaid in 2020. Subsequently in September 2020, NJUS through the City, sold a \$3.8 million Revenue Anticipation Note to Wells Fargo Bank to finance the 2020-2021 fuel requirements. The Note bears an annual interest of 1.75% and will be repaid in 10 equal installments. NJUS pledged utility revenues as security for the Note.

City of Nome, Alaska
Management Discussion and Analysis, Continued

Overview of the Financial Statements

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

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

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

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

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

City of Nome, Alaska
Management Discussion and Analysis, Continued

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

City of Nome, Alaska
Management Discussion and Analysis, Continued

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

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

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

- *Proprietary Funds*: When the City charges customers for the services it provides – both to outside customers and to other units of the City – these services are generally reported in the proprietary funds. Proprietary funds are reported in the same manner in the Statement of Net Position and the Statement of Activities. The City maintains one type of proprietary funds.
 - *Enterprise Funds*: are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an Enterprise Fund to account for its port facilities.
- *Fiduciary Funds*: Are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City uses the fiduciary fund to account for its deferred compensation plan.

Notes to the Financial Statements

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

Other Information

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

City of Nome, Alaska
Management Discussion and Analysis, Continued

Government-Wide Financial Analysis

Statement of Net Position

Over time, net position may serve as a useful indicator of a government's financial position. At June 30, 2020, the City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$101,381,868, representing a net decrease of \$642,008 from the prior year. Of this amount, \$12,943,868 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

By far the largest portion of the City's net position (85.95%) 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.

	2020			
	Governmental Activities	Business-type Activities	Eliminations	Total
Current and other assets	\$ 23,967,543	1,935,800	(1,735,801)	24,167,542
Long-term and capital assets	51,087,530	42,366,318	-	93,453,848
Total assets	<u>75,055,073</u>	<u>44,302,118</u>	<u>(1,735,801)</u>	<u>117,621,390</u>
Deferred outflows of resources	949,911	145,266	-	1,095,177
Current liabilities	2,712,047	2,633,895	(1,735,801)	3,610,141
Long-term liabilities	8,750,516	4,507,653	-	13,258,169
Total liabilities	<u>11,462,563</u>	<u>7,141,548</u>	<u>(1,735,801)</u>	<u>16,868,310</u>
Deferred inflows of resources	390,126	76,263	-	466,389
Net position				
Net investment in capital assets	49,329,733	37,809,234	-	87,138,967
Restricted for E-911 surcharge	481,054	-	-	481,054
Restricted for causeway	-	817,979	-	817,979
Unrestricted	14,341,508	(1,397,640)	-	12,943,868
Total net position	<u>\$ 64,152,295</u>	<u>37,229,573</u>	<u>-</u>	<u>101,381,868</u>
Total Liab, Def Inf, Net Position	<u>76,004,984</u>	<u>44,447,384</u>	<u>(1,735,801)</u>	<u>118,716,567</u>

City of Nome, Alaska
Management Discussion and Analysis, Continued

2019

	Governmental Activities	Business-type Activities	Eliminations	Total
Current and other assets	\$ 20,803,751	3,157,309	(1,862,869)	22,098,191
Long-term and capital assets	52,664,224	43,177,099	-	95,841,323
Total assets	<u>73,467,975</u>	<u>46,334,408</u>	<u>(1,862,869)</u>	<u>117,939,514</u>
Deferred outflows of resources	<u>888,396</u>	<u>139,385</u>	-	<u>1,027,781</u>
Current liabilities	463,459	3,155,564	(1,862,869)	1,756,154
Long-term liabilities	9,886,435	4,705,565	-	14,592,000
Total liabilities	<u>10,349,894</u>	<u>7,861,129</u>	<u>(1,862,869)</u>	<u>16,348,154</u>
Deferred inflows of resources	<u>507,757</u>	<u>87,508</u>	-	<u>595,265</u>
Net position				
Net investment in capital assets	50,774,224	38,266,701	-	89,040,925
Restricted for E-911 surcharge	402,346	-	-	402,346
Restricted for causeway	-	1,033,937	-	1,033,937
Restricted for Police Department	5,000	-	-	5,000
Unrestricted	12,317,150	(775,482)	-	11,541,668
Total net position	<u>\$ 63,498,720</u>	<u>38,525,156</u>	<u>-</u>	<u>102,023,876</u>

A small portion of the City's net position (approximately 1.3% in 2020) represents resources that are subject to external restrictions on how they may be used. Such restrictions are for the restricted assets for causeway operations and the E-911 surcharge program. The remaining balance of unrestricted net position of \$12,943,868 may be used to meet the government's ongoing obligation to citizens and creditors.

City of Nome, Alaska
Management Discussion and Analysis, Continued

Statement of Activities

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

	Change in Net Position					
	2020			2019		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services	920,716	1,649,408	2,570,124	1,112,192	1,451,041	2,563,233
Operating grants and contributions	2,038,742	(7,890)	2,030,852	597,147	11,326	608,473
Capital grants and contributions	180,534	353,383	533,917	92,564	2,510,502	2,603,066
General revenues:						
Property taxes	4,593,119	-	4,593,119	4,308,053	-	4,308,053
Penalties and interest	76,290	-	76,290	65,723	-	65,723
Sales tax	5,755,855	-	5,755,855	5,725,343	-	5,725,343
Bed tax	102,533	-	102,533	135,149	-	135,149
Fines and forfeitures	3,508	-	3,508	10,417	-	10,417
Payment in lieu of taxes	381,642	-	381,642	367,687	-	367,687
Rentals and royalties	149,988	-	149,988	158,650	-	158,650
Investment earnings	154,430	51,424	205,854	173,266	42,598	215,864
Grants not restricted to specific programs	697,684	-	697,684	775,527	-	775,527
Gain on sale of assets/equipment	-	-	-	-	-	-
Transfer capital asset from component unit	-	-	-	23,021	-	23,021
Other	143,650	-	143,650	6,744	-	6,744
Total revenues	\$ 15,198,691	2,046,325	17,245,016	13,551,483	4,015,467	17,566,950

(continued)

City of Nome, Alaska
Management Discussion and Analysis, Continued

	Change in Net Position					
	2020			2019		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Expenses:						
Legislative	164,895	-	164,895	202,339	-	202,339
Administrative	1,020,352	-	1,020,352	855,449	-	855,449
Information technology	253,773	-	253,773	231,750	-	231,750
Planning and engineering	90,684	-	90,684	119,384	-	119,384
City clerk	376,516	-	376,516	403,288	-	403,288
Police	2,741,456	-	2,741,456	2,524,239	-	2,524,239
Animal control	21,469	-	21,469	38,495	-	38,495
EMS	655,922	-	655,922	328,870	-	328,870
Ambulance	-	-	-	325,789	-	325,789
Public works	2,265,756	-	2,265,756	2,660,775	-	2,660,775
Recreation center	590,946	-	590,946	738,035	-	738,035
Swimming pool	47,915	-	47,915	68,589	-	68,589
Museum	595,470	-	595,470	308,751	-	308,751
Library	412,615	-	412,615	304,321	-	304,321
Visitor center	214,319	-	214,319	188,057	-	188,057
Education	4,171,879	-	4,171,879	4,201,381	-	4,201,381
Non-departmental	876,933	-	876,933	354,403	-	354,403
Unallocated interest	44,216	-	44,216	62,813	-	62,813
Port	-	3,341,908	3,341,908	-	3,091,450	3,091,450
Total expenses	<u>14,545,116</u>	<u>3,341,908</u>	<u>17,887,024</u>	<u>13,916,708</u>	<u>3,091,450</u>	<u>17,008,158</u>
Increase (decrease) in net position	653,575	(1,295,583)	(642,008)	(365,225)	924,017	558,792
Net position, beginning of year	<u>63,498,720</u>	<u>38,525,156</u>	<u>102,023,876</u>	<u>63,863,945</u>	<u>37,601,139</u>	<u>101,465,084</u>
Net position, end of year	<u>\$ 64,152,295</u>	<u>37,229,573</u>	<u>101,381,868</u>	<u>63,498,720</u>	<u>38,525,156</u>	<u>102,023,876</u>

As reflected in the table above, the City's overall net position decreased by \$642,008 in 2020. Governmental activities in 2020 increased the City's net position by \$653,575.

The primary sources of revenue from governmental activities are sales tax and property tax revenue, which amounted to \$5,755,855 and \$4,593,119 respectively, an increase of less than 1% and 6.6% from 2019. The increase in property tax revenue was attributed to the mill rate increasing from 11 to 13 mills.

City of Nome, Alaska
Management Discussion and Analysis, Continued

Expenses in the governmental activities increased in 2020 by \$628,408 from the prior year. The increase in expense was due to expenses for the mitigation of the COVID-19 Pandemic. Additionally, Public Works purchased an MP318 Loader MT snow blower (\$255,274.24), as well as a significant repair to the 966H engine (\$100,777.98).

The City's governmental activities expenses are predominately related to Education (28.68%), Public Safety (23.36%), Public Works (15.58%) and General Government (12.48%) or 80.10% of total governmental activities expenses.

Business-type activities in 2020 decreased the City's net position by \$1,295,583 due to the emergency repair of Westgold Dock and IP Fuel Line Repairs.

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, 2020 the City's governmental funds reported combined ending fund balances of \$16,429,095, an increase of \$571,347 over the prior year. Of this amount \$7,715,889 is non-spendable, restricted, committed, or assigned for specific purposes. \$8,713,206 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund increased by \$460,072 in 2020 compared to a decrease of \$308,595 in 2019.

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, 2020, the unassigned fund balance of the General Fund was \$8,713,206 which is 62.34% of the total General Fund balance compared to 57.16% in 2019.

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 73.50% of total General Fund expenditures at June 30, 2020 compared to 63.71% at June 30, 2019.

City of Nome, Alaska
Management Discussion and Analysis, Continued

Proprietary Fund

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

The Port of Nome Fund's total net position was \$37,229,573 in 2020, a decrease of \$1,295,583 from 2019 while the unrestricted net position shows a deficit of \$1,397,640 compared to a deficit of \$775,482 in 2019.

General Fund Budgetary Highlights

- General Fund revenues exceeded expenditures by \$929,017 before transfers, and after transfers between funds were accounted for, there was a net increase in fund balance of \$460,072.
- Overall, actual revenues were \$225,141 more than budgeted while actual expenditures and transfers were \$2,192,304 less than budgeted, which is primarily due to building closures due to COVID 19, staff turnover creating vacancies, as well as encountering challenges in filling open positions.
- Actual sales tax revenue exceeded budgeted revenue by \$95,855. Investment income exceeded budgeted revenue by \$54,430. Actual Penalty & Interest revenues were \$13,290 greater than budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounts to \$92,588,522 net of accumulated depreciation, a decrease of \$2,218,864 over last year. Major capital asset events during the current fiscal year included the following:

- Capital projects completed:
 - Acquisition of a 2020 Wausau MP318 Snow Blower
 - Acquisition of a 2019 Ford Expedition
 - Acquisition of IT Server Migration Hardware/Software
 - Completion of the Mini Convention Center Roof Repair
 - Upgrades to Public Safety Building AHU System Software
 - Major Repair to 2007 CAT 966H Engine/Transmission
 - Acquisition of Air Paks, Cylinders, Valves for EMS
 - Acquisition of chain link fence for recreation center ball fields
 - Acquisition of Fire Dynamics training equipment
 - Completion of the Westgold Emergency Dock Repair
 - Completion of the IP Fuel Line Repair
 - Acquisition of the Tuff Boat 18C Skiff

City of Nome, Alaska
Management Discussion and Analysis, Continued

- Ongoing projects:
 - Deep water port study and design
 - Port Waste Facility feasibility study
 - Harbor Launch Ramp Repair
 - Belmont Cemetery improvements
 - Covered ice hockey rink facility
 - Bathroom upgrades at Anvil City Science Academy
 - Nome-Beltz High School Roof

	2020			2019		
	Governmental	Business-	Total	Governmental	Business-	Total
	Activities	type Activities		Activities	type Activities	
Land	\$ 7,426,728	6,618,242	14,044,970	7,426,728	6,618,242	14,044,970
Tideland patent	-	736,400	736,400	-	736,400	736,400
Buildings	41,299,250	88,481	41,387,731	43,573,888	102,139	43,676,027
Small Boat Harbor	-	2,969,641	2,969,641	-	3,130,599	3,130,599
Causeway	-	5,150,836	5,150,836	-	5,865,402	5,865,402
Quarry Jetty	-	1,612,851	1,612,851	-	1,808,987	1,808,987
Cape Nome Quarry	-	3,665,309	3,665,309	-	3,821,818	3,821,818
C-cell dock/WG	-	2,192,357	2,192,357	-	867,462	867,462
Vehicles, trucks and trailers	695,858		695,858	498,682	-	498,682
Assets other than buildings	835,334		835,334	603,880	-	603,880
Other	76,155	16,080,847	16,157,002	112,783	16,715,987	16,828,770
Machinery and equipment	265,541	47,821	313,362	291,082	1,019	292,101
Construction in progress	437,729	2,389,142	2,826,871	157,183	2,475,106	2,632,289
Total capital assets	\$ 51,036,595	41,551,927	92,588,522	52,664,224	42,143,162	94,807,386

Additional information on the City's capital assets can be found in note 6 on pages 41 through 43 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 \$5,449,555. 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.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
General obligation bonds, including premium	\$ 1,706,862	2,121,019	-	-	1,706,862	2,121,019
Revenue bonds	-	-	3,742,693	3,876,461	3,742,693	3,876,461
Compensated absences	422,001	349,397	-	-	422,001	349,397
Landfill post closure care costs	1,357,392	1,338,695	-	-	1,357,392	1,338,695
Landfill loan	50,001	164,863	-	-	50,001	164,863
Net pension and OPEB Liability	5,163,325	5,912,461	757,488	829,104	5,920,813	6,741,565
	\$ 8,699,581	9,886,435	4,500,181	4,705,565	13,199,762	14,592,000

City of Nome, Alaska
Management Discussion and Analysis, Continued

During the current fiscal year, the City's total debt decreased by \$1,392,238 as a result of debt scheduled repayments during the year as well as a decrease in the net pension and OPEB liability. Additional information on the City of Nome, Alaska's long-term debt can be found in note 7 on pages 43-46 of this report.

Economic Factors and Next Year's (2021) Budgets and Rates

- The State of Alaska's uncertain fiscal situation and budgetary pressures are passing costs onto local governments. The impact of COVID-19 was uncertain.
- Sales tax remains the primary source of revenue for the General Fund accounting for approximately 40.5% of total budgeted revenues. This amount was levied for the operation and maintenance activities in the General Fund, and to fund education and capital improvements not associated with the enterprise funds.
- The City continues with the expansion and construction and improvements to the port facilities.

These various factors were taken into consideration in the development of the FY 2021 budget. Major aspects of the adopted FY 2021 budget include:

- Overall revenue in the General Fund (before fund balance appropriation) is projected to decrease by \$112,275 while overall expenditure and transfers are projected to decrease by \$910,387. There is a fund balance appropriation of \$1,159,262.39 from savings is to balance the budget of \$13,604,986.87.
- The property tax rate mill rate stayed the same at 13 mills (1 mill is approximately 354,354). This amount was levied to fund education at \$3,000,000 and to continue the increased funding for public safety.
- Sales tax rate remains at 5% from September to April and 7% from May to August. Bed tax remains at 6%. The Port Tariff is being reviewed for language change and rate changes, which will be implemented in March/April 2021, if approved.
- Capital improvements include the purchase of an EMS used Multi-purpose hose truck.

Requests for Information

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

Finance Department
City of Nome
P.O. Box 281
Nome, Alaska 99762
Email: finance@nomealaska.org

BASIC FINANCIAL STATEMENTS

CITY OF NOME, ALASKA

Statement of Net Position

Government-Wide Financial Statements

June 30, 2020

	Primary Government				Component Units	
	Governmental Activities	Business-type Activities	Eliminations	Totals	Nome Public Schools	Nome Joint Utility System
Assets and Deferred Inflows of Resources						
Current:						
Cash and investments	\$ 16,702,546	1,479,150	-	18,181,696	7,085,416	1,392,569
Receivables:						
Property taxes, net	4,566,903	-	-	4,566,903	-	-
Sales and bed taxes	529,468	-	-	529,468	-	-
Accounts receivable, net	-	226,405	-	226,405	-	1,205,793
State of Alaska and federal government	136,042	228,804	-	364,846	589,947	-
Unbilled revenues	-	-	-	-	-	546,540
Other, net	172,998	-	-	172,998	604,326	178,771
Inventory	-	-	-	-	50,569	6,118,790
Prepaid items	45,452	1,441	-	46,893	399,351	195,743
Internal balances	1,735,801	-	(1,735,801)	-	-	-
Due from component units:						
Nome Joint Utility System	78,333	-	-	78,333	-	-
Other assets	-	-	-	-	-	1,467,064
Long-term:						
Restricted assets:						
Cash and investments	-	806,919	-	806,919	-	-
Capital assets:						
Not being depreciated	8,141,383	9,743,784	-	17,885,167	-	1,906,707
Depreciated, net	42,895,212	31,808,143	-	74,703,355	1,016,993	82,202,664
Investment in ARC	-	-	-	-	-	1,880,063
Net Pension and OPEB assets:	50,935	7,472	-	58,407	350,585	3,310
Total assets	<u>75,055,073</u>	<u>44,302,118</u>	<u>(1,735,801)</u>	<u>117,621,390</u>	<u>10,097,187</u>	<u>97,098,014</u>
Deferred outflows of resources						
Pension and OPEB deferrals	949,911	145,266	-	1,095,177	985,081	470,359
Deferred charges	-	-	-	-	-	775,041
Loss on refunding bonds	-	-	-	-	-	25,402
Total assets and deferred outflows of resources	<u>\$ 76,004,984</u>	<u>44,447,384</u>	<u>(1,735,801)</u>	<u>118,716,567</u>	<u>11,082,268</u>	<u>98,368,816</u>
Liabilities and Deferred Inflows of Resources						
Current:						
Accounts payable	595,661	140,227	-	735,888	523,037	410,780
Accrued payroll	101,333	-	-	101,333	346,847	114,911
Accrued payroll liabilities	40,153	-	-	40,153	-	202,241
Accrued interest payable	-	50,252	-	50,252	-	222,600
Unearned revenue	1,974,900	-	-	1,974,900	435,449	-
Internal balances	-	1,735,801	(1,735,801)	-	-	-
Deposits payable	-	-	-	-	-	46,402
Prepaid services	-	707,615	-	707,615	-	-
Fuel loan payable	-	-	-	-	-	3,953,847
Noncurrent liabilities:						
Long-term debt due within one year	432,230	139,240	-	571,470	-	871,019
Long-term debt due in more than one year	2,682,025	3,603,453	-	6,285,478	-	10,125,638
Net pension and OPEB liability	5,214,260	764,960	-	5,979,220	6,011,402	1,766,420
Compensated absences	422,001	-	-	422,001	105,653	-
Total current and noncurrent liabilities	<u>11,462,563</u>	<u>7,141,548</u>	<u>(1,735,801)</u>	<u>16,868,310</u>	<u>7,422,388</u>	<u>17,713,858</u>
Deferred inflows of resources						
Pension and OPEB deferrals	390,126	76,263	-	466,389	1,094,073	84,717
Total liabilities and deferred inflows of resources	<u>11,852,689</u>	<u>7,217,811</u>	<u>(1,735,801)</u>	<u>17,334,699</u>	<u>8,516,461</u>	<u>17,798,575</u>
Net Position:						
Net investment in capital assets	49,329,733	37,809,234	-	87,138,967	1,016,993	73,141,426
Restricted for general fund reserve	-	-	-	-	-	1,093,616
Restricted for insurance reserve	-	-	-	-	-	125,500
Restricted for debt service	-	-	-	-	-	247,948
Restricted for E-911 surcharge	481,054	-	-	481,054	-	-
Restricted for Commercial Passenger Vessel Tax	-	11,060	-	11,060	-	-
Restricted for causeway operations	-	806,919	-	806,919	-	-
Restricted for scholarships and school programs	-	-	-	-	121,924	-
Unrestricted	14,341,508	(1,397,640)	-	12,943,868	1,426,890	5,961,751
Total net position	<u>64,152,295</u>	<u>37,229,573</u>	<u>-</u>	<u>101,381,868</u>	<u>2,565,807</u>	<u>80,570,241</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 76,004,984</u>	<u>44,447,384</u>	<u>(1,735,801)</u>	<u>118,716,567</u>	<u>11,082,268</u>	<u>98,368,816</u>

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, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Nome Public Schools	Nome Joint Utility System
Primary government:									
Governmental activities:									
Legislative	\$ 164,895	140	(28)	-	(164,783)	-	(164,783)	-	-
Administrative	1,020,352	23,198	240,820	-	(756,334)	-	(756,334)	-	-
Information technology	253,773	-	(373)	-	(254,146)	-	(254,146)	-	-
Planning and engineering	90,684	67,980	(682)	-	(23,386)	-	(23,386)	-	-
City clerk	376,516	-	(3,575)	-	(380,091)	-	(380,091)	-	-
Police	2,741,456	90,525	563,368	-	(2,087,563)	-	(2,087,563)	-	-
Animal control	21,469	5,825	-	-	(15,644)	-	(15,644)	-	-
Emergency Services	655,922	153,771	101,112	-	(401,039)	-	(401,039)	-	-
Public works	2,265,756	337,561	7,867	50,000	(1,870,328)	-	(1,870,328)	-	-
Recreation center	590,946	194,174	(5,946)	-	(402,718)	-	(402,718)	-	-
Swimming pool	47,915	41,443	-	-	(6,472)	-	(6,472)	-	-
Museum	595,470	5,117	5,845	-	(584,508)	-	(584,508)	-	-
Library	412,615	982	15,064	-	(396,569)	-	(396,569)	-	-
Visitor center	214,319	-	-	-	(214,319)	-	(214,319)	-	-
Education	4,171,879	-	76,374	130,534	(3,964,971)	-	(3,964,971)	-	-
Non-departmental	876,933	-	1,038,896	-	161,963	-	161,963	-	-
Unallocated interest	44,216	-	-	-	(44,216)	-	(44,216)	-	-
Total governmental activities	<u>14,545,116</u>	<u>920,716</u>	<u>2,038,742</u>	<u>180,534</u>	<u>(11,405,124)</u>	<u>-</u>	<u>(11,405,124)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Port	<u>3,341,908</u>	<u>1,649,408</u>	<u>(7,890)</u>	<u>353,383</u>	<u>-</u>	<u>(1,347,007)</u>	<u>(1,347,007)</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 17,887,024</u>	<u>2,570,124</u>	<u>2,030,852</u>	<u>533,917</u>	<u>(11,405,124)</u>	<u>(1,347,007)</u>	<u>(12,752,131)</u>	<u>-</u>	<u>-</u>
Component Unit:									
Nome Public Schools	\$ 12,087,001	254,001	1,840,917	129,914	-	-	(9,862,169)	-	-
Nome Joint Utility System	17,048,733	12,643,379	(9,990)	-	-	-	-	(4,415,344)	-
Total component units	<u>\$ 29,135,734</u>	<u>12,897,380</u>	<u>1,830,927</u>	<u>129,914</u>			<u>(9,862,169)</u>	<u>(4,415,344)</u>	
General revenues:									
Taxes:									
Property taxes					\$ 4,593,119	-	4,593,119	-	-
Sales taxes					5,755,855	-	5,755,855	-	-
Payments in lieu of taxes					381,642	-	381,642	-	-
Penalties and interest					76,290	-	76,290	-	-
Bed taxes					102,533	-	102,533	-	-
Fines and forfeitures					3,508	-	3,508	-	-
Grants and contributions not restricted to specific programs					697,684	-	697,684	9,195,274	-
E-rate revenue					-	-	-	576,180	-
Investment earnings					154,430	51,424	205,854	-	908
Appropriation from City of Nome					-	-	-	3,000,000	-
Rentals and royalties					149,988	-	149,988	-	-
Gain on sale of assets					-	-	-	-	10,972
Other					143,650	-	143,650	374,729	191,966
Total general revenues					<u>12,058,699</u>	<u>51,424</u>	<u>12,110,123</u>	<u>13,146,183</u>	<u>203,846</u>
Change in net position					653,575	(1,295,583)	(642,008)	3,284,014	(4,211,498)
Net position, beginning of year					<u>63,498,720</u>	<u>38,525,156</u>	<u>102,023,876</u>	<u>(718,207)</u>	<u>84,781,739</u>
Net position, end of year					<u>\$ 64,152,295</u>	<u>37,229,573</u>	<u>101,381,868</u>	<u>2,565,807</u>	<u>80,570,241</u>

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

CITY OF NOME, ALASKA

Governmental Funds

Balance Sheet

June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	CARES Act Special Revenue Fund	Other Governmental Funds	
<u>Assets</u>				
Cash and investments	\$ 15,322,584	-	1,379,962	16,702,546
Receivables:				
Property tax levies due in subsequent year	4,343,825	-	-	4,343,825
Delinquent taxes, net of \$89,054 allowance for doubtful accounts	223,078	-	-	223,078
Sales and bed taxes	529,468	-	-	529,468
State of Alaska and federal government	10,712	-	125,330	136,042
Other, net of \$29,950 allowance for doubtful accounts	161,386	-	11,612	172,998
Prepaid items	45,452	-	-	45,452
Due from other funds:				
General Fund	-	1,931,771	1,676,393	3,608,164
Port Fund	1,735,801	-	-	1,735,801
Other Governmental Funds	492,831	-	-	492,831
Due from component units:				
Nome Joint Utility System	78,333	-	-	78,333
Total assets	<u>\$ 22,943,470</u>	<u>1,931,771</u>	<u>3,193,297</u>	<u>28,068,538</u>
<u>Liabilities, deferred inflows of resources, and fund balances</u>				
Liabilities:				
Accounts payable	375,080	23,483	197,098	595,661
Accrued payroll	101,333	-	-	101,333
Accrued payroll liabilities	40,153	-	-	40,153
Due to other funds:				
General Fund	-	-	492,831	492,831
Other Governmental Funds	1,676,393	-	-	1,676,393
CARES Act	1,931,771	-	-	1,931,771
Unearned revenue	14,634	1,908,288	51,978	1,974,900
Total liabilities	<u>4,139,364</u>	<u>1,931,771</u>	<u>741,907</u>	<u>6,813,042</u>
Deferred inflows of resources:				
Unavailable revenues	4,826,401	-	-	4,826,401
Total liabilities and deferred inflows	<u>8,965,765</u>	<u>1,931,771</u>	<u>741,907</u>	<u>11,639,443</u>
Fund balances:				
Non-spendable:				
Prepaid items	45,452	-	-	45,452
Restricted:				
E-911 surcharge	-	-	481,054	481,054
Committed-				
Community projects	-	-	262,878	262,878
Assigned:				
Debt service	-	-	1,002,791	1,002,791
Self insurance/ equipment replacement	1,296,667	-	-	1,296,667
Clara Mielke Richards estate	332,719	-	-	332,719
PERS	957,732	-	-	957,732
Landfill	2,631,929	-	704,667	3,336,596
Unassigned	8,713,206	-	-	8,713,206
Total fund balances	<u>13,977,705</u>	<u>-</u>	<u>2,451,390</u>	<u>16,429,095</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 22,943,470</u>	<u>1,931,771</u>	<u>3,193,297</u>	<u>28,068,538</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
Government-Wide Financial Statements and Fund Financial Statements

Year Ended June 30, 2020

Amounts reported as fund balances on the governmental funds	\$ 16,429,095
Amounts reported for governmental activities in the Statement of Net Position 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.	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds net of accumulated depreciation of \$59,878,880	51,036,595
Proportionate share of the collective net pension and OPEB liability: PERS	(5,214,260)
Proportionate share of the collective net pension and OPEB asset: PERS	50,935
Deferred inflow and outflow of resources are the result of timing differences in the actuarial report.	
Pension and OPEB related assets in the current fiscal year are presented as deferred outflows of resources: PERS	949,911
Pension and OPEB related liabilities in the current fiscal year are presented as deferred inflows of resources: PERS	(390,126)
Other long-term assets, are not available to pay current year expenditures and, therefore, are deferred inflows in the funds Property taxes	4,826,401
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:	
Compensated absences	(422,001)
General obligation bonds	(1,515,000)
Premium on general obligation bonds	(191,862)
Landfill loan	(50,001)
Landfill closure and post closure care costs	(1,357,392)
	<u>(3,536,256)</u>
Net position of governmental activities	<u>\$ 64,152,295</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, 2020

	Major Funds			Total Governmental Funds
	General Fund	CARES Act Special Revenue Fund	Other Governmental Funds	
Revenues:				
Local sources:				
Taxes:				
Property taxes	\$ 4,249,262	-	-	4,249,262
Sales taxes	5,755,855	-	-	5,755,855
Payments in lieu of taxes	381,642	-	-	381,642
Penalties and interest	76,290	-	-	76,290
Bed tax	102,533	-	-	102,533
Charges for services:				
Licenses and permits	91,855	-	86,795	178,650
Usage fees	742,066	-	-	742,066
Fines and forfeitures	3,508	-	-	3,508
Investment income	154,430	-	-	154,430
Rental and royalties	149,988	-	-	149,988
Contributions	39,994	-	-	39,994
Other	143,650	-	1,189,726	1,333,376
Total local sources	<u>11,891,073</u>	<u>-</u>	<u>1,276,521</u>	<u>13,167,594</u>
Intergovernmental:				
State of Alaska	392,737	-	113,955	506,692
Federal sources	499,331	831,812	166,316	1,497,459
Total intergovernmental	<u>892,068</u>	<u>831,812</u>	<u>280,271</u>	<u>2,004,151</u>
Total revenues	<u>12,783,141</u>	<u>831,812</u>	<u>1,556,792</u>	<u>15,171,745</u>
Expenditures:				
Current:				
Legislative	161,060	-	-	161,060
Administrative	841,847	219,390	31,986	1,093,223
Information technology	376,672	-	1,860	378,532
Planning and engineering	100,970	-	-	100,970
City clerk	440,853	-	-	440,853
Police	2,377,586	514,936	87,624	2,980,146
Animal control	32,147	-	-	32,147
Emergency Services	429,561	93,322	8,932	531,815
Public works	2,321,826	4,164	30,344	2,356,334
Recreation center	638,328	-	-	638,328
Swimming pool	36,694	-	-	36,694
Museum	296,836	-	9,231	306,067
Library	297,028	-	18,303	315,331
Visitor center	212,202	-	-	212,202
Education	3,068,954	-	-	3,068,954
Non-departmental	104,225	-	933,454	1,037,679
Debt service:				
Principal	114,862	-	375,000	489,862
Interest	2,473	-	80,900	83,373
Capital outlay	-	-	336,828	336,828
Total expenditures	<u>11,854,124</u>	<u>831,812</u>	<u>1,914,462</u>	<u>14,600,398</u>
Excess (deficiency) of revenues over expenditures	<u>929,017</u>	<u>-</u>	<u>(357,670)</u>	<u>571,347</u>
Other financing sources (uses):				
Transfers in	-	-	623,848	623,848
Transfers out	<u>(468,945)</u>	<u>-</u>	<u>(154,903)</u>	<u>(623,848)</u>
Net other financing sources (uses)	<u>(468,945)</u>	<u>-</u>	<u>468,945</u>	<u>-</u>
Net change in fund balance	460,072	-	111,275	571,347
Fund balance, beginning of year	<u>13,517,633</u>	<u>-</u>	<u>2,340,115</u>	<u>15,857,748</u>
Fund balance, ending of year	<u>\$ 13,977,705</u>	<u>-</u>	<u>2,451,390</u>	<u>16,429,095</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, 2020

Net change in fund balance - total governmental funds		\$	571,347
Amounts reported for governmental activities in the statement of activities are different because:			
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Change in the unfunded net pension and OPEB liability and assets:			
PERS			749,136
Changes in deferred inflows and outflows of resources are the result of timing differences in the actuarial report and adjustments to reflect employer and non-employer contributions based on the measurement date of the liability			
PERS			179,146
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	\$	1,141,693	
Depreciation expense		<u>(2,769,322)</u>	(1,627,629)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds represents change in:			
Unavailable property tax revenues			343,857
The issuance of long-term debt and accrual of compensated absences provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:			
Principal repayments	\$	489,862	
Amortization of bond premium		39,157	
Increase in landfill post closure costs, net		(18,697)	
Compensated absences, net		<u>(72,604)</u>	<u>437,718</u>
Change in net position of governmental activities		\$	<u><u>653,575</u></u>

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

CITY OF NOME, ALASKA

General Fund

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

Year Ended June 30, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Local sources:			
Taxes:			
Property taxes	\$ 4,293,931	4,249,262	(44,669)
Sales taxes	5,660,000	5,755,855	95,855
Payments in lieu of taxes	364,437	381,642	17,205
Penalties and interest	63,000	76,290	13,290
Bed tax	135,000	102,533	(32,467)
Charges for services:			
Licenses and permits	142,450	91,855	(50,595)
Usage fees	823,050	742,066	(80,984)
Fines and forfeitures	6,000	3,508	(2,492)
Investment income	100,000	154,430	54,430
Rental and royalties	157,442	149,988	(7,454)
Contributions	34,850	39,994	5,144
Other	5,000	143,650	138,650
Total local sources	11,785,160	11,891,073	105,913
Intergovernmental:			
State of Alaska	273,509	392,737	119,228
Federal sources	499,331	499,331	-
Total revenues	12,558,000	12,783,141	225,141
Expenditures:			
Current:			
Legislative	173,110	161,060	12,050
Administrative	1,027,851	841,847	186,004
Information technology	483,879	376,672	107,207
Planning and engineering	151,788	100,970	50,818
City clerk	485,187	440,853	44,334
Police	3,098,841	2,377,586	721,255
Animal control	44,538	32,147	12,391
Emergency Services	612,162	429,561	182,601
Public works	2,755,969	2,321,826	434,143
Recreation center	808,415	638,328	170,087
Swimming pool	67,090	36,694	30,396
Museum	339,917	296,836	43,081
Library	339,604	297,028	42,576
Visitor center	189,052	212,202	(23,150)
Education	3,070,100	3,068,954	1,146
Non-departmental	62,354	104,225	(41,871)
Debt service:			
Principal	114,862	114,862	-
Interest	2,473	2,473	-
Total expenditures	13,827,192	11,854,124	1,973,068
Excess of revenues over expenditures	(1,269,192)	929,017	2,198,209
Other financing sources (uses):			
Transfers out	(688,181)	(468,945)	219,236
Net change in fund balance	\$ (1,957,373)	460,072	2,417,445
Fund balance, beginning of year		13,517,633	
Fund balance, ending of year		\$ 13,977,705	

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, 2020

Assets and Deferred Outflows of Resources

Current assets:	
Unrestricted:	
Cash and cash equivalents	\$ 1,479,150
Accounts receivable, net of \$72,369 allowance for doubtful accounts	226,405
Prepays	1,441
Due from the State of Alaska	228,804
Total unrestricted current assets	<u>1,935,800</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	806,919
Capital assets:	
Not being depreciated	9,743,784
Depreciated, net	31,808,143
Net Pension and OPEB assets:	7,472
Total non-current assets	<u>42,366,318</u>
Deferred outflows of resources:	
Pension and OPEB deferrals	145,266
Total assets and deferred outflows of resources	<u>\$ 44,447,384</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:	
Bonds payable - current portion	139,240
Accounts payable	140,227
Accrued interest payable	50,252
Due to General Fund	1,735,801
Prepaid lease revenue	707,615
Total current liabilities	<u>2,773,135</u>
Non-current liabilities:	
Bonds payable	3,603,453
Net pension and OPEB liability	764,960
Total current and non-current liabilities	<u>7,141,548</u>
Deferred inflows of resources	
Pension and OPEB deferrals	76,263
Total liabilities and deferred inflows of resources	<u>7,217,811</u>
Net position:	
Net investment in capital assets	37,809,234
Restricted for Causeway debt	806,919
Restricted for Commercial Passenger Vessel Tax	11,060
Unrestricted	(1,397,640)
Total net position	<u>37,229,573</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 44,447,384</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, 2020

Operating revenues:	
Causeway facility	\$ 800,871
Harbor facility	438,166
Industrial park facility	420,032
Bad debt	(20,429)
Other	10,768
Total operating revenues	<u>1,649,408</u>
Operating expenses:	
Direct expenses:	
Causeway facility	183,384
Harbor facility	120,630
Industrial park facility	116,463
Total direct expenses	<u>420,477</u>
General and administrative expenses:	
Other	<u>585,420</u>
Total operating expenses, excluding depreciation	<u>1,005,897</u>
Depreciation:	
Causeway facility	1,147,344
Harbor facility	649,828
Quarry terminal facility	352,645
Industrial park facility	32,334
Total depreciation	<u>2,182,151</u>
Total operating expenses	<u>3,188,048</u>
Operating (loss)	<u>(1,538,640)</u>
Non-operating income (expenses):	
Interest income	51,424
Interest expense	(153,860)
State of Alaska on-behalf payments	(7,890)
Total non-operating income (expense)	<u>(110,326)</u>
(Loss) before capital contributions	(1,648,966)
Capital contributions	<u>353,383</u>
Change in net position	(1,295,583)
Net position, beginning of year	<u>38,525,156</u>
Net position, end of year	<u>\$ 37,229,573</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, 2020

Cash flows provided (used) by operating activities:	
Receipts from customers and users	\$ 1,580,743
Payments to employees	(553,523)
Payments to vendors	(921,335)
Net cash provided by operating activities	<u>105,885</u>
Cash flows provided by noncapital financing activities:	
Internal activity - payments to/from other funds	(127,068)
State of Alaska on-behalf payments	(7,890)
Net cash flows (used) by noncapital financing activities	<u>(134,958)</u>
Cash flows provided (used) by capital and related financing activities:	
Principal paid on debt	(133,768)
Interest paid on debt	(155,656)
Capital contributions	1,622,625
Acquisition of capital assets	(1,590,916)
Net cash (used) by capital and related financing activities	<u>(257,715)</u>
Cash flows provided by investing activities:	
Interest income	<u>51,424</u>
Net increase in cash and cash equivalents	(235,364)
Cash and cash equivalents at beginning of year	<u>2,521,433</u>
Cash and cash equivalents at end of year	<u>\$ 2,286,069</u>
Composed of:	
Unrestricted cash and cash equivalents	1,479,150
Restricted cash and cash equivalents	806,919
	<u>\$ 2,286,069</u>
Reconciliation of change in net assets to cash provided by operating activities:	
Operating (loss)	(1,538,640)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,182,151
Bad debt expense	20,429
Pension expense (benefit)	-
Changes in assets and liabilities that provided (used) cash:	
Accounts receivable	(76,508)
Accounts payable	(380,219)
Prepaid lease revenue	(12,586)
Net pension and OPEB asset	(7,472)
Pension and OPEB deferred outflows	(5,881)
Net pension and OPEB liability	(64,144)
Pension and OPEB deferred inflows	(11,245)
Net cash provided by operating activities	<u>\$ 105,885</u>

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

CITY OF NOME, ALASKA
 Fiduciary Fund - Deferred Compensation Plan

Statement of Fiduciary Net Position

June 30, 2020

Assets

Investments:

ICMA Retirement Corporation	\$ 1,033,811
The Hartford	1,118,334
	<u>\$ 2,152,145</u>

Net Position

Held in trust for:

Deferred compensation plan	\$ <u>2,152,145</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF NOME, ALASKA
 Fiduciary Fund - Deferred Compensation Plan
 Statement of Changes in Fiduciary Net Position
 Year Ended June 30, 2020

Additions:	
Contributions	\$ 123,143
Investment gain (loss)	114,372
Total additions	<u>237,515</u>
Deductions:	
Regular benefit payments	<u>87,667</u>
Change in net position	149,848
Net position, beginning of year	<u>2,002,297</u>
Net position, end of year	\$ <u><u>2,152,145</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, 2020

(1) Summary of Significant Accounting Policies

(a) *General*

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

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

(b) *Reporting Entity*

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

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

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

Notes to Financial Statements, Continued

(c) Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

The City reports the following major governmental funds:

- *The General Fund* is the government's primary operating fund. It allows for all financial resources of the general government, except those required to be accounted for in another fund.
- *The Cares Act Fund* is a special revenue fund which accounts for revenues provided by the Coronavirus Aid, Relief and Economic Security Act.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

- *Special Revenue Funds* – accounts for revenue sources that are legally restricted or committed to expenditure for specific purposes.
- *Debt Service Fund* – accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for principal and interest
- *Capital Project Funds* – accounts for the acquisition of the capital assets or construction of major capital projects not being financed by proprietary funds.
- *Fiduciary Fund* – accounts for the City's Internal Revenue Code Section 457 deferred compensation plan.

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

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

Notes to the Financial Statements, Continued

(e) Estimates

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

(f) Cash and Investments

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

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

The AMLIP manager is required to produce monthly disclosure statements to the pool. The pool has also retained an investment advisor to monitor the performance of the investment manager and to ensure compliance with investment policies. All participation in the pool is voluntary. The pool must maintain a dollar weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments in the pool are reviewed for fair value by an independent pricing service. There are no restrictions or limitations on withdrawals from AMLIP. As of June 30, 2020, the fair value of the investments in AMLIP approximates the net asset value at which they are reported. The fair value of our investments in AMLIP is the same as the value of our AMLIP units.

(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.

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.

Notes to the Financial Statements, Continued

(i) Capital Assets

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

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

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

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

	<u>Life in years</u>
Causeway	40
Infrastructure (C-Cell docks)	36-18
Improvements not buildings	40-5
Quarry jetty	40
Building	25-5
Machinery and equipment	10-5
Vehicles	10-5

(j) Compensated Absences

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

(k) Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the governmental fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on 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.

CITY OF NOME, ALASKA

Notes to Financial Statements, Continued

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

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

(m) Unbilled Revenue

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

(n) Unearned Revenues

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

(o) Prepaid Lease Revenue

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

(p) Fund Balances

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

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

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

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

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

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

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

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

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

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

(q) Net Position

Government-wide net position is divided into three components:

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

Notes to the Financial Statements, Continued

(r) Statement of Cash Flows

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

(s) Deferred Compensation

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

The City has determined that a fiduciary relationship does exist between it and its IRC Section 457 deferred compensation plan. The deferred compensation plan is reported as a pension trust fund.

(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.

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CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(u) ***Risk Management***

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

Coverage is as follows:

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

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

(v) ***Fair Value of Financial Instruments***

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

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.

(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, 2020 the real and personal property tax levy of \$4,606,600 is reflected as deferred inflows of resources in the General Fund.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

At June 30, 2020, property tax receivables included the following:

2020 real and personal property taxes due in fiscal year 2021	\$	4,606,600
Real and personal property taxes currently past due		<u>312,132</u>
		4,918,732
Less:		
Estimated allowance for doubtful collections		89,054
Pre-payment of property taxes due in fiscal year 2021		<u>262,775</u>
	\$	<u>4,566,903</u>

(3) Cash and Short-Term Investments

As of June 30, 2020, the City had the following investments:

<u>Investment type</u>		<u>Fair Value</u>	<u>Investment maturities (in years)</u>		
			<u>Less than 1</u>	<u>1 to 5</u>	<u>5-10</u>
Large Cap Equity	\$	674,120	674,120	-	-
Mid Cap Equity		956,864	956,864	-	-
International Equity Fund		47,257	47,257	-	-
Real Estate		9,159	9,159		
Balanced Funds		256,208	256,208	-	-
Bonds		<u>208,537</u>	<u>208,537</u>	-	-
Total investments in deferred compensation	\$	<u>2,152,145</u>	<u>2,152,145</u>	-	-
AMLIP		1,546,212	1,546,212	-	-
Money Market		433,482	433,482	-	-
Certificates of deposit		<u>7,102,000</u>	<u>6,602,000</u>	<u>500,000</u>	-
Total	\$	<u>9,081,694</u>	<u>8,581,694</u>	<u>500,000</u>	-

At June 30, 2020, the City had \$2,152,145 of investments in its pension trust fund that accounts for the City's Internal Revenue Code Section 457 deferred compensation plan.

(a) *Interest Rate Risk*

The fair value of the City's fixed income investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those investments. 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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(b) Credit Risk

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

(c) Concentration of Credit Risk

The City places no limit in the amount the City may invest in any one issuer.

The following investments exceed 5% of the total portfolio in the Fiduciary Fund:

<u>Investment</u>	<u>June 30th Balance</u>	<u>Percentage</u>
General	\$ 478,938	22.25%
Vantagepoint Plus Fund	\$ 318,042	14.78%
Janus Forty	\$ 229,211	10.65%
VT PIMCO	\$ 189,028	8.78%
Vantagepoint 500 stock	\$ 168,493	7.83%
FA Growth	\$ 116,062	5.74%
Janus Enterprise	\$ 113,471	5.27%

(d) 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. U.S. Treasury obligations collateralize the remaining bank balances, which is 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.

(e) Custodial Credit Risk – Investments

For an investment, this is a risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no debt securities exposed to custodial credit risk at June 30, 2020.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

Reconciliation to the City's June 30, 2020 financial statements follows:

Petty cash	\$	1,731
Demand deposits		9,905,190
Money Markey		433,482
Certificate of deposit		7,102,000
AMLIP		1,546,212
Investment in deferred compensation plans		<u>2,152,145</u>
	\$	<u>21,140,760</u>
Governmental activities	\$	16,702,546
Business type activities		2,286,069
Fiduciary activity		<u>2,152,145</u>
	\$	<u>21,140,760</u>

(4) **Receivables**

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

	General Fund	Other Governmental Funds	Total Governmental Funds	Business-type Activities	Total
Receivables:					
Property tax	\$ 4,655,957	-	4,655,957	-	4,655,957
Sales and bed tax	529,468	-	529,468	-	529,468
State of Alaska and Federal Government	10,712	125,330	136,042	228,804	364,846
Accounts - unrestricted	-	-	-	298,774	298,774
Other	191,336	11,612	202,948	-	202,948
Gross receivables	<u>5,387,473</u>	<u>136,942</u>	<u>5,524,415</u>	<u>527,578</u>	<u>6,051,993</u>
Less: allowance for uncollectibles	119,004	-	119,004	72,369	191,373
Net total receivables	<u>\$ 5,268,469</u>	<u>136,942</u>	<u>5,405,411</u>	<u>455,209</u>	<u>5,860,620</u>

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

	General Funds	CARES ACT Special Revenue Fund	Other Governmental Funds	Total
Unavailable taxes receivable – deferred inflows	\$ 4,826,401	-	-	4,826,401
Unearned revenues	\$ 14,634	1,908,288	51,978	1,974,900

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(5) **Investments**

The City of Nome categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City of Nome has the following recurring fair value measurements as of June 30, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Money market	\$ 433,482	433,482	-	-
Deferred compensation:				
Mutual Funds:				
Bonds	208,538	208,538	-	-
Large Cap Equity	674,120	674,120	-	-
Mid Cap Equity	956,864	956,864	-	-
International Equity Fund	47,257	47,257	-	-
Real Estate	9,159	9,159		
Balanced Funds	256,207	256,207	-	-
Total investments in deferred compensation	\$ 2,152,145	2,152,145	-	-
Investments measured at amortized cost:				
Certificate of deposit	\$ 7,102,000			
Investment measured at net asset value:				
Pooled investments/ AMLIP	\$ 1,546,212			

A portion of the City's investments are in the Alaska Municipal League Investment Pool (AMLIP). The investment in AMLIP represents the City's share of ownership in the pool rather than ownership of specific securities. The fair values of the investments in the pool approximates net asset value and is equal to the value of pool shares.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(6) **Capital Assets**

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Balance at July 1, 2019</u>	<u>Increases and transfers</u>	<u>Decreases and transfers</u>	<u>Balance at June 30, 2020</u>
Governmental activities:				
Capital assets not being depreciated:				
Land general government	\$ 6,703,528	-	-	6,703,528
Land-schools	723,200	-	-	723,200
Artwork	257,375	19,551	-	276,926
Construction in progress	157,183	358,546	78,000	437,729
Total	<u>7,841,286</u>	<u>378,097</u>	<u>78,000</u>	<u>8,141,383</u>
Capital assets being depreciated:				
Buildings-general government	42,244,222	78,000	-	42,322,222
Buildings-schools	49,673,051	-	-	49,673,051
Vehicles, trucks and trailers	6,561,923	411,732	-	6,973,655
Assets other than buildings	1,549,794	318,109	-	1,867,903
Machinery and equipment	1,109,523	33,755	-	1,143,278
Office machinery and equipment	829,572	-	35,589	793,983
Total	<u>101,968,085</u>	<u>841,596</u>	<u>35,589</u>	<u>102,774,092</u>
Less accumulated depreciation:				
Buildings-general government	12,893,189	1,249,714	-	14,142,903
Buildings-schools	35,450,196	1,102,924	-	36,553,120
Vehicles, trucks and trailers	6,063,241	214,556	-	6,277,797
Assets other than buildings	1,203,289	106,206	-	1,309,495
Machinery and equipment	818,443	59,294	-	877,737
Office machinery and equipment	716,789	36,628	35,589	717,828
Total	<u>57,145,147</u>	<u>2,769,322</u>	<u>35,589</u>	<u>59,878,880</u>
Total capital assets, being depreciated, net	<u>44,822,938</u>	<u>(1,927,726)</u>	<u>-</u>	<u>42,895,212</u>
Governmental activities	<u>\$ 52,664,224</u>	<u>(1,549,629)</u>	<u>(78,000)</u>	<u>51,036,595</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

	Balance at July 1, 2019	Increases and transfers	Decreases and transfers	Balance at June 30, 2020
Business-type activities:				
Capital assets not being: depreciated				
Land	\$ 6,618,242	-	-	6,618,242
Tideland patent	736,400	-	-	736,400
Construction in progress	2,475,106	1,411,033	1,496,997	2,389,142
Total	<u>9,829,748</u>	<u>1,411,033</u>	<u>1,496,997</u>	<u>9,743,784</u>
Capital assets being depreciated:				
Small boat harbor	5,380,529	-	-	5,380,529
Causeway	28,582,663	-	-	28,582,663
Cape Nome Quarry	3,912,724	-	-	3,912,724
Buildings	413,928	-	-	413,928
Machinery and equipment	346,832	47,821	-	394,653
Quarry Jetty	3,831,791	-	-	3,831,791
C-Cell dock-North	1,713,000	-	-	1,713,000
C-Cell dock-South	1,704,749	-	-	1,704,749
Westgold Dock	-	1,496,997	-	1,496,997
Other	20,808,752	132,062	-	20,940,814
Total	<u>66,694,968</u>	<u>1,676,880</u>	<u>-</u>	<u>68,371,848</u>
Less accumulated depreciation:				
Small boat harbor	2,249,930	160,958	-	2,410,888
Causeway	22,717,261	714,566	-	23,431,827
Cape Nome Quarry	90,906	156,509	-	247,415
Buildings	311,789	13,658	-	325,447
Machinery and equipment	345,813	1,019	-	346,832
Quarry Jetty	2,022,804	196,136	-	2,218,940
C-Cell dock-North	1,246,833	61,833	-	1,308,666
C-Cell dock-South	1,303,454	51,098	-	1,354,552
Westgold Dock	-	59,171	-	59,171
Other	4,092,764	767,203	-	4,859,967
Total	<u>34,381,554</u>	<u>2,182,151</u>	<u>-</u>	<u>36,563,705</u>
Total capital assets, being depreciated, net	<u>32,313,414</u>	<u>(505,271)</u>	<u>-</u>	<u>31,808,143</u>
Business-type activities	<u>\$ 42,143,162</u>	<u>905,762</u>	<u>(1,496,997)</u>	<u>41,551,927</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

Governmental activities:

Depreciation:

Legislative	\$ 4,269
Administrative	13,745
Information technology	32,519
City clerk	9,512
Police	251,901
Animal control	68
Emergency Services	248,096
Public works	513,887
Recreation center	76,342
Swimming pool	11,221
Museum	356,557
Library	146,163
Education	1,102,925
Visitor Center	<u>2,117</u>
Total depreciation	<u>2,769,322</u>

Business-type activities

Port	\$ <u>2,182,151</u>
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(7) Long-Term Debt

(a) Changes in long-term debt follows:

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Due within one year
Governmental activities:					
Compensated absences	\$ 349,397	451,197	378,593	422,001	-
General obligation bonds	1,890,000	-	375,000	1,515,000	390,000
Premium on general obligation bonds	231,019	-	39,157	191,862	-
Landfill loan	164,863	-	114,862	50,001	42,230
Landfill closure and postclosure costs	1,338,695	78,697	60,000	1,357,392	-
Net pension and OPEB Liability	<u>5,912,461</u>	<u>-</u>	<u>749,136</u>	<u>5,163,325</u>	<u>-</u>
	<u>9,886,435</u>	<u>529,894</u>	<u>1,716,748</u>	<u>8,699,581</u>	<u>432,230</u>
Business-type activities:					
Revenue bonds	\$ 3,876,461	-	133,768	3,742,693	139,240
Net pension and OPEB Liability	<u>829,104</u>	<u>-</u>	<u>71,616</u>	<u>757,488</u>	<u>-</u>
Total business type activities	<u>\$ 4,705,565</u>	<u>-</u>	<u>205,384</u>	<u>4,500,181</u>	<u>139,240</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

A summary of long-term bonded debt serviced directly by the City Port Facility Enterprise Fund at June 30, 2020 follows:

Year ending June 30	1986 Series A Port Revenue Bonds	
	Principal	Interest
2021	\$ 139,240	150,184
2022	144,937	144,487
2023	150,866	138,558
2024	157,037	132,386
2025	163,462	125,961
2026-2030	923,263	523,856
2031-2035	1,128,213	318,906
2036-2039	935,675	77,309
	<u>\$ 3,742,693</u>	<u>1,611,647</u>

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

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

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

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CITY OF NOME, ALASKA

Notes to Financial Statements, Continued

A summary of long-term bonded debt serviced directly by the City general government fund at June 30, 2020 follows:

Year ending June 30	2012 School G.O. Bonds		2015 School G.O. Bonds		2016 Refunding School G.O. Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	125,000	21,825	100,000	38,750	165,000	3,300
2022	130,000	16,100	105,000	33,625	-	-
2023	140,000	10,000	110,000	28,250	-	-
2024	130,000	3,250	120,000	22,500	-	-
2025	-	-	120,000	16,500	-	-
2026-2030	-	-	270,000	21,500	-	-
	\$ 525,000	51,175	825,000	161,125	165,000	3,300

Year ending June 30	Total		
	Principal	Interest	Total
2021	390,000	63,875	453,875
2022	235,000	49,725	284,725
2023	250,000	38,250	288,250
2024	250,000	25,750	275,750
2025	120,000	16,500	136,500
2026-2030	270,000	21,500	291,500
	\$ 1,515,000	215,600	1,730,600

In May 2012, the City issued \$1,180,000 of 2012 Series A General Obligation Refunding Bonds to advance refund \$1,245,000 of principal for the outstanding general obligation bonds, 2004 Series B. The bond was issued with a premium of \$201,256. For the year ended June 30, 2020, the City amortized \$16,772, leaving \$67,080 in unamortized premiums. The \$1,245,000 of 2004 Series B bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements. As of June 30, 2020, the amount of defeased bonds still outstanding was \$565,000.

In February 2015, the City issued \$750,000 of 2015 Series one General Obligation Refunding Bonds to advance refund \$815,000 of principal for the outstanding general obligation bonds, 2006 Series A. The bond was issued with a premium of \$114,399. The City also issued 2015 Series One General Obligation Refunding Bonds to advance refund \$400,000 of principal for the outstanding general obligation bonds, 2009-2. The bond was issued with a premium of \$75,801. For the year ended June 30, 2020 the City amortized \$8,803 and \$5,831 leaving \$70,387 and \$46,646 respectively, of unamortized premiums. The \$815,000 of 2006 Series A bonds and the \$400,000 of 2009-2 bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements. As of June 30, 2020, the amount of defeased bonds still outstanding was \$490,000 and \$370,000, respectively.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

In November 2016, the City issued \$650,000 of 2016 Series Three and Four general obligation bonds with an average interest rate of 3.806% to advance refund \$665,000 of outstanding 2007 Series 1 bonds with an average interest rate of 4.235%. The bond was issued with a premium of \$38,753. For the year ended June 30, 2020 the City amortized \$7,751, leaving \$7,749 in unamortized premiums. The net proceeds of \$679,578 (after payment of \$9,175 in issuance costs) was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with and escrow agent to provide for all future debt service payments on the 2007 Series 1 bond. As a result, the \$665,000 of 2007 Series 1 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. As of June 30, 2020, there were no amount defeased in relation to the bonds still outstanding.

In 2009, the City issued a note payable to the State of Alaska, Department of Environmental Conservation (ADEC) in the amount of \$750,000 for the purpose of financing a landfill project. The loan requires annual principal and interest payments of \$42,980 and bears interest at 1.5%. In addition to the annual payment, the City is making extra payments towards principal.

A summary of long-term debt payable to the ADEC serviced directly by the City general government fund at June 30, 2020 follows:

Year ending June 30	ADEC Loan		Total
	Principal	Interest	
2021	\$ 42,230	750	42,980
2022	7,771	117	7,888
	\$ 50,001	867	50,868

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).

(8) Interfund Receivables, Payables and Transfers

(a) Interfund Receivables and Payables

A summary of interfund receivables and payables at June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Port Facility Enterprise Fund	\$ 1,735,801
General Fund	Other Governmental Funds	492,831
CARES Act	General Fund	1,931,771
Other Governmental Funds	General Fund	1,676,393
Total primary government		\$ 5,836,796

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(b) Interfund Transfers

A summary of interfund transfers in and out of June 30, 2020 is as follows:

<u>Transfer in:</u>	<u>Transfer out:</u>		
	General Fund	Other governmental	Total
Other governmental	\$ 468,945	154,903	\$ 623,848

There were transfers from the General Fund to the Debt Service fund to cover scheduled bond payments, the NPD Vehicle fund to cover equipment expenditures, and the Art Acquisition fund and Historic Preservation Grant fund to cover operating expenditures. There was a transfer from the Debt Service fund to the School Renovation and Repairs fund to cover capital outlays.

(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.

CITY OF NOME, ALASKA

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

Other Postemployment Benefit Plans (OPEB)

Occupational Death and Disability Plan (ODD)

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. For the year ended June 30, 2020 the employer contribution rate is 0.72% for peace officers/firefighters and 0.26% for all others.

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

Membership	PERS
Active plan members	22,311
Participating employers	154

Alaska Retiree Healthcare Trust Plan (ARHCT)

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF). For the year ended June 30, 2020 (latest available information) employer contributions were 4.88% of annual payroll. Membership in the plan consisted of the following at June 30, 2020 (latest report available):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	36,059
Inactive plan members entitled to but not yet receiving benefits	7,361
Inactive plan members not entitled to benefits	10,808
Active plan members	12,316
Total plan membership	66,544

CITY OF NOME, ALASKA

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, 2020 employer contributions were 1.32%. Membership in the plan consists of the following at June 30, 2020 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	34
Inactive plan members entitled to but not yet receiving benefits	1,412
Inactive plan members not entitled to benefits	13,248
Active plan members	22,311
Total plan membership	<u>37,005</u>

Healthcare Reimbursement Arrangement Plan

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. Employer contributions are 3% of the average annual compensation of all employees in the plan. Membership in the plan consists of the following at June 30, 2020 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	40
Inactive plan members entitled to but not yet receiving benefits	1,412
Inactive plan members not entitled to benefits	13,248
Active plan members	22,311
Total plan membership	<u>37,011</u>

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, 2020 (latest available report) for the DB Plan for PERS is 5.88%, for the ARHCT plan is 6.03%, for the ODD Plan is 6.22%, and for the RMP is 6.21%.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

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

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	8.16%
Global Equity (non-U.S.)	7.51%
Intermediate Treasuries	1.58%
Opportunistic	3.96%
Real Assets	4.76%
Private Equity	11.39%
Cash Equivalents	0.83%

Discount Rate: The discount rate used to measure the total pension and OPEB liabilities and assets is 7.38%, which represents a decrease of 0.62% since the prior measurement period. The projection of the cash flows used to determine the discount rate assumes that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the net pension and OPEB plans fiduciary net pension and OPEB liabilities and assets were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments were applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities and assets. In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefits not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 2.79% as of June 30, 2020.

Employer and Other Contribution Rates. There are several contribution rates associated with the pension and healthcare contributions and related liability. 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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

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

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

Employer Contribution rates for the year ended June 30, 2020 are as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
PERS:			
Pension	15.72%	23.73%	6.62%
OPEB	6.28%	4.89%	0%
Total PERS contribution rates	<u>22.00%</u>	<u>28.62%</u>	<u>6.62%</u>

Termination Costs: If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group, or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2020 the past service rate for PERS is 17.44%.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

Actuarial Assumptions: The total pension and OPEB liabilities on June 30, 2020 (latest available) were determined by an actuarial valuation as of June 30, 2019 which was rolled forward to the measurement date June 30, 2020. These actuarial assumptions were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017.

Investment return / discount rate	7.38% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 2.5% per year Productivity – 0.25% per year
Payroll growth	2.75% per year (inflation + productivity)
Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 2.5% annually.
Mortality (Pre-termination)	Based upon 2013-2017 actual mortality experience, 100% (male and female) of RP-2014 healthy annuitant table with MP-2017 generational improvement.
Mortality (Post-termination)	Mortality rates based upon the 2013-2017 actual experience. 91% of male and 96% of female rates of RP-2014 health annuitant table with MP-2017 generational improvement.
Total turnover	Based upon the 2013-2017 actual withdrawal experience.
Disability	Incidence rates based on 2013-2017 actual experience. Post-disability mortality in accordance with the RP-2014 disability table with MP-2017 generational improvement. Disabilities are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for others.
Retirement	Retirement rates based upon the 2013-2017 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date.
Marriage and age difference	Males are assumed to be three years older than their wives. Females are assumed to be two years younger than their husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

Healthcare cost trend rates	Pre-65 medical: 7.5% grading down to 4.5%
	Post-65 medical: 5.5% grading down to 4.5%
	Prescription drugs: 8.5% grading down to 4.5%
	EGWP: 8.5% grading down to 4.5%.

As a result of the latest experience study, the Board adopted updated actuarial assumptions for the June 30, 2019 actuarial valuation to better reflect expected future experience. In addition to the changes in assumptions resulting from the experience study, the following assumption changes related to the ARHCT plan have been made since the prior valuation:

1. Based on recent experience, the healthcare cost trend assumptions were updated.
2. Per capita claims costs were updated to reflect recent experience.
3. Healthcare cost trends were updated to reflect a Cadillac Tax load.

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

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

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

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

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

Currently there are 154 employers participating in PERS defined benefit plan, including the State of Alaska and 153 political subdivisions and public organizations.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

Inactive plan members or beneficiaries currently receiving benefits	36,059
Inactive plan members entitled to but not receiving benefits	7,361
Inactive members not entitled to benefits	10,808
Active plan members	<u>12,316</u>
Total DB plan membership	<u>66,544</u>

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

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

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

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

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

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

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

Salary Floor. During the 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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

Employer contributions for the year ended June 30, 2020, were:

	Pensions (DB)	Other Post-Employment Benefits (DB)	Total
\$	382,442	201,668	584,110

Public Employees Retirement Plans

For the year ended June 30, 2020 the State of Alaska contributed \$256,784 (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, 2020 to a total of (\$90,423), to represent the pension/OPEB expense (benefit) 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, 2020, 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	\$ 5,775,101
State's proportionate share of the net pension liability	2,292,576
Total	\$ 8,067,677
	OPEB
City's proportionate share of the ARHCT OPEB liability	\$ 156,336
State's proportionate share of the ARHCT OPEB liability	62,178
Total	\$ 218,514
City's proportionate share of the ODD OPEB liability (asset)	\$ (58,407)
City's proportionate share of the RMP OPEB liability	\$ 47,783
Total City's share of net pension and OPEB liabilities and assets	\$ 5,920,813

The net pension and OPEB liabilities and assets were measured as of June 30, 2020, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities and assets were determined by an actuarial valuation as of that date. The City's proportion of the net pension and OPEB liabilities and assets were based on the present value of contributions for FY2021 through FY2039, as determined by projections based on the June 30, 2020 valuation.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

	June 30, 2019 Measurement	June 30, 2020 Measurement	Change
Pension	0.1127%	0.1055%	(0.0072%)
OPEB:			
ARHCT	0.1126%	0.1054%	(0.0072%)
ODD	0.2141%	0.2409%	0.0268%
RMP	0.2141%	0.1997%	(0.0144%)

Based on the measurement date of June 30, 2020, the City recognized pension and OPEB expense of \$938,872 and (\$1,436,328), respectively, for the year ended June 30, 2020. At June 30, 2020, 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	\$ -	(85,494)
Changes of assumptions	176,808	-
Net difference between projected and actual earnings on pension plan investments	82,803	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(149,056)
City contributions subsequent to the measurement date	382,442	-
Total	\$ <u>642,053</u>	<u>(234,550)</u>

	OPEB ARHCT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(105,055)
Changes of assumptions	207,455	-
Net difference between projected and actual earnings on OPEB plan investments	-	(68,458)
Changes in proportion and differences between City contributions and proportionate share of contributions	19,197	(29,129)
City contributions subsequent to the measurement date	152,200	-
Total	\$ <u>378,852</u>	<u>(202,642)</u>

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	\$ -	(18,210)
Changes of assumptions	-	(1,117)
Net difference between projected and actual earnings on OPEB plan investments	-	(386)
Changes in proportion and differences between City contributions and proportionate share of contributions	926	
City contributions subsequent to the measurement date		(3,913)
	<u>11,577</u>	<u>-</u>
Total	<u>\$ 12,503</u>	<u>(23,626)</u>

	OPEB RMP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(3,540)
Changes of assumptions	23,128	-
Net difference between projected and actual earnings on OPEB plan investments	-	(527)
Changes in proportion and differences between City contributions and proportionate share of contributions	750	(1,504)
City contributions subsequent to the measurement date		-
	<u>37,891</u>	<u>-</u>
Total	<u>\$ 61,769</u>	<u>(5,571)</u>

\$382,442 and \$201,668 are reported as deferred outflows of resources related to pension and OPEB resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension and OPEB liabilities and as an increase to the net pension and OPEB assets in the year ended June 30, 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension and OPEB will be recognized in pension and OPEB expense as follows:

Year Ended		OPEB	OPEB	OPEB
June 30,	Pension	ARHCT	ODD	RMP
2020	\$ 34,132	39,257	(3,483)	1,867
2021	(61,135)	(53,211)	(3,483)	1,867
2022	23,493	16,470	(2,950)	3,132
2023	28,571	21,494	(2,938)	3,110
2024	-	-	(3,117)	2,626
Thereafter	-	-	(6,729)	5,705
Total	<u>\$ 25,061</u>	<u>24,010</u>	<u>(22,700)</u>	<u>18,307</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

For the year ended June 30, 2020, the City recognized (\$157,080) and (\$60,880) of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

Sensitivity of the Net Pension and OPEB Liabilities and Assets to Changes in the Discount Rate: The following presents the net pension and OPEB liabilities and assets of the plan calculated using the discount rate of 7.38%, as well as what the Plans' net pension and OPEB liabilities and assets would be if they were calculated using a discount rate that is 1-percentage-point lower (6.38%) or 1-percentage-point higher (8.38%) than the current rate:

	1% Decrease (6.38%)	Current Rate (7.38%)	1% Increase (8.38%)
Net pension liability (asset)	\$ 7,622,120	5,775,101	4,228,283
Net OPEB ARHCT liability (asset)	\$ 1,257,531	156,336	(749,516)
Net OPEB ODD liability (asset)	\$ (55,403)	(58,407)	(60,835)
Net OPEB RMP liability	\$ 120,015	47,783	(6,597)

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)	\$ (855,462)	156,336	1,391,112
Net OPEB ODD liability (asset)	\$ N/A	N/A	N/A
Net OPEB RMP liability (asset)	\$ (14,696)	47,783	133,310

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

Plan Description and Funding Requirements. City's and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.32% for the retiree medical plan (DB), 0.26% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Additionally, there is a defined benefit unfunded liability (DBUL) amount levied against the DC plan and allocated to the DB Plan's pension and OPEB contribution.

Plan members are 100% vested with their contributions.

Members become vested in employers' contributions as follows:

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

Notes to the Financial Statements, Continued

The City contributed \$230,718 for the year ended June 30, 2020, which included forfeitures of \$35,286 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, 2020, based on the landfill capacities used as of that date. The \$1,357,392 amount reported to date is based on the use of 59.17% of the Center Creek Landfill prior to closure, 100% of the Center Creek Monofill, and 58.87% of the Beam Road Landfill. Total estimated costs of closure and post closure for these landfills total \$2,453,971 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post closure costs in 2007. The City closed the old landfill and opened the new landfill in September 1996. Actual costs may change due to inflation, deflation, changes in technology, or changes in laws and regulations.

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

(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.

The City's current share of unfunded OPEB liabilities related to PERS between measurement dates created an OPEB benefit as a result of the decrease to the estimated liability. Due to the change, The City's proportionate share of pension plan expenses is negative for the year. Per GASB 75, the negative proportionate share has been allocated to operating grants and contributions for Legislative, Information Technology, Planning and Engineering, City Clerk and Recreation Center to report negative program revenues.

Notes to the Financial Statements, Continued

(13) 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 Utility System prior to each entity's fiscal year-end, June 30 for the City and School District 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 District School Board for review and approval and then to the Council for purposes of passing the resolution setting the contribution for the fiscal year. The Utility System's operating budget is prepared by the Utility System manager in the fall preceding the fiscal year to which it relates. It is submitted to the Nome Joint Utility System Board for review and approval and then to the Council for passage.

The City Manager, the Nome District 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. There was no budget adopted for the CARES Act Special Revenue Fund therefore no original or amended budget is presented.

The following had expenditures in excess of appropriations in the General Fund for the year ended June 30, 2020:

Non-departmental	41,871
Visitor Center	23,150

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

(14) Subsequent Accounting Pronouncements

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

- GASB 84 *Fiduciary Activities*. Effective for fiscal years beginning after December 15, 2019
- GASB 87 *Leases*. Effective for fiscal years beginning after June 15, 2021.
- GASB 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for fiscal years beginning after December 15, 2020.
- GASB 90 *Majority equity interests*. Effective for fiscal years beginning after December 15, 2019.
- GASB 91 *Conduit Debt Obligations*. Effective for fiscal years beginning after December 15, 2021.
- GASB 92 *Omnibus 2020*. This Statement has multiple effective dates which vary by topic.
- GASB 93 *Replacement of Interbank Offered Rates*. Effective for fiscal years beginning after June 15, 2021.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

- GASB 94 *Public-Private and Public-Public Partnerships and Availability Payments Arrangements*. Effective for fiscal years beginning after June 15, 2022.
- GASB 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. Effective immediately.
- GASB 96 *Subscription-Based Information Technology Arrangements*. Effective for fiscal years beginning after June 15, 2022.
- GASB 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Effective for fiscal years beginning after June 15, 2021.

GASB Statements No. 84, 94 and 97 are not expected to have any significant impact on the financial statements of the City.

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

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

GASB Statement No. 90 requires a majority equity interest in a legally separate entity should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. Those governments and funds should measure the majority interests at fair value. For all other holdings of majority interests in a legally separate entity, a government should report the legal separate entity as a component unit.

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

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

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

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

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

(15) Related Parties

The City received payments for pilot and landfill fees in the amount of \$588,478, and had receivable at year end of \$107,584 from Nome Joint Utility. During the year the city made a required contribution of \$3,000,000 to Nome Public Schools.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF NOME, ALASKA

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

Public Employees' Retirement System (PERS)

June 30, 2020

Year	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0713%	\$ 3,324,880	\$ 3,063,690	\$ 6,388,570	\$ 4,256,768	78%	62.37%
2016	0.1062%	\$ 5,152,410	\$ 138,151	\$ 5,290,561	\$ 3,091,332	167%	63.96%
2017	0.1269%	\$ 7,091,710	\$ 893,136	\$ 7,984,846	\$ 3,016,750	235%	59.55%
2018	0.1051%	\$ 5,432,839	\$ 2,023,811	\$ 7,456,650	\$ 3,057,182	178%	63.37%
2019	0.1127%	\$ 5,599,916	\$ 1,619,291	\$ 7,219,207	\$ 3,169,595	177%	65.19%
2020	0.1055%	\$ 5,775,101	\$ 2,292,576	\$ 8,067,677	\$ 3,130,982	184%	63.42%

Notes to Schedule:

1. The plan measurement date is one year prior to fiscal year end for all years presented.
2. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

CITY OF NOME, ALASKA

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

Public Employees' Retirement System (PERS)

June 30, 2020

Year	City's Proportion of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
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%
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%
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%

Notes to Schedule:

1. The plan measurement date is one year prior to fiscal year end for all years presented.
2. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

CITY OF NOME, ALASKA

Schedule of the City's Contributions (Pensions)

Public Employees' Retirement System (PERS)

June 30, 2020

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%

Notes to schedule

- Valuation date: June 30, 2018, which was rolled forward to June 30, 2019.
- Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal - level percentage of payroll.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, as a level of percentage of payroll.
- Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
- Inflation: 2.5% per annum.
- Salary increases: Ranges from 7.75% to 2.75% based on service for Peace Officers/Firefighters. Ranges from 6.75% to 2.75% based on age and service for all others.
- Investment rate of return: 7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.5% and a real rate of return of 4.88%.
- Retirement age: Retirement rates based upon the 2013-2017 actual experience.
- Mortality: Mortality rates based upon the 2013-2017 actual experience.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

CITY OF NOME, ALASKA

Schedule of the City's Contributions (OPEB)

Public Employees' Retirement System (PERS)

June 30, 2020

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%
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%
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%

Notes to schedule

- Valuation date: June 30, 2018, which was rolled forward to June 30, 2019.
- Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal - level percentage of payroll.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, as a level of percentage of payroll.
- Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
- Inflation: 2.5% per annum.
- Salary increases: Ranges from 7.75% to 2.75% based on service for Peace Officers/Firefighters. Ranges from 6.75% to 2.75% based on age and service for all others.
- Investment rate of return: 7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.5% and a real rate of return of 4.88%.
- Retirement age: Retirement rates based upon the 2013-2017 actual experience.
- Mortality: Mortality rates based upon the 2013-2017 actual experience.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

**ADDITIONAL SUPPLEMENTARY
INFORMATION**

CITY OF NOME, ALASKA

Exhibit I-1

Other Governmental Funds

Combining Balance Sheet

June 30, 2020

	Special Revenue Funds						Total
	E-911 Surcharge	NPD SART	NSEDC Community Benefits Share	Institute of Museum and Library Services Grant	FEMA Pandemic	CESP	
<u>Assets</u>							
Cash and short-term investments	\$ -	-	-	-	-	-	-
Receivables:							
Federal	-	625	-	-	122,326	-	122,951
State of Alaska	-	-	-	-	-	-	-
Other	10,992	-	-	-	-	-	10,992
Due from other funds	470,062	-	269,113	2,905	-	50,234	792,314
Total assets	\$ 481,054	625	269,113	2,905	122,326	50,234	926,257
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	-	388	6,235	1,161	9,282	-	17,066
Unearned revenue	-	-	-	1,744	-	50,234	51,978
Due to other funds	-	237	-	-	113,044	-	113,281
Total liabilities	-	625	6,235	2,905	122,326	50,234	182,325
Fund balances:							
Restricted:							
E-911 Surcharge	481,054	-	-	-	-	-	481,054
Committed-							
Community projects	-	-	262,878	-	-	-	262,878
Assigned-							
Debt service	-	-	-	-	-	-	-
Landfill	-	-	-	-	-	-	-
Total fund balances	481,054	-	262,878	-	-	-	743,932
	\$ 481,054	625	269,113	2,905	122,326	50,234	926,257

CITY OF NOME, ALASKA

Other Governmental Funds

Combining Balance Sheet, Continued

	Capital Project Funds				Total Other Governmental Funds
	Debt Service Fund	Landfill	Nome Eskimo Roads	School Renovation and Repairs	
<u>Assets</u>					
Cash and short-term investments	\$ 1,379,962	-	-	-	1,379,962
Receivables:					
Federal	-	-	-	-	122,951
State of Alaska	2,379	-	-	-	2,379
Other	-	-	-	620	11,612
Due from other funds	-	704,667	17,547	161,865	1,676,393
Total assets	\$ <u>1,382,341</u>	<u>704,667</u>	<u>17,547</u>	<u>162,485</u>	<u>3,193,297</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	-	-	17,547	162,485	197,098
Unearned revenue	-	-	-	-	51,978
Due to other funds	379,550	-	-	-	492,831
Total liabilities	<u>379,550</u>	<u>-</u>	<u>17,547</u>	<u>162,485</u>	<u>741,907</u>
Fund balances:					
Restricted:					
E-911 Surcharge	-	-	-	-	481,054
Committed-					
Community projects	-	-	-	-	262,878
Assigned-					
Debt service	1,002,791	-	-	-	1,002,791
Landfill	-	704,667	-	-	704,667
Total fund balances	<u>1,002,791</u>	<u>704,667</u>	<u>-</u>	<u>704,667</u>	<u>2,451,390</u>
	\$ <u>1,382,341</u>	<u>704,667</u>	<u>17,547</u>	<u>162,485</u>	<u>3,193,297</u>

CITY OF NOME, ALASKA

Exhibit I-2

Other Governmental Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Year Ended June 30, 2020

	Special Revenue Funds				
	E-911 Surcharge	NPD SART	NSEDC Community Benefits Share	NSEDC Community Employment Program	Public Library Assistance
Revenues:					
Local sources:					
Charges for services	\$ 86,795	-	-	-	-
Other	-	-	1,044,727	5,465	-
Intergovernmental:					
State of Alaska	-	-	-	-	7,000
Federal sources	-	12,538	-	-	3,047
Total revenues	<u>86,795</u>	<u>12,538</u>	<u>1,044,727</u>	<u>5,465</u>	<u>10,047</u>
Expenditures:					
Current:					
Administrative	-	-	-	5,465	-
Information technology	-	-	-	-	-
Police	8,087	17,538	-	-	-
Emergency services	-	-	-	-	-
Public works	-	-	-	-	-
Museum	-	-	-	-	-
Library	-	-	-	-	10,047
Non-departmental	-	-	928,631	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>8,087</u>	<u>17,538</u>	<u>928,631</u>	<u>5,465</u>	<u>10,047</u>
Excess (deficiency) of revenues over expenditures	<u>78,708</u>	<u>(5,000)</u>	<u>116,096</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):					
Transfers (out)	-	-	-	-	-
Transfers in	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	78,708	(5,000)	116,096	-	-
Fund balances, beginning of year	<u>402,346</u>	<u>5,000</u>	<u>146,782</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u>481,054</u>	<u>-</u>	<u>262,878</u>	<u>-</u>	<u>-</u>

(Continued)

CITY OF NOME, ALASKA

Other Governmental Funds

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

	Special Revenue Funds					Debt Service Fund
	Art Acquisition	Historic Preservation Grant	FEMA Pandemic	Institute of Museum and Library Services Grant	Total	
Revenues:						
Local sources:						
Charges for services	\$ -	-	-	-	86,795	-
Other	9,000	-	-	-	1,059,192	-
Intergovernmental:						
State of Alaska	-	-	30,581	-	37,581	76,374
Federal sources	-	730	91,745	8,256	116,316	-
Total revenues	<u>9,000</u>	<u>730</u>	<u>122,326</u>	<u>8,256</u>	<u>1,299,884</u>	<u>76,374</u>
Expenditures:						
Current:						
Administrative	-	-	26,521	-	31,986	-
Information technology	-	-	1,860	-	1,860	-
Police	-	-	61,999	-	87,624	-
Emergency services	-	-	8,932	-	8,932	-
Public works	-	12,153	18,191	-	30,344	-
Museum	9,231	-	-	-	9,231	-
Library	-	-	-	8,256	18,303	-
Non-departmental	-	-	4,823	-	933,454	-
Debt service:						
Principal	-	-	-	-	-	375,000
Interest	-	-	-	-	-	80,900
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>9,231</u>	<u>12,153</u>	<u>122,326</u>	<u>8,256</u>	<u>1,121,734</u>	<u>455,900</u>
Excess (deficiency) of revenues over expenditures	<u>(231)</u>	<u>(11,423)</u>	<u>-</u>	<u>-</u>	<u>178,150</u>	<u>(379,526)</u>
Other financing sources (uses):						
Transfers (out)	-	-	-	-	-	(154,903)
Transfers in	231	11,423	-	-	11,654	455,900
Total other financing sources (uses)	<u>231</u>	<u>11,423</u>	<u>-</u>	<u>-</u>	<u>11,654</u>	<u>300,997</u>
Net change in fund balances	-	-	-	-	189,804	(78,529)
Fund balances, beginning of year	-	-	-	-	554,128	1,081,320
Fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>743,932</u>	<u>1,002,791</u>

(Continued)

CITY OF NOME, ALASKA

Exhibit I-2, Continued

Other Governmental Funds

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

	Capital Project Funds					Total Other Governmental Funds
	Landfill	School Renovation and Repairs	Nome Eskimo Roads	NPD Vehicle	Total	
Revenues:						
Local sources:						
Charges for services	\$ -	-	-	-	-	86,795
Other	-	130,534	-	-	130,534	1,189,726
Intergovernmental:						
State of Alaska	-	-	-	-	-	113,955
Federal sources	-	-	50,000	-	50,000	166,316
Total revenues	<u>-</u>	<u>130,534</u>	<u>50,000</u>	<u>-</u>	<u>180,534</u>	<u>1,556,792</u>
Expenditures:						
Current:						
Administrative	-	-	-	-	-	31,986
Information technology	-	-	-	-	-	1,860
Police	-	-	-	-	-	87,624
Emergency services	-	-	-	-	-	8,932
Public works	-	-	-	-	-	30,344
Museum	-	-	-	-	-	9,231
Library	-	-	-	-	-	18,303
Non-departmental	-	-	-	-	-	933,454
Debt service:						
Principal	-	-	-	-	-	375,000
Interest	-	-	-	-	-	80,900
Capital outlay	-	285,437	50,000	1,391	336,828	336,828
Total expenditures	<u>-</u>	<u>285,437</u>	<u>50,000</u>	<u>1,391</u>	<u>336,828</u>	<u>1,914,462</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(154,903)</u>	<u>-</u>	<u>(1,391)</u>	<u>(156,294)</u>	<u>(357,670)</u>
Other financing sources (uses):						
Transfers (out)	-	-	-	-	-	(154,903)
Transfers in	-	154,903	-	1,391	156,294	623,848
Total other financing sources (uses)	<u>-</u>	<u>154,903</u>	<u>-</u>	<u>1,391</u>	<u>156,294</u>	<u>468,945</u>
Net change in fund balances	-	-	-	-	-	111,275
Fund balances, beginning of year	<u>704,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>704,667</u>	<u>2,340,115</u>
Fund balances, end of year	<u>\$ 704,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>704,667</u>	<u>2,451,390</u>

CITY OF NOME, ALASKA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

<u>Federal Grant Title</u>	<u>Pass Through/ Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Grant Award</u>	<u>Expenditures</u>
U.S. Department of Interior:				
Passed through the State of Alaska, Department of Commerce, Community, and Economic Development: Payment in lieu of taxes	None	15.226	\$ <u>499,331</u>	<u>499,331</u>
Passed through the State of Alaska, Department of Natural Resources Swanberg Dredge, Condition, Assessment, and Stabilization	HPF Grant 18008	15.904	<u>15,000</u>	<u>730</u>
Passed through Nome Eskimo Community Tribal Transportation Program	MOA	15.033	<u>50,000</u>	<u>50,000</u>
Total U.S. Department of Interior			<u>564,331</u>	<u>550,061</u>
U.S. Department of the Treasury:				
Passed through the State of Alaska, Department of Commerce, Community, and Economic Development: COVID-19 Coronavirus Relief Fund	20-CRF-146	21.019	<u>5,679,072</u>	<u>831,812</u>
U.S. Department of Commerce:				
Direct: Nome Inner Harbor Launch Ramp Repair	07-01-07499	11.300	<u>1,692,413</u>	<u>34,813</u>
U.S. Department of Justice:				
Passed through State of Alaska, Department of Public Safety: SART	None	16.588	<u>12,538</u>	<u>12,538</u>
U.S. Department of Homeland Security (Public Assistance Grant):				
Passed through the State of Alaska, Department of Military and Veteran Affairs: COVID-19 Pandemic Response	DR-4533-AK	97.036	<u>261,016</u>	<u>91,745</u>
National Endowment for the Humanities:				
Direct: Continuing Education	LB21-FY17-2	45.313	<u>1,797</u>	<u>1,797</u>
Passed through the State of Alaska, Department of Education and Early Development: Continuing Education	CED-20-023	45.310	<u>1,250</u>	<u>1,250</u>
Passed through Nome Eskimo Community- Native American and Native Hawaiian Library Services	NG-01-19-0174-19	45.311	<u>10,000</u>	<u>8,256</u>
Total National Endowment for the Humanities			<u>13,047</u>	<u>11,303</u>
Total expenditures of federal awards			<u>\$ 8,222,417</u>	<u>1,532,272</u>
Reconciliation from Federal Financial Assistance to Federal sources revenues, Exhibit D-1:				
Above expenditures, per schedule			\$ 1,532,272	
Less: Capital Contributions, Port Facility Enterprise Fund			<u>(34,813)</u>	
Total Federal sources revenue Exhibit D-1			<u>\$ 1,497,459</u>	
See notes to the schedule				

CITY OF NOME, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

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, 2020. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the basic financial statements of the City.

Note 2. Basis of Accounting

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Reporting Entity

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

Note 4. Subrecipients

No federal funds were passed through to subrecipients.

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COMPLIANCE REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the Nome Public Schools discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska, as of and for the year ended June 30, 2020 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 January 27, 2021. Our report includes a reference to other auditors who audited the financial statements of Nome Joint Utility System, a discretely presented component unit, as described in our report on the City of Nome, Alaska's financial statements. This report does not include the result of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Nome, Alaska's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Nome, Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Nome, Alaska's internal control.

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

Members of the City Council
City of Nome, Alaska

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

Compliance and Other Matters

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

Purpose of this Report

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



Anchorage, Alaska
January 27, 2021

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Nome, Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Nome, Alaska's major federal programs for the year ended June 30, 2020. City of Nome, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying Federal Schedule of Findings and Questioned Costs.

City of Nome, Alaska's basic financial statements include the operations of Nome Public Schools and Nome Joint Utility System, component units, which received \$1,989,457 and \$0, respectively, in federal awards which are not included in City of Nome, Alaska's Schedule of Expenditures of Federal Awards during the year ended June 30, 2020. Our audit, described below, did not include the operations of Nome Public Schools because the organizational unit was subjected to a separate audit performed in accordance with the Uniform Guidance, and Nome Joint Utility System because the organizational unit engaged other auditors to perform an audit.

Management's Responsibility

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

Auditor's Responsibility

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

Members of the City Council
City of Nome, Alaska

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

Opinion on Each Major Federal Program

In our opinion, City of Nome, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Altman, Rogers & Co.

Anchorage, Alaska
January 27, 2021

CITY OF NOME, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

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

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

Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

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

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

Identification of major programs:

<u>CFDA Number(s)/Cluster</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 Coronavirus Relief Funds

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

Auditee qualified as low-risk auditee? Yes No

CITY OF NOME, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

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