

CITY OF NOME, ALASKA

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

Year Ended June 30, 2019

CITY OF NOME, ALASKA

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Basic Financial Statements, Required Supplementary Information,
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Compliance Reports

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CITY OF NOME, ALASKA

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Independent Auditor's Report

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

Report on the 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, 2019, 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 44 percent, 45 percent, and 27 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, 2019, 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 Contributions for the Public Employees' Retirement System on pages 4-15 and 61-64, 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 the accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, are also not a required part of the 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 28, 2020 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 28, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

City of Nome, Alaska
Management Discussion and Analysis
For the Year Ended June 30, 2019

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, 2019. 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, 2019, the City's assets and deferred outflows (net position) exceeded its liabilities and deferred inflows by \$102,023,876. Of this amount, \$11,541,668 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$558,792, or less than 1%, from the prior fiscal year's amount. The governmental net position decreased by \$ 365,225 and the business-type net position increased by \$924,017 (2.39%).
- As of June 30, 2019, the City's governmental funds, excluding business-type activities, reported combined ending fund balances of \$15,857,748, representing a decrease of \$2,050,283 compared to the prior year.
- Total general revenues accounted for \$11,792,178 (67.13%) of total revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$5,774,772 (32.87%) of total revenues of \$17,566,950.
- The 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 \$7,726,273 or 61.88% of total General Fund expenditures and transfers.
- The City's total outstanding long-term debt decreased by \$2,433,408 due to debt repayments during the year.
- In August 2018, the City agreed to borrow funds from Wells Fargo Bank through the issuance of a Revenue Anticipation Note for \$6.6 million at 2.55% 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 12 equal installments and fully repaid in 2019. Subsequently in October 2019, NJUS through the City, sold a \$5 million Revenue Anticipation Note to Wells Fargo Bank to finance the 2019-2020 fuel requirements. The Note bears an annual interest of 2.13% and will be repaid in 9 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 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 two different types of proprietary funds.
 - *Enterprise Funds*: are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses 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, 2019, the City's assets and deferred outflows (net position) exceeded its liabilities and deferred inflows by \$102,023,876, representing a net increase of \$558,792 from the prior year. Of this amount, \$11,541,668 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 (87.27%) 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.

	2019			
	Governmental	Business-type		
	Activities	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	73,467,975	46,334,408	(1,862,869)	117,939,514
Deferred outflows of resources	888,396	139,385	-	1,027,781
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	10,349,894	7,861,129	(1,862,869)	16,348,154
Deferred inflows of resources	507,757	87,508	-	595,265
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	\$ 63,498,720	38,525,156	-	102,023,876

City of Nome, Alaska
Management Discussion and Analysis, Continued

2018

	Governmental Activities	Business-type Activities	Eliminations	Total
Current and other assets	\$ 20,322,880	3,511,083	(2,187,344)	21,646,619
Long-term and capital assets	56,270,005	42,109,497	-	98,379,502
Total assets	<u>76,592,885</u>	<u>45,620,580</u>	<u>(2,187,344)</u>	<u>120,026,121</u>
Deferred outflows of resources	<u>582,348</u>	<u>107,445</u>	-	<u>689,793</u>
Current liabilities	521,973	3,195,888	(2,187,344)	1,530,517
Long-term liabilities	<u>11,793,866</u>	<u>4,792,594</u>	-	<u>16,586,460</u>
Total liabilities	<u>12,315,839</u>	<u>7,988,482</u>	<u>(2,187,344)</u>	<u>18,116,977</u>
Deferred inflows of resources	<u>995,449</u>	<u>138,404</u>	-	<u>1,133,853</u>
Net position				
Net investment in capital assets	54,407,361	37,091,868	-	91,499,229
Restricted for debt service	1,676,903	-	-	1,676,903
Restricted for E-911 surcharge	375,100	-	-	375,100
Restricted for causeway	-	1,012,658	-	1,012,658
Restricted for Public works	28,057	-	-	28,057
Unrestricted	<u>7,376,524</u>	<u>(503,387)</u>	-	<u>6,873,137</u>
Total net position	<u>\$ 63,863,945</u>	<u>37,601,139</u>	<u>-</u>	<u>101,465,084</u>

A small portion of the City's net position (less than 1% in 2019) represents resources that are subject to external restrictions on how they may be used. Such restrictions are for the restricted assets for causeway operations, the E-911 surcharge program, and police department funds awarded by NSEDC. The remaining balance of unrestricted net position of \$11,541,668 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					
	2019			2018		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services	1,112,192	1,451,041	2,563,233	1,048,186	1,688,135	2,736,321
Operating grants and contributions	597,147	11,326	608,473	788,994	84,726	873,720
Capital grants and contributions	92,564	2,510,502	2,603,066	384,465	2,602,542	2,987,007
General revenues:						
Property taxes	4,308,053		4,308,053	3,588,948	-	3,588,948
Penalties and interest	65,723		65,723	69,941	-	69,941
Sales tax	5,725,343		5,725,343	5,433,861	-	5,433,861
Bed tax	135,149		135,149	159,545	-	159,545
Fines and forfeitures	10,417		10,417	19,276	-	19,276
Payment in lieu of taxes	367,687		367,687	358,472	-	358,472
Rentals and royalties	158,650		158,650	171,358	-	171,358
Investment earnings	173,266	42,598	215,864	136,169	30,474	166,643
Grants not restricted to specific programs	775,527		775,527	811,308	-	811,308
Gain on sale of assets/equipment				348,301	-	348,301
Transfer capital asset from component unit	23,021		23,021	783,585	-	783,585
Other	6,744		6,744	7,986	-	7,986
Total revenues	\$ 13,551,483	4,015,467	17,566,950	14,110,395	4,405,877	18,516,272

(continued)

City of Nome, Alaska
Management Discussion and Analysis, Continued

	Change in Net Position					
	2019			2018		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Expenses:						
Legislative	202,339	-	202,339	151,881	-	151,881
Administrative	855,449	-	855,449	661,615	-	661,615
Information technology	231,750	-	231,750	221,687	-	221,687
Planning and engineering	119,384	-	119,384	123,503	-	123,503
City clerk	403,288	-	403,288	335,824	-	335,824
Police	2,524,239	-	2,524,239	2,385,197	-	2,385,197
Animal control	38,495	-	38,495	40,805	-	40,805
Fire	328,870	-	328,870	359,060	-	359,060
Ambulance	325,789	-	325,789	359,214	-	359,214
Public works	2,660,775	-	2,660,775	2,301,416	-	2,301,416
Recreation center	738,035	-	738,035	701,928	-	701,928
Swimming pool	68,589	-	68,589	90,978	-	90,978
Museum	308,751	-	308,751	308,118	-	308,118
Library	304,321	-	304,321	301,372	-	301,372
Visitor center	188,057	-	188,057	168,989	-	168,989
Education	4,201,381	-	4,201,381	3,598,312	-	3,598,312
Non-departmental	354,403	-	354,403	177,375	-	177,375
Unallocated interest	62,813	-	62,813	78,111	-	78,111
Port		3,091,450	3,091,450	-	3,164,875	3,164,875
Total expenses	<u>13,916,708</u>	<u>3,091,450</u>	<u>17,008,158</u>	<u>12,365,385</u>	<u>3,164,875</u>	<u>15,530,260</u>
Increase (decrease) in net position	(365,225)	924,017	558,792	1,745,010	1,241,002	2,986,012
Net position, beginning of year, as previously stated	<u>63,863,945</u>	<u>37,601,139</u>	<u>101,465,084</u>	<u>63,237,929</u>	<u>36,510,112</u>	<u>99,748,041</u>
Cumulative effect of a change in accounting principle				(1,118,994)	(149,975)	(1,268,969)
Net position, beginning of year, as restated				<u>62,118,935</u>	<u>36,360,137</u>	<u>98,479,072</u>
Net position, end 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>

As reflected in the table above, the City's overall net position increased by \$558,792 in 2019. Governmental activities in 2019 decreased the City's net position by \$365,225.

The primary sources of revenue from governmental activities are sales tax and property tax revenue, which amounted to \$5,725,343 and \$4,308,053 respectively, an increase of 5% and 20% from 2018. The increase in property tax revenue was attributed to the mill rate increasing from 10 to 11 mills.

City of Nome, Alaska
Management Discussion and Analysis, Continued

Expenses in the governmental activities increased in 2019 by \$1,551,323 from the prior year. The increase in expense was due to an increased contribution to Nome Public Schools of \$518,762. Heavy snow fall created an increase in expenses in public works for snow removal and maintaining the snow removal equipment fleet. Administration increased due to an adjustment in the allocation to port wages. The police department increased expenses in wages, professional services, as well as vehicle maintenance.

The City's governmental activities expenses are predominately related to Education (30.19%), Public Safety (23.12%), Public Works (19.12%) and General Government (12.16%) or 84.59% of total governmental activities expenses.

Business-type activities in 2019 increased the City's net position by \$924,017 due to the local, state and federal capital contributions to port upgrades and improvements.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

At June 30, 2019 the City's governmental funds reported combined ending fund balances of \$15,857,748, a decrease of \$2,050,283 over the prior year. Of this amount \$8,131,475 is non-spendable, restricted, committed, or assigned for specific purposes. \$7,726,273 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund decreased by \$308,595 in 2019 compared to an increase of \$874,869 in 2018.

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, 2019, the unassigned fund balance of the General Fund was \$7,726,273 which is 57.16% of the total General Fund balance compared to 57.62% in 2018.

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 63.71% of total General Fund expenditures at June 30, 2019 compared to 68% at June 30, 2018.

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 \$38,525,156 in 2019, an increase of \$924,017 from 2018 while the unrestricted net position shows a deficit of \$775,482 compared to a deficit of \$503,387 in 2018.

General Fund Budgetary Highlights

- General Fund revenues exceeded expenditures by \$50,083 before transfers, and after transfers between funds were accounted for, there was a net decrease in fund balance of \$308,595.
- Overall, actual revenues were \$863,465 more than budgeted while actual expenditures and transfers were \$1,329,358 less than budgeted, which is primarily due to staff turnover creating vacancies, as well as encountering challenges in filling open positions.
- Actual sales tax revenue exceeded budgeted revenue by \$413,343 and actual property tax revenue exceeded budgeted property tax revenue by \$6,623. Actual charges for services revenues were \$85,600 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, 2019 amounts to \$94,807,386 net of accumulated depreciation, a decrease of \$696,814 over last year. Major capital asset events during the current fiscal year included the following:

- Capital projects completed:
 - Acquisition of a 2011 Freightliner Tractor Truck and a 2007 Side Dump Trailer
 - Installation of a 3 Phase Power Extension for Tire Shredder
 - Ground Penetrating Survey @ Cemetery
 - Purchase of MARS software
 - Purchase and installation of security surveillance cameras for Front Street
 - Police Body Cams and Surveillance Cameras
 - XYZ Kitchen Cabinets and Dishwasher
 - Richard Foster Building
 - Plasma Cutter and Table with Software (Cemetery)
 - Pool Salt Chlorinator x2
 - Construction of a handicap ramp, metal siding, and windows at the Harbor office
 - Garco Building and Barge Ramp Lighting Improvements
 - Replace Fuel Line Suspension Gear @ Causeway

City of Nome, Alaska
Management Discussion and Analysis, Continued

- Ongoing projects:
 - Deep water port study and design
 - Westgold Dock Emergency Repair
 - Port Waste Facility feasibility study
 - Cisco Phone Upgrades
 - Belmont Cemetery improvements
 - Covered ice hockey rink facility
 - Bathroom upgrades at Anvil City Science Academy
 - Nome-Beltz High School Roof

	2019			2018		
	Governmental	Business- type	Total	Governmental	Business- type	Total
	Activities	Activities		Activities	Activities	
Land	\$ 7,426,728	6,618,242	14,044,970	7,426,728	6,618,242	14,044,970
Tideland patent	-	736,400	736,400	-	736,400	736,400
Buildings	43,573,888	102,139	43,676,027	26,212,614	90,146	26,302,760
Small Boat Harbor	-	3,130,599	3,130,599	-	3,291,559	3,291,559
Causeway	-	5,865,402	5,865,402	-	6,579,966	6,579,966
Quarry Jetty	-	1,808,987	1,808,987	-	2,005,123	2,005,123
Cape Nome Quarry	-	3,821,818	3,821,818	-	-	-
C-cell dock	-	867,462	867,462	-	980,392	980,392
Vehicles, trucks and trailers	498,682	-	498,682	701,239	-	701,239
Assets other than buildings	603,880	-	603,880	333,274	-	333,274
Other	112,783	16,715,987	16,828,770	257,375	17,371,929	17,629,304
Machinery and equipment	291,082	1,019	292,101	342,324	5,840	348,164
Construction in progress	157,183	2,475,106	2,632,289	19,133,807	3,417,242	22,551,049
Total capital assets	\$ <u>52,664,224</u>	<u>42,143,162</u>	<u>94,807,386</u>	<u>54,407,361</u>	<u>41,096,839</u>	<u>95,504,200</u>

Additional information on the City's capital assets can be found in note 7 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 \$5,997,480. 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 Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
	General obligation bonds, including premium	\$ 2,121,019	4,328,176	-	-	2,121,019
Revenue bonds	-	-	3,876,461	4,004,971	3,876,461	4,004,971
Compensated absences	349,397	371,960	-	-	349,397	371,960
Landfill post closure care costs	1,338,695	1,300,708	-	-	1,338,695	1,300,708
Landfill loan	164,863	278,028	-	-	164,863	278,028
	\$ <u>3,973,974</u>	<u>6,278,872</u>	<u>3,876,461</u>	<u>4,004,971</u>	<u>7,850,435</u>	<u>10,283,843</u>

City of Nome, Alaska
Management Discussion and Analysis, Continued

During the current fiscal year, the City's total debt decreased by \$2,433,408 as a result of debt repayments during the year. Additional information on the City of Nome, Alaska's long-term debt can be found in note 8 on pages 43-46 of this report.

Economic Factors and Next Year's (2020) Budgets and Rates

- The State of Alaska's uncertain fiscal situation and budgetary pressures are passing costs onto local governments.
- Sales tax remains the primary source of revenue for the General Fund accounting for approximately 45% of total budgeted revenues. This amount was levied for the operation and maintenance activities in the General Fund, and to fund education and capital improvements not associated with the enterprise funds.
- The City continues with the expansion and construction and improvements to the port facilities.

These various factors were taken into consideration in the development of the FY 2020 budget. Major aspects of the adopted FY 2020 budget include:

- Overall revenue in the General Fund (before fund balance appropriation) is projected to increase by \$76,844 while overall expenditure and transfers are projected to increase by \$1,720,326. As a result, appropriation of \$1,383,039 from savings is necessary to balance the budget of \$14,185,322.
- The property tax rate was increased by 2 mills to 13 mills (1 mill is approximately 330,634). This amount was levied to fund education at \$3,000,000 and to increase 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 2020, if approved.
- Capital improvements include boiler upgrades at City Hall and locker room upgrades at the Nome Recreation Center (Design Phase).

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, 2019

	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	\$ 13,411,689	1,487,496	-	14,899,185	7,506,928	1,059,473
Receivables:						
Property taxes, net	4,314,563	-	-	4,314,563	-	-
Sales and bed taxes	769,762	-	-	769,762	-	-
Accounts receivable, net	-	170,326	-	170,326	379	1,176,428
State of Alaska and federal government	87,810	1,498,046	-	1,585,856	335,442	327,850
Unbilled revenues	-	-	-	-	-	574,278
Other, net	206,377	-	-	206,377	-	170,402
Inventory	-	-	-	-	55,694	5,988,242
Prepaid items	25,681	1,441	-	27,122	308,369	155,610
Internal balances	1,862,869	-	(1,862,869)	-	-	-
Due from component units:						
Nome Joint Utility System	125,000	-	-	125,000	-	-
Other assets	-	-	-	-	-	1,467,064
Long-term:						
Restricted assets:						
Cash and investments	-	1,033,937	-	1,033,937	-	-
Capital assets:						
Not being depreciated	7,841,286	9,829,748	-	17,671,034	-	1,563,858
Depreciated, net	44,822,938	32,313,414	-	77,136,352	645,194	87,506,002
Investment in ARC	-	-	-	-	-	1,815,169
Total assets	<u>73,467,975</u>	<u>46,334,408</u>	<u>(1,862,869)</u>	<u>117,939,514</u>	<u>8,852,006</u>	<u>101,804,376</u>
Deferred outflows of resources						
Pension and OPEB deferrals	888,396	139,385	-	1,027,781	1,118,389	158,545
Deferred charges	-	-	-	-	-	824,079
Loss on refunding bonds	-	-	-	-	-	30,490
Total assets and deferred outflows of resources	<u>74,356,371</u>	<u>46,473,793</u>	<u>(1,862,869)</u>	<u>118,967,295</u>	<u>9,970,395</u>	<u>102,817,490</u>
Liabilities and Deferred Inflows of Resources						
Current:						
Accounts payable	357,761	520,446	-	878,207	431,926	500,257
Accrued payroll	70,909	-	-	70,909	918,109	117,876
Accrued payroll liabilities	29,685	-	-	29,685	-	181,583
Accrued interest payable	-	52,048	-	52,048	-	146,327
Unearned revenue	5,104	-	-	5,104	157,175	-
Internal balances	-	1,862,869	(1,862,869)	-	-	-
Deposits payable	-	-	-	-	-	52,680
Prepaid services	-	720,201	-	720,201	-	-
Fuel loan payable	-	-	-	-	-	3,870,998
Noncurrent liabilities:						
Long-term debt due						
within one year	414,392	133,768	-	548,160	-	827,294
Long-term debt due in more than one year	3,210,185	3,742,693	-	6,952,878	-	10,812,712
Net pension and OPEB liability	5,912,461	829,104	-	6,741,565	8,387,626	1,312,036
Compensated absences	349,397	-	-	349,397	57,572	-
Total current and noncurrent liabilities	<u>10,349,894</u>	<u>7,861,129</u>	<u>(1,862,869)</u>	<u>16,348,154</u>	<u>9,952,408</u>	<u>17,821,763</u>
Deferred inflows of resources						
Pension and OPEB deferrals	507,757	87,508	-	595,265	736,194	213,988
Total liabilities and deferred inflows of resources	<u>10,857,651</u>	<u>7,948,637</u>	<u>(1,862,869)</u>	<u>16,943,419</u>	<u>10,688,602</u>	<u>18,035,751</u>
Net Position:						
Net investment in capital assets	50,774,224	38,266,701	-	89,040,925	645,194	77,460,344
Restricted for general fund reserve	-	-	-	-	-	1,000,000
Restricted for insurance reserve	-	-	-	-	-	125,500
Restricted for debt service	-	-	-	-	-	341,564
Restricted for E-911 surcharge	402,346	-	-	402,346	-	-
Restricted for Police Department	5,000	-	-	5,000	-	-
Restricted for causeway operations	-	1,033,937	-	1,033,937	-	-
Restricted for scholarships and school programs	-	-	-	-	123,893	-
Unrestricted	<u>12,317,150</u>	<u>(775,482)</u>	<u>-</u>	<u>11,541,668</u>	<u>(1,487,294)</u>	<u>5,854,331</u>
Total net position	<u>\$ 63,498,720</u>	<u>38,525,156</u>	<u>-</u>	<u>102,023,876</u>	<u>(718,207)</u>	<u>84,781,739</u>

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

CITY OF NOME, ALASKA

Government-Wide Financial Statements

Statement of Activities

Year Ended June 30, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		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	\$ 202,339	240	45	-	(202,054)	-	(202,054)	-	-
Administrative	855,449	24,624	24,723	-	(806,102)	-	(806,102)	-	-
Information technology	231,750	-	2,048	-	(229,702)	-	(229,702)	-	-
Planning and engineering	119,384	122,718	699	-	4,033	-	4,033	-	-
City clerk	403,288	-	6,684	-	(396,604)	-	(396,604)	-	-
Police	2,524,239	88,379	64,290	-	(2,371,570)	-	(2,371,570)	-	-
Animal control	38,495	5,845	-	-	(32,650)	-	(32,650)	-	-
Fire	328,870	-	16,271	-	(312,599)	-	(312,599)	-	-
Ambulance	325,789	230,474	990	-	(94,325)	-	(94,325)	-	-
Public works	2,660,755	320,790	42,052	50,000	(2,247,913)	-	(2,247,913)	-	-
Recreation center	738,035	272,488	8,879	-	(456,668)	-	(456,668)	-	-
Swimming pool	68,589	41,034	-	-	(27,555)	-	(27,555)	-	-
Museum	308,751	4,164	10,295	42,564	(251,728)	-	(251,728)	-	-
Library	304,321	1,436	24,534	-	(278,351)	-	(278,351)	-	-
Visitor center	188,057	-	-	-	(188,057)	-	(188,057)	-	-
Education	4,201,381	-	221,202	-	(3,980,179)	-	(3,980,179)	-	-
Non-departmental	354,403	-	174,435	-	(179,968)	-	(179,968)	-	-
Unallocated interest	62,813	-	-	-	(62,813)	-	(62,813)	-	-
Total governmental activities	13,916,708	1,112,192	597,147	92,564	(12,114,805)	-	(12,114,805)	-	-
Business-type activities:									
Port	3,091,450	1,451,041	11,326	2,510,502	-	881,419	881,419	-	-
Total primary government	\$ 17,008,158	2,563,233	608,473	2,603,066	(12,114,805)	881,419	(11,233,386)	-	-
Component Unit:									
Nome Public Schools	\$ 12,743,759	236,329	2,819,785	29,842	-	-	-	(9,657,803)	-
Nome Joint Utility System	16,531,645	12,068,887	296,381	425,531	-	-	-	-	(3,740,846)
Total component units	\$ 29,275,404	12,305,216	3,116,166	455,373	-	-	-	(9,657,803)	(3,740,846)
General revenues:									
Taxes:									
Property taxes					\$ 4,308,053	-	4,308,053	-	-
Sales taxes					5,725,343	-	5,725,343	-	-
Payments in lieu of taxes					367,687	-	367,687	-	-
Penalties and interest					65,723	-	65,723	-	-
Bed taxes					135,149	-	135,149	-	-
Fines and forfeitures					10,417	-	10,417	-	-
Grants not restricted to specific programs					775,527	-	775,527	9,583,278	-
E-rate revenue					-	-	-	582,546	-
Investment earnings					173,266	42,598	215,864	-	703
Appropriation from City of Nome					-	-	-	3,078,762	-
Rentals and royalties					158,650	-	158,650	-	-
Gain on sale of assets					-	-	-	-	-
Transfer capital assets from component unit					23,021	-	23,021	(23,021)	-
Other					6,744	-	6,744	359,501	421,640
Total general revenues					11,749,580	42,598	11,792,178	13,581,066	422,343
Change in net position					(365,225)	924,017	558,792	3,923,263	(3,318,503)
Net position, beginning of year					63,863,945	37,601,139	101,465,084	(4,641,470)	88,100,242
Net position, end of year					\$ 63,498,720	38,525,156	102,023,876	(718,207)	84,781,739

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

CITY OF NOME, ALASKA

Governmental Funds

Balance Sheet

June 30, 2019

<u>Assets</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments	\$ 12,120,410	1,291,279	-	13,411,689
Receivables:				
Property tax levies due in subsequent year	4,123,667	-	-	4,123,667
Delinquent taxes, net of \$59,310 allowance for doubtful accounts	190,896	-	-	190,896
Sales and bed taxes	769,762	-	-	769,762
State of Alaska and federal government	17,592	-	70,218	87,810
Other, net of \$59,950 allowance for doubtful accounts	188,753	2,213	15,411	206,377
Prepaid items	25,681	-	-	25,681
Due from other funds:				
General Fund	-	-	1,267,878	1,267,878
Port Fund	1,862,869	-	-	1,862,869
Other Governmental Funds	249,370	-	-	249,370
Due from component units:				
Nome Joint Utility System	125,000	-	-	125,000
Total assets	<u>\$ 19,674,000</u>	<u>1,293,492</u>	<u>1,353,507</u>	<u>22,320,999</u>
<u>Liabilities, deferred inflows of resources, and fund balances</u>				
Liabilities:				
Accounts payable	300,247	-	57,514	357,761
Accrued payroll	70,909	-	-	70,909
Accrued payroll liabilities	29,685	-	-	29,685
Due to other funds:				
General Fund	-	212,172	37,198	249,370
Other Governmental Funds	1,267,878	-	-	1,267,878
Unearned revenue	5,104	-	-	5,104
Total liabilities	<u>1,673,823</u>	<u>212,172</u>	<u>94,712</u>	<u>1,980,707</u>
Deferred inflows of resources:				
Unavailable revenues	4,482,544	-	-	4,482,544
Total liabilities and deferred inflows	<u>6,156,367</u>	<u>212,172</u>	<u>94,712</u>	<u>6,463,251</u>
Fund balances:				
Non-spendable:				
Prepaid items	25,681	-	-	25,681
Restricted:				
E-911 surcharge	-	-	402,346	402,346
Police Department	-	-	5,000	5,000
Committed-				
Community projects	-	-	146,782	146,782
Assigned:				
Debt service	-	1,081,320	-	1,081,320
Self insurance/ equipment replacement	1,271,767	-	-	1,271,767
Clara Mielke Richards estate	290,624	-	-	290,624
PERS	1,146,180	-	-	1,146,180
Landfill	3,057,108	-	704,667	3,761,775
Unassigned	7,726,273	-	-	7,726,273
Total fund balances	<u>13,517,633</u>	<u>1,081,320</u>	<u>1,258,795</u>	<u>15,857,748</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 19,674,000</u>	<u>1,293,492</u>	<u>1,353,507</u>	<u>22,320,999</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, 2019

Amounts reported as fund balances on the governmental funds	\$ 15,857,748
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 \$57,145,147	52,664,224
Proportionate share of the collective net pension and OPEB liability: PERS	(5,912,461)
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	888,396
Pension and OPEB related liabilities in the current fiscal year are presented as deferred inflows of resources: PERS	(507,757)
Other long-term assets, are not available to pay current year expenditures and, therefore, are deferred inflows in the funds Property taxes	4,482,544
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	(349,397)
General obligation bonds	(1,890,000)
Premium on general obligation bonds	(231,019)
Landfill loan	(164,863)
Landfill closure and post closure care costs	(1,338,695)
	<u>(3,973,974)</u>
Net position of governmental activities	<u>\$ 63,498,720</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, 2019

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources:				
Taxes:				
Property taxes	\$ 3,581,029	-	-	3,581,029
Sales taxes	5,725,343	-	-	5,725,343
Payments in lieu of taxes	367,687	-	-	367,687
Penalties and interest	65,723	-	-	65,723
Bed tax	135,149	-	-	135,149
Charges for services:				
Licenses and permits	149,478	-	85,339	234,817
Usage fees	877,375	-	-	877,375
Fines and forfeitures	10,417	-	-	10,417
Investment income	148,695	24,571	-	173,266
Rental and royalties	158,650	-	-	158,650
Contributions	101,021	-	-	101,021
Other	6,168	576	195,866	202,610
Total local sources	<u>11,326,735</u>	<u>25,147</u>	<u>281,205</u>	<u>11,633,087</u>
Intergovernmental:				
State of Alaska	371,208	221,202	67,746	660,156
Federal sources	478,939	-	96,385	575,324
Total intergovernmental	<u>850,147</u>	<u>221,202</u>	<u>164,131</u>	<u>1,235,480</u>
Total revenues	<u>12,176,882</u>	<u>246,349</u>	<u>445,336</u>	<u>12,868,567</u>
Expenditures:				
Current:				
Legislative	191,786	-	-	191,786
Administrative	928,391	-	7,866	936,257
Information technology	263,008	-	-	263,008
Planning and engineering	122,403	-	-	122,403
City clerk	452,609	-	-	452,609
Police	2,381,023	-	83,297	2,464,320
Animal control	38,495	-	-	38,495
Fire	237,353	-	-	237,353
Ambulance	174,393	-	15,281	189,674
Public works	2,400,481	-	16,331	2,416,812
Recreation center	699,504	-	-	699,504
Swimming pool	74,821	-	-	74,821
Museum	328,022	-	5,227	333,249
Library	306,885	-	19,390	326,275
Visitor center	185,940	-	-	185,940
Education	3,082,183	-	-	3,082,183
Non-departmental	142,167	-	212,236	354,403
Debt service:				
Principal	113,165	2,168,000	-	2,281,165
Interest	4,170	97,800	-	101,970
Capital outlay	-	-	166,623	166,623
Total expenditures	<u>12,126,799</u>	<u>2,265,800</u>	<u>526,251</u>	<u>14,918,850</u>
Excess (deficiency) of revenues over expenditures	<u>50,083</u>	<u>(2,019,451)</u>	<u>(80,915)</u>	<u>(2,050,283)</u>
Other financing sources (uses):				
Transfers in	-	343,129	47,303	390,432
Transfers out	<u>(358,678)</u>	<u>(31,754)</u>	<u>-</u>	<u>(390,432)</u>
Net other financing sources (uses)	<u>(358,678)</u>	<u>311,375</u>	<u>47,303</u>	<u>-</u>
Net change in fund balance	(308,595)	(1,708,076)	(33,612)	(2,050,283)
Fund balance, beginning of year	<u>13,826,228</u>	<u>2,789,396</u>	<u>1,292,407</u>	<u>17,908,031</u>
Fund balance, ending of year	<u>\$ 13,517,633</u>	<u>1,081,320</u>	<u>1,258,795</u>	<u>15,857,748</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, 2019

Net change in fund balance - total governmental funds		\$	(2,050,283)
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:			
PERS			(397,467)
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			793,740
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	\$	412,499	
Depreciation expense		<u>(2,178,657)</u>	(1,766,158)
Capital assets transferred to the City by the School District did not consume current financial resources but create additional economic resources			23,021
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			727,024
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	\$	2,281,165	
Amortization of bond premium		39,157	
Increase in landfill post closure costs		(37,987)	
Compensated absences		<u>22,563</u>	<u>2,304,898</u>
Change in net position of governmental activities		\$	<u><u>(365,225)</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, 2019

	Original and Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:			
Local sources:			
Taxes:			
Property taxes	\$ 3,574,406	3,581,029	6,623
Sales taxes	5,312,000	5,725,343	413,343
Payments in lieu of taxes	353,217	367,687	14,470
Penalties and interest	57,000	65,723	8,723
Bed tax	100,000	135,149	35,149
Charges for services:			
Licenses and permits	63,695	149,478	85,783
Usage fees	877,558	877,375	(183)
Fines and forfeitures	9,000	10,417	1,417
Investment income	61,968	148,695	86,727
Rental and royalties	165,442	158,650	(6,792)
Contributions	58,296	101,021	42,725
Other	5,000	6,168	1,168
Total local sources	<u>10,637,582</u>	<u>11,326,735</u>	<u>689,153</u>
Intergovernmental:			
State of Alaska	196,896	371,208	174,312
Federal sources	478,939	478,939	-
Total revenues	<u>11,313,417</u>	<u>12,176,882</u>	<u>863,465</u>
Expenditures:			
Current:			
Legislative	172,831	191,786	(18,955)
Administrative	847,784	928,391	(80,607)
Information technology	411,373	263,008	148,365
Planning and engineering	162,438	122,403	40,035
City clerk	459,303	452,609	6,694
Police	2,693,352	2,381,023	312,329
Animal control	63,328	38,495	24,833
Fire	394,550	237,353	157,197
Ambulance	462,048	174,393	287,655
Public works	2,437,743	2,400,481	37,262
Recreation center	766,655	699,504	67,151
Swimming pool	119,956	74,821	45,135
Museum	365,224	328,022	37,202
Library	323,470	306,885	16,585
Visitor center	185,829	185,940	(111)
Education	3,082,807	3,082,183	624
Non-departmental	132,720	142,167	(9,447)
Debt service:			
Principal	113,165	113,165	-
Interest	4,170	4,170	-
Total expenditures	<u>13,198,746</u>	<u>12,126,799</u>	<u>1,071,947</u>
Excess of revenues over expenditures	<u>(1,885,329)</u>	<u>50,083</u>	<u>1,935,412</u>
Other financing sources (uses):			
Proceeds from sale of capital assets	-	-	-
Transfers out	(616,089)	(358,678)	257,411
Net other financing sources (uses)	<u>(616,089)</u>	<u>(358,678)</u>	<u>257,411</u>
Net change in fund balance	<u>\$ (2,501,418)</u>	<u>(308,595)</u>	<u>2,192,823</u>
Fund balance, beginning of year		<u>13,826,228</u>	
Fund balance, ending of year		<u>\$ 13,517,633</u>	

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

CITY OF NOME, ALASKA
 Port Facility Enterprise Fund
 Balance Sheet
 June 30, 2019

Assets and Deferred Outflows of Resources

Current assets:	
Unrestricted:	
Cash and cash equivalents	\$ 1,487,496
Accounts receivable, net of \$51,961 allowance for doubtful accounts	170,326
Prepays	1,441
Due from the State of Alaska	1,498,046
Total unrestricted current assets	<u>3,157,309</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	1,033,937
Capital assets:	
Not being depreciated	9,829,748
Depreciated, net	32,313,414
Total non-current assets	<u>43,177,099</u>
Deferred outflows of resources:	
Pension and OPEB deferrals	139,385
Total assets and deferred outflows of resources	<u>\$ 46,473,793</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:	
Bonds payable - current portion	133,768
Accounts payable	520,446
Accrued interest payable	52,048
Due to General Fund	1,862,869
Prepaid lease revenue	720,201
Total current liabilities	<u>3,289,332</u>
Non-current liabilities:	
Bonds payable	3,742,693
Net pension and OPEB liability	829,104
Total current and non-current liabilities	<u>7,861,129</u>
Deferred inflows of resources	
Pension and OPEB deferrals	87,508
Total liabilities and deferred inflows of resources	<u>7,948,637</u>
Net position:	
Net investment in capital assets	38,266,701
Restricted for Causeway debt	1,033,937
Unrestricted	(775,482)
Total net position	<u>38,525,156</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 46,473,793</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, 2019

Operating revenues:		
Causeway facility	\$	630,118
Harbor facility		365,630
Industrial park facility		461,397
Bad debt		(14,133)
Other		8,029
Total operating revenues		<u>1,451,041</u>
Operating expenses:		
Direct expenses:		
Causeway facility		135,583
Harbor facility		100,375
Industrial park facility		68,584
Total direct expenses		<u>304,542</u>
General and administrative expenses:		
Other		<u>574,525</u>
Total operating expenses, excluding depreciation		<u>879,067</u>
Depreciation:		
Causeway facility		1,088,523
Harbor facility		650,431
Quarry terminal facility		287,040
Industrial park facility		32,061
Total depreciation		<u>2,058,055</u>
Total operating expenses		<u>2,937,122</u>
Operating (loss)		<u>(1,486,081)</u>
Non-operating income (expenses):		
Interest income		42,598
Interest expense		(154,328)
State of Alaska on-behalf payments		11,326
Total non-operating income (expense)		<u>(100,404)</u>
(Loss) before capital contributions		(1,586,485)
Capital contributions		<u>2,510,502</u>
Change in net position		924,017
Net position, beginning of year		<u>37,601,139</u>
Net position, end of year	\$	<u><u>38,525,156</u></u>

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

CITY OF NOME, ALASKA

Port Facility Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2019

Cash flows provided (used) by operating activities:	
Receipts from customers and users	\$ 1,438,015
Payments to employees	(529,627)
Payments to vendors	(88,015)
Net cash provided by operating activities	<u>820,373</u>
Cash flows provided by noncapital financing activities:	
Internal activity - payments to/from other funds	(324,475)
State of Alaska on-behalf payments	11,326
Net cash flows (used) by noncapital financing activities	<u>(313,149)</u>
Cash flows provided (used) by capital and related financing activities:	
Principal paid on debt	(128,510)
Interest paid on debt	(146,490)
Capital contributions	2,256,220
Acquisition of capital assets	(3,104,378)
Net cash (used) by capital and related financing activities	<u>(1,123,158)</u>
Cash flows provided by investing activities:	
Interest income	<u>42,598</u>
Net increase in cash and cash equivalents	(573,336)
Cash and cash equivalents at beginning of year	<u>3,094,769</u>
Cash and cash equivalents at end of year	\$ <u><u>2,521,433</u></u>
Composed of:	
Unrestricted cash and cash equivalents	1,487,496
Restricted cash and cash equivalents	1,033,937
	\$ <u><u>2,521,433</u></u>
Reconciliation of change in net assets to cash provided by operating activities:	
Operating (loss)	(1,486,081)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,058,055
Bad debt expense	14,133
Pension expense	(41,355)
Changes in assets and liabilities that provided (used) cash:	
Accounts receivable	749
Prepays	(1,441)
Accounts payable	302,780
Prepaid lease revenue	(26,467)
Net cash provided by operating activities	\$ <u><u>820,373</u></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, 2019

Assets

Investments:

ICMA Retirement Corporation	\$ 917,237
The Hartford	1,085,060
	<u>\$ 2,002,297</u>

Net Position

Held in trust for:

Deferred compensation plan	\$ <u>2,002,297</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, 2019

Additions:	
Contributions	\$ 141,446
Investment gain (loss)	<u>144,912</u>
Total additions	<u>286,358</u>
Deductions:	
Regular benefit payments	<u>345,800</u>
Change in net position	(59,442)
Net position, beginning of year	<u>2,061,739</u>
Net position, end of year	\$ <u><u>2,002,297</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, 2019

(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.

CITY OF NOME, ALASKA

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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

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

The City reports the following major governmental funds:

- *The General Fund* is the government's primary operating fund. It allows for all financial resources of the general government, except those required to be accounted for in another fund.
- *Debt Service Fund* – accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for principal and interest

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.
- *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 had 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.

CITY OF NOME, ALASKA

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. AMLIP meets the standards for reporting investments at amortized cost with regard to portfolio requirements including maturity, quality, diversification, liquidity and shadow price. There are no restrictions or limitations on withdrawals from AMLIP. As of June 30, 2019, the fair value of the investments in AMLIP approximates the amortized cost at which they are reported. The fair value of our investments in AMLIP is the same as the value of our AMLIP units.

(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.

CITY OF NOME, ALASKA

Notes to Financial Statements, Continued

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

(i) **Capital Assets**

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

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

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

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

	<u>Life in years</u>
Causeway	40
Infrastructure (C-Cell docks)	36-18
Improvements not buildings	40-5
Quarry jetty	40
Building	25-5
Machinery and equipment	7-5
Vehicles	7-5

(j) **Compensated Absences**

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

(k) **Long-Term Obligations**

In the governmental-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.

CITY OF NOME, ALASKA

Notes to Financial Statements, Continued

In the governmental fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

(m) Unbilled Revenue

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

(n) Unearned Revenues

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

(o) Prepaid Lease Revenue

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

(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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

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

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

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

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

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

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

Notes to the Financial Statements, Continued

(q) Net Position

Government-wide net position is divided into three components:

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

(r) Statement of Cash Flows

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

(s) Deferred Compensation

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

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.

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, 2019 the real and personal property tax levy of \$4,298,240 is reflected as deferred inflows of resources in the General Fund.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

At June 30, 2019, property tax receivables included the following:

2019 real and personal property taxes due in fiscal year 2020	\$	4,298,240
Real and personal property taxes currently past due		<u>250,206</u>
		4,548,446
Less:		
Estimated allowance for doubtful collections		59,310
Pre-payment of property taxes due in fiscal year 2020		<u>174,573</u>
	\$	<u><u>4,314,563</u></u>

(3) Cash and Short-Term Investments

As of June 30, 2019, 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	\$	676,929	676,929	-	-
Mid Cap Equity		844,712	844,712	-	-
International Equity Fund		56,852	56,852	-	-
Balanced Funds		232,298	232,298	-	-
Bonds		<u>191,506</u>	<u>191,506</u>	<u>-</u>	<u>-</u>
Total investments in deferred compensation	\$	<u><u>2,002,297</u></u>	<u><u>2,002,297</u></u>	<u>-</u>	<u>-</u>
AMLIP		1,525,887	1,525,122	-	-
Money Market		479,653	479,653		
Fixed Income		<u>7,861,000</u>	<u>6,873,000</u>	<u>988,000</u>	<u>-</u>
Total	\$	<u><u>9,866,540</u></u>	<u><u>9,866,540</u></u>	<u><u>988,000</u></u>	<u>-</u>

At June 30, 2019, the City had \$2,002,297 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	\$ 513,226	25.63%
Janus Forty	\$ 189,061	9.44%
HTFD Cap App HLS	\$ 114,846	5.74%

(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 \$7,012,061 of the remaining bank balance, 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, 2019.

Reconciliation to the City's June 30, 2019 financial statements follows:

Petty cash	\$	2,027
Demand deposits		6,064,555
Money Markey		479,653
Fixed Income/CD's		7,861,000
AMLIP		1,525,887
Investment in deferred compensation plans		<u>2,002,297</u>
	\$	<u>17,935,419</u>
Governmental activities	\$	13,411,689
Business type activities		2,521,433
Fiduciary activity		<u>2,002,297</u>
	\$	<u>17,935,419</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(4) **Receivables**

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:						
Property tax	\$ 4,373,873	-	-	4,373,873	-	4,373,873
Sales and bed tax	769,762	-	-	769,762	-	769,762
State of Alaska and						
Federal Government	17,592	-	70,218	87,810	1,498,046	1,585,856
Accounts - unrestricted	-	-	-	-	222,287	222,287
Other	248,703	2,213	15,411	266,327	-	266,327
Gross receivables	<u>5,409,930</u>	<u>2,213</u>	<u>85,629</u>	<u>5,497,772</u>	<u>1,720,333</u>	<u>7,218,105</u>
Less: allowance for uncollectibles	119,260	-	-	119,260	51,961	171,221
Net total receivables	<u>\$ 5,290,670</u>	<u>2,213</u>	<u>85,629</u>	<u>5,378,512</u>	<u>1,668,372</u>	<u>7,046,884</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:

	<u>Deferred Inflows</u>	<u>Unearned</u>
Unavailable taxes receivable	\$ 4,482,544	-
Grant advances prior to spending all proceeds	-	5,104

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, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Money market	\$ 479,653	479,653	-	-
Fixed income	7,861,000	7,861,000	-	-
Total	\$ <u>8,340,653</u>	<u>8,340,653</u>	<u>-</u>	<u>-</u>
Deferred compensation:				
Mutual Funds:				
Bonds	191,506	191,506	-	-
Large Cap Equity	676,929	676,929	-	-
Mid Cap Equity	844,712	844,712	-	-
International Equity Fund	56,852	56,852	-	-
Balanced Funds	232,297	232,297	-	-
Total investments in deferred compensation	\$ <u>2,002,297</u>	<u>2,002,297</u>	<u>-</u>	<u>-</u>
Investments measured at amortized cost:				
AMLIP	\$ <u>1,525,887</u>			

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 amortized cost and is equal to the value of pool shares.

(6) **Long-Term Note Receivable**

During 2003, the City entered into a long-term note receivable agreement with the School District for the purpose of renovating the Nome-Beltz Apartments. Under the terms of the note, the School can borrow, on an actual cost reimbursable basis, an amount not to exceed \$565,400. The note is due in monthly installments of \$3,279 per month including interest at 3.5% for the first five years. Repayment terms and interest rates will be adjusted every five years to reflect 75% of the prime rate. The balance of this note was paid in full by the School District in the year ended June 30, 2019.

A schedule of changes in long-term notes for the year ended June 30, 2019 follows:

	Balance July 1, <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2019</u>
Renovation note	\$ <u>185,741</u>	<u>-</u>	<u>185,741</u>	<u>-</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(7) **Capital Assets**

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Balance at July 1, 2018</u>	<u>Increases and transfers</u>	<u>Decreases and transfers</u>	<u>Balance at June 30, 2019</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	-	-	257,375
Construction in progress	19,133,807	88,138	19,064,762	157,183
Total	<u>26,817,910</u>	<u>88,138</u>	<u>19,064,762</u>	<u>7,841,286</u>
Capital assets being depreciated:				
Buildings-general government	23,173,317	19,070,905	-	42,244,222
Buildings-schools	49,650,030	23,021	-	49,673,051
Vehicles, trucks and trailers	6,489,936	71,987	-	6,561,923
Assets other than buildings	1,440,413	109,381	-	1,549,794
Machinery and equipment	1,036,219	73,306	-	1,109,525
Office machinery and equipment	766,026	63,546	-	829,572
Total	<u>82,555,941</u>	<u>19,412,144</u>	<u>-</u>	<u>101,968,087</u>
Less accumulated depreciation:				
Buildings-general government	12,279,735	613,454	-	12,893,189
Buildings-schools	34,330,998	1,119,198	-	35,450,196
Vehicles, trucks and trailers	5,788,697	274,544	-	6,063,241
Assets other than buildings	1,107,139	96,150	-	1,203,289
Machinery and equipment	769,860	48,583	-	818,443
Office machinery and equipment	690,061	26,728	-	716,789
Total	<u>54,966,490</u>	<u>2,178,657</u>	<u>-</u>	<u>57,145,147</u>
Total capital assets, being depreciated, net	<u>27,589,451</u>	<u>17,233,486</u>	<u>-</u>	<u>44,822,938</u>
Governmental activities	<u>\$ 54,407,361</u>	<u>17,321,624</u>	<u>19,064,762</u>	<u>52,664,224</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

	Balance at July 1, 2018	Increases and transfers	Decreases and transfers	Balance at June 30, 2019
Business-type activities:				
Capital assets not being:				
depreciated				
Land	\$ 6,618,242	-	-	6,618,242
Tideland patent	736,400	-	-	736,400
Construction in progress	3,417,242	3,020,552	3,962,688	2,475,106
Total	<u>10,771,884</u>	<u>3,020,552</u>	<u>3,962,688</u>	<u>9,829,748</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	389,020	24,908	-	413,928
Machinery and equipment	349,596	-	2,764	346,832
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
Other	20,706,778	108,882	6,908	20,808,752
Total	<u>62,658,126</u>	<u>4,046,514</u>	<u>9,672</u>	<u>66,694,968</u>
Less accumulated depreciation:				
Small boat harbor	2,088,970	160,958	-	2,249,930
Causeway	22,002,697	714,566	-	22,717,261
Cape Nome Quarry	-	90,906	-	90,906
Buildings	298,874	12,913	-	311,789
Machinery and equipment	343,756	4,823	2,764	345,813
Quarry Jetty	1,826,668	196,136	-	2,022,804
C-Cell dock-North	1,185,000	61,833	-	1,246,833
C-Cell dock-South	1,252,357	51,097	-	1,303,454
Other	3,334,849	764,823	6,908	4,092,765
Total	<u>32,333,171</u>	<u>2,058,055</u>	<u>9,672</u>	<u>34,381,554</u>
Total capital assets, being depreciated, net	<u>30,324,955</u>	<u>1,988,459</u>	<u>-</u>	<u>32,313,414</u>
Business-type activities	<u>\$ 41,096,839</u>	<u>5,009,011</u>	<u>3,962,688</u>	<u>42,143,162</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	\$ 10,747
Administrative	13,745
Information technology	21,771
City clerk	4,784
Police	249,346
Fire	95,714
Ambulance	140,312
Public works	433,105
Recreation center	76,452
Swimming pool	10,685
Museum	681
Education	1,119,198
Visitor Center	<u>2,117</u>
Total depreciation	<u>2,178,657</u>

Business-type activities

Port	\$ <u>2,058,055</u>
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During the fiscal year, Nome Public Schools transferred \$23,021 of capital assets to the City for improvements to buildings owned by the City.

(8) Long-Term Debt

(a) Changes in long-term debt follows:

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019	Due within one year
Governmental activities:					
Compensated absences	\$ 371,960	393,277	415,840	349,397	-
General obligation bonds	4,058,000	-	2,168,000	1,890,000	375,000
Premium on general obligation bonds	270,176	-	39,157	231,019	-
Landfill loan	278,028	-	113,165	164,863	39,392
Landfill closure and postclosure costs	<u>1,300,708</u>	<u>37,987</u>	<u>-</u>	<u>1,338,695</u>	<u>-</u>
	<u>6,278,872</u>	<u>431,264</u>	<u>2,736,162</u>	<u>3,973,974</u>	<u>414,392</u>
Business-type activities:					
Revenue bonds	\$ <u>4,004,971</u>	<u>-</u>	<u>128,510</u>	<u>3,876,461</u>	<u>133,768</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, 2019 follows:

Year ending June 30	1986 Series A Port Revenue Bonds	
	Principal	Interest
2020	\$ 133,768	155,656
2021	139,240	150,184
2022	144,937	144,487
2023	150,866	138,558
2024-2028	852,117	595,001
2029-2033	1,041,273	405,845
2034-2038	1,272,420	174,698
2039	141,840	2,872
	<u>\$ 3,876,461</u>	<u>1,767,301</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, 2019 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
2020	120,000	27,950	90,000	43,050	165,000	9,900
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	24,250	-	-
2024-2028	130,000	3,250	460,000	59,250	-	-
2029-2033	-	-	50,000	1,250	-	-
	\$ 645,000	79,125	915,000	200,175	330,000	13,200

Year ending June 30	Total		
	Principal	Interest	Total
2020	375,000	80,900	455,900
2021	390,000	63,875	453,875
2022	235,000	49,725	284,725
2023	250,000	34,250	284,250
2024-2028	590,000	62,500	652,500
2029-2033	50,000	1,250	51,250
	\$ 1,890,000	292,500	2,182,500

In December 2003, the city issued \$1,798,000 of Qualified Zone Academy Bonds (QZAB) for the purpose of paying the cost of financing the acquisition, construction, installation and major renovation and renewal of school and capital related improvements in the City. The bonds provide for a single payment of principal at maturity date of approximately December 18, 2018. The bonds are supported by a sinking fund, whereby the City is obligated to make annual deposits of \$96,526 until maturity with deposits earning an annual interest rate of 3%. Total deposit payments required to the sinking fund are \$1,798,000, with interest earning of \$251,374. The bonds were retired in fiscal year 2019.

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, 2019, the City amortized \$16,772, leaving \$83,852 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, 2019, the amount of defeased bonds still outstanding was \$690,000.

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, 2019 the City amortized \$8,803 and \$5,831 leaving \$79,190 and \$52,477 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, 2019, the amount of defeased bonds still outstanding was \$560,000 and \$400,000, 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, 2017 the City amortized \$7,751, leaving \$15,500 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, 2019, the amount of defeased bonds still outstanding was \$445,000.

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, 2019 follows:

Year ending June 30	ADEC Loan		Total
	Principal	Interest	
2020	\$ 39,392	3,588	42,980
2021	39,983	2,997	42,980
2022	40,583	2,397	42,980
2023	41,191	1,789	42,980
2024-2025	3,714	1,715	5,429
	<u>\$ 164,863</u>	<u>12,486</u>	<u>177,349</u>

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).

(9) Interfund Receivables, Payables and Transfers

(a) Interfund Receivables and Payables

A summary of interfund receivables and payables at June 30, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Port Facility Enterprise Fund	\$ 1,862,869
General Fund	Other Governmental Funds	37,198
General Fund	Debt Service Fund	212,172
Other Governmental Funds	General Fund	1,267,878
Total primary government		<u>\$ 3,380,117</u>

Notes to the Financial Statements, Continued

(b) Interfund Transfers

A summary of interfund transfers in and out of June 30, 2019 is as follows:

<u>Transfer in:</u>	<u>Transfer out:</u>		<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	
Debt service	\$ 343,129	-	343,129
Other governmental	15,549	31,754	47,303
	<u>\$ 358,678</u>	<u>31,754</u>	<u>390,432</u>

There was a transfer from the General Fund to the Debt Service fund to cover scheduled bond payments and transfers from the General Fund and Debt Service Fund to the School Renovation and Ice Rink Design and Construction Capital Project Funds to cover capital outlays.

(10) 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, 2019 the employer contribution rate is 0.26%.

Membership in the plan consisted of the following at June 30, 2018 (latest available report):

Membership	PERS
Active plan members	20,811
Participating employers	157

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, 2018 (latest available information) employer contributions were 4.88% of annual payroll. Membership in the plan consisted of the following at June 30, 2018 (latest report available):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	35,139
Inactive plan members entitled to but not yet receiving benefits	5,606
Inactive plan members not entitled to benefits	11,128
Active plan members	13,611
Total plan membership	65,484

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, 2019 employer contributions were 0.94%. Membership in the plan consists of the following at June 30, 2018 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	11
Inactive plan members entitled to but not yet receiving benefits	1,183
Inactive plan members not entitled to benefits	11,896
Active plan members	20,811
Total plan membership	33,901

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, 2018 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	19
Inactive plan members entitled to but not yet receiving benefits	1,175
Inactive plan members not entitled to benefits	11,896
Active plan members	20,811
Total plan membership	33,901

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, 2018 (latest available report) for the DB Plan for PERS is 8.26%, for the ARHCT is 8.35%, for the Occupational Death and Disability Plan is 8.06%, and for the Retiree Medical Plan is 7.89%.

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>
Domestic Equity	8.90%
Global Ex- U.S. Equity	7.85%
Fixed Income	1.25%
Opportunistic	4.76%
Real Assets	6.20%
Absolute Return	4.76%
Private Equity	12.08%
Cash Equivalents	0.66%

Discount Rate: The discount rate used to measure the total pension and OPEB liabilities is 8.00%. 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 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.

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

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

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

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board (GASB)*. Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% discount rate.

Employer Contribution rates for the year ended June 30 2018 (latest available actuarial report) are as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
PERS:				
Pension	16.17%	20.28%	5.58%	32.11%
OPEB	5.83%	7.30%	0%	87.90%
Total PERS contribution rates	<u>22%</u>	<u>27.58%</u>	<u>5.58%</u>	<u>120.01%</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 2019 the past service rate for PERS is 16.53%.

Actuarial Assumptions: The total pension and OPEB liabilities in the June 30, 2018 (latest available) actuarial valuation was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. These assumptions were the result of an experience study performed as of June 30, 2013.

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 3.12% per year Productivity – 0.50% per year
Payroll growth	3.62% 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 3.12% annually.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience, 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.
Total turnover	Based upon the 2010-2013 actual withdrawal experience.
Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others.
Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers II and III deferred vested members are assumed to retire at age 60.
Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.
Healthcare cost trend rates	Pre-65 medical: 8.0% grading down to 4.0% Post-65 medical: 5.5% grading down to 4.0% Prescription drugs: 9.0% grading down to 4.0%

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

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

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

The PERS defined benefit 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 155 employers participating in PERS defined benefit plan, including the State of Alaska and 154 political subdivisions and public organizations.

The DB Plan's membership consisted of the following at June 30, 2018 (latest available report):

Inactive plan members or beneficiaries currently receiving benefits	35,139
Inactive plan members entitled to but not receiving benefits	5,606
Inactive members not entitled to benefits	11,128
Active plan members	<u>13,611</u>
Total DB plan membership	<u>65,484</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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

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

Employee Contribution Rate. The City’s PERS active members are required to contribute 6.75% (4.97% pension costs and 1.78% OPEB) of their annual covered salary.

Employer contributions for the year ended June 30, 2019, were:

	Pensions (DB)	Other Post-Employment Benefits (DB)	Total
\$	353,150	162,399	515,549

Public Employees Retirement Plans

For the year ended June 30, 2019 the State of Alaska contributed \$ 193,973 (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, 2018 to a total of \$ 119,838, to represent the pension/OPEB expense attributable to the State under the full accrual basis of accounting.

Pension and OPEB Liabilities, Pension and OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and OPEB: At June 30, 2019, the City reported liabilities 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, the related State support, and the total portion of the net pension and OPEB liabilities that was associated with the City were as follows:

Defined Benefit:		<u>Pension</u>
City’s proportionate share of the net pension liability	\$	5,599,916
State’s proportionate share of the net pension liability		<u>1,619,291</u>
Total	\$	<u><u>7,219,207</u></u>
		<u>OPEB</u>
City’s proportionate share of the ARHCT OPEB liability	\$	1,155,990
State’s proportionate share of the ARHCT OPEB liability		<u>335,315</u>
Total	\$	<u><u>1,491,305</u></u>
City’s proportionate share of the ODD OPEB liability	\$	<u>(41,590)</u>
City’s proportionate share of the RMP OPEB liability	\$	<u>27,249</u>
Total City’s share of net pension and OPEB liabilities	\$	<u><u>6,741,565</u></u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

The net pension and OPEB liabilities were measured as of June 30, 2018, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation as of that date. The City's proportion of the net pension and OPEB liabilities were based on the present value of contributions for FY2020 through FY2039, as determined by projections based on the June 30, 2018 valuation.

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

	June 30, 2017 Measurement	June 30, 2018 Measurement	Change
Pension	0.1051%	0.1127%	0.0076%
OPEB:			
ARHCT	0.1051%	0.1126%	0.0075%
ODD	0.2018%	0.2141%	0.0123%
RMP	0.2018%	0.2141%	0.0123%

Based on the measurement date of June 30, 2018, the City recognized pension and OPEB expense of \$26,169 and \$183,312, respectively, for the year ended June 30, 2019. At June 30, 2019, 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	\$ -	(140,547)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	123,676	-
Changes in proportion and differences between City contributions and proportionate share of contributions	141,033	-
City contributions subsequent to the measurement date	353,150	-
Total	\$ <u>617,859</u>	<u>(140,547)</u>

	OPEB ARHCT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(123,698)
Changes of assumptions	175,375	-
Net difference between projected and actual earnings on OPEB plan investments	-	(244,964)
Changes in proportion and differences between City contributions and proportionate share of contributions	57,590	(66,404)
City contributions subsequent to the measurement date	129,124	-
Total	\$ <u>362,089</u>	<u>(435,066)</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	\$ -	(11,507)
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(1,463)
Changes in proportion and differences between City contributions and proportionate share of contributions	1,078	(881)
City contributions subsequent to the measurement date	9,836	-
Total	<u>\$ 10,914</u>	<u>(13,851)</u>

	OPEB RMP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(1,457)
Changes of assumptions	12,624	-
Net difference between projected and actual earnings on OPEB plan investments	-	(3,974)
Changes in proportion and differences between City contributions and proportionate share of contributions	856	(370)
City contributions subsequent to the measurement date	23,439	-
Total	<u>\$ 36,919</u>	<u>(5,801)</u>

\$353,150 and \$162,399 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 in the year ended June 30, 2019 (actuarial), respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension and OPEB will be recognized in pension and OPEB expense as follows:

Year Ended June 30,	Pension	OPEB ARHCT	OPEB ODD	OPEB RMP
2019	\$ 157,786	(81,026)	(1,876)	98
2020	67,626	(35,840)	(1,876)	98
2021	(95,826)	(79,864)	(1,876)	98
2022	(5,424)	(5,371)	(1,401)	1,455
2023	-	-	(1,391)	1,431
Thereafter	-	-	(4,353)	4,499
Total	<u>\$ 124,162</u>	<u>(202,101)</u>	<u>(12,773)</u>	<u>7,679</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

For the year ended June 30, 2019, the City recognized (\$311,847) and (\$44,515) of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

Sensitivity of the Net Pension and OPEB Liabilities to Changes in the Discount Rate: The following presents the net pension and OPEB liabilities of the plan calculated using the discount rate of 8%, as well as what the Plans' net pension and OPEB liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
Net pension liability	\$ 7,415,701	5,599,916	4,063,980
Net OPEB ARHCT liability	\$ 2,340,301	1,155,990	163,296
Net OPEB ODD liability	\$ (39,055)	(41,590)	(43,676)
Net OPEB RMP liability	\$ 81,373	27,249	(14,966)

Sensitivity of the City's proportionate share of the Net OPEB liability to changes in the healthcare cost trend rates. The following present the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability 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	\$ 22,440	1,155,990	2,521,462
Net OPEB ODD liability	N/A	(41,590)	N/A
Net OPEB RMP liability	(23,168)	27,249	94,723

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): 0.94% 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 \$196,706 for the year ended June 30, 2019, which included forfeitures of \$119,838 which have been applied as employer contributions.

(12) 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, 2019, based on the landfill capacities used as of that date. The \$1,338,695 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 67% 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.

(13) 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.

(14) 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.

(15) 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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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 debt service 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, 2019:

Legislative	\$	18,955
Administrative		80,607
Visitor Center		111
Non-departmental		9,447

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

(16) 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, 2018.
- GASB 87 *Leases*. Effective for fiscal years beginning after December 15, 2019.
- GASB 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for fiscal years beginning after December 15, 2019.
- GASB 90 *Majority Equity Interests*. Effective for fiscal years beginning after December 15, 2018.

Statements 84 and 90 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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

GASB Statement No. 88, the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct payments. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt and requires enhanced footnote disclosures.

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.

(17) Related Parties

The City made a required contribution of \$3,078,762 to and received \$185,741 principal payments from Nome Public Schools. In early July 2017, the City of Nome provided for the issuance of a Utility Revenue Anticipation Note (U-RAN) for the procurement of the Utility's annual generator diesel fuel requirement. The U-RAN will also make the final payment on the prior year's fuel note with Wells Fargo which was issued as a General Obligation Revenue Anticipation Note of the City of Nome for the benefit of the Utility. A late delivery occurred in 2013 with an early delivery in 2014. This required structuring 2014 and 2015 fuel notes to include two interest-only payments to avoid overlap of principal payments. In 2016, this was reduced to one interest only payment. By refinancing the final payment of the 2016 note, the Utility will no longer require any "interest only" payments, and will result in a further reduction in interest expense. The Note in the principal amount of \$4.4 million was sold to Northrim Bank. The Note carried an interest rate of 2.85% on a tax exempt basis and will be repaid solely from the revenues of the Utility over 12 months. The City received payments for pilot and landfill fees in the amount of \$398,670, and had a receivable at year end of \$153,892.

(18) Change in Estimate

The City received notice on June 18, 2018, from the State of Alaska, Department of Administration, Division of Retirement and Benefits that forfeitures from the defined contribution plan for the Public Employees' Retirement System (PERS) can be offset against future contributions effective July 1, 2018. The change in estimate decreased expenditures related to payroll benefits and liabilities of \$123,793.

**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, 2019

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%

Notes to Schedule:

1. Information presented for 2019 is based upon Plan measurement date June 30, 2018.
2. Measurement is one year prior to fiscal year end for all years presented.
3. In fiscal year 2017 the District implemented GASB 82, which required a retroactive change in covered payroll.
4. 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

Public Employees' Retirement System (PERS)

June 30, 2019

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%
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%
Retiree Medical Plan (RMP):							
2018	0.1303%	\$ 10,523	\$ -	\$ 10,523	\$ 891,245	1.18%	93.98%
2019	0.2141%	\$ 27,249	\$ -	\$ 27,249	\$ 894,118	3.05%	88.71%

Notes to Schedule:

- Information presented for 2019 is based upon Plan measurement date June 30, 2018.
- Measurement is one year prior to fiscal year end for all years presented.
- 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 (Pension)

Public Employees' Retirement System (PERS)

June 30, 2019

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%

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.
- Equivalent single amortization period: 17 years.
- 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: 3.12% per annum.
- Salary increases: Ranges from 9.66% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.55% to 4.34% based on age and service for All Others.
- Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Mortality: Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 50% of the time. 96% of all rates of the RP - 2000 Table Base Year projected to 2018.
- In fiscal year 2017 the City implemented GASB 82, which required a retroactive change in covered payroll.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.
- In fiscal year 2018 the City included pension DBUL into the contractually required contribution. This will be a prospective change.

CITY OF NOME, ALASKA

Schedule of the City's Contributions (OPEB)

Public Employees' Retirement System (PERS)

June 30, 2019

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)	\$ -	\$ -	0.00%
2019	\$ 129,124	\$ (129,124)	\$ -	\$ 3,130,982	4.12%
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%
Retiree Medical Plan (RMP):					
2018	\$ 24,963	\$ (24,963)	\$ -	\$ 894,118	2.79%
2019	\$ 23,439	\$ (23,439)	\$ -	\$ 894,118	2.62%

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.
- Equivalent single amortization period: 17 years.
- 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: 3.12% per annum.
- Salary increases: Ranges from 9.66% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.55% to 4.34% based on age and service for All Others.
- Investment rate of return: 8%, net of OPEB plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Mortality: Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 50% of the time. 96% of all rates of the RP - 2000 Table Base Year projected to 2018.
- 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, 2019

	Special Revenue Funds						
	E-911 Surcharge	Local Emergency Planning Committee	NPD NSED Award	NSED Community Benefits Share	NSED Community Employment Program	Public Library Assistance	Institute of Museum and Library Services Grant
<u>Assets</u>							
Cash and short-term investments	\$ -	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-
Receivables:							
Federal	-	-	1,032	-	-	-	-
State of Alaska	-	8,553	-	-	-	-	-
Other	12,063	-	-	-	3,348	-	-
Due from other funds	393,283	-	3,968	158,038	-	28	1,344
Total assets	\$ <u>405,346</u>	<u>8,553</u>	<u>5,000</u>	<u>158,038</u>	<u>3,348</u>	<u>28</u>	<u>1,344</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	3,000	300	-	11,256	-	28	1,344
Unearned revenue	-	-	-	-	-	-	-
Due to other funds	-	8,253	-	-	3,348	-	-
Total liabilities	<u>3,000</u>	<u>8,553</u>	<u>-</u>	<u>11,256</u>	<u>3,348</u>	<u>28</u>	<u>1,344</u>
Fund balances:							
Restricted:							
Debt service	-	-	-	-	-	-	-
E-911 Surcharge	402,346	-	-	-	-	-	-
Police Department	-	-	5,000	-	-	-	-
Committed-							
Community projects	-	-	-	146,782	-	-	-
Assigned-							
Landfill	-	-	-	-	-	-	-
Total fund balances	<u>402,346</u>	<u>-</u>	<u>5,000</u>	<u>146,782</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>405,346</u>	<u>8,553</u>	<u>5,000</u>	<u>158,038</u>	<u>3,348</u>	<u>28</u>	<u>1,344</u>

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

	Special Revenue Funds			Capital Project Funds			Total Other Governmental Funds
	National Park Service Grant	Historic Preservation Grant	Total	Landfill	School Renovation and Repairs	Richard Foster Building	
<u>Assets</u>							
Cash and short-term investments	\$ -	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-
Receivables:							
Federal	4,235	9,513	14,780	-	-	-	14,780
State of Alaska	-	6,342	14,895	-	-	40,543	55,438
Other	-	-	15,411	-	-	-	15,411
Due from other funds	-	-	556,661	704,667	6,550	-	1,267,878
Total assets	\$ 4,235	15,855	601,747	704,667	6,550	40,543	1,353,507
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	1,435	805	18,168	-	6,550	32,796	57,514
Unearned revenue	-	-	-	-	-	-	-
Due to other funds	2,800	15,050	29,451	-	-	7,747	37,198
Total liabilities	4,235	15,855	47,619	-	6,550	40,543	94,712
Fund balances:							
Restricted:							
Debt service	-	-	-	-	-	-	-
E-911 Surcharge	-	-	402,346	-	-	-	402,346
Police Department	-	-	5,000	-	-	-	5,000
Committed-							
Community projects	-	-	146,782	-	-	-	146,782
Assigned-							
Landfill	-	-	-	704,667	-	-	704,667
Total fund balances	-	-	554,128	704,667	-	-	1,258,795
	\$ 4,235	15,855	601,747	704,667	6,550	40,543	1,353,507

CITY OF NOME, ALASKA

Exhibit I-2

Other Governmental Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Year Ended June 30, 2019

	Special Revenue Funds					
	E-911 Surcharge	Local Emergency Planning Committee	NPD NSED Award	NSED Community Benefits Share	NSED Community Employment Program	Public Library Assistance
Revenues:						
Local sources:						
Investment income	\$ -	-	-	-	-	-
Charges for services	85,339	-	-	-	-	-
Other	-	-	21,000	167,000	7,866	-
Intergovernmental:						
State of Alaska	-	15,281	-	-	-	8,140
Federal sources	-	-	8,787	-	-	1,250
Total revenues	<u>85,339</u>	<u>15,281</u>	<u>29,787</u>	<u>167,000</u>	<u>7,866</u>	<u>9,390</u>
Expenditures:						
Current:						
Administrative	-	-	-	-	7,866	-
Police	58,093	-	24,787	-	-	-
Ambulance	-	15,281	-	-	-	-
Public works	-	-	-	-	-	-
Museum	-	-	-	-	-	-
Library	-	-	-	-	-	9,390
Non-departmental	-	-	-	204,801	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>58,093</u>	<u>15,281</u>	<u>24,787</u>	<u>204,801</u>	<u>7,866</u>	<u>9,390</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,246</u>	<u>-</u>	<u>5,000</u>	<u>(37,801)</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>	<u>-</u>
Net change in fund balances	27,246	-	5,000	(37,801)	-	-
Fund balances, beginning of year	<u>375,100</u>	<u>-</u>	<u>-</u>	<u>184,583</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 402,346</u>	<u>-</u>	<u>5,000</u>	<u>146,782</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					Total
	Art Acquisition	Bullet Proof Vest Grant	National Park Service Grant	Historic Preservation Grant	Institute of Museum and Library Services Grant	
Revenues:						
Local sources:						
Investment income	\$ -	-	-	-	-	-
Charges for services	-	-	-	-	-	85,339
Other	-	-	-	-	-	195,866
Intergovernmental:						
State of Alaska	1,761	-	-	-	-	25,182
Federal sources	2,641	417	7,435	15,855	10,000	46,385
Total revenues	<u>4,402</u>	<u>417</u>	<u>7,435</u>	<u>15,855</u>	<u>10,000</u>	<u>352,772</u>
Expenditures:						
Current:						
Administrative	-	-	-	-	-	7,866
Police	-	417	-	-	-	83,297
Ambulance	-	-	-	-	-	15,281
Public works	-	-	-	16,331	-	16,331
Museum	5,227	-	-	-	-	5,227
Library	-	-	-	-	10,000	19,390
Non-departmental	-	-	7,435	-	-	212,236
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>5,227</u>	<u>417</u>	<u>7,435</u>	<u>16,331</u>	<u>10,000</u>	<u>359,628</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(825)</u>	<u>-</u>	<u>-</u>	<u>(476)</u>	<u>-</u>	<u>(6,856)</u>
Other financing sources (uses):						
Transfers (out)	-	-	-	-	-	-
Transfers in	825	-	-	476	-	1,301
Total other financing sources (uses)	<u>825</u>	<u>-</u>	<u>-</u>	<u>476</u>	<u>-</u>	<u>1,301</u>
Net change in fund balances	-	-	-	-	-	(5,555)
Fund balances, beginning of year	-	-	-	-	-	559,683
Fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>554,128</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	Total Other Governmental Funds
	Landfill	School Renovation and Repairs	Nome Eskimo Roads	Richard Foster Building	Ice Rink Design and Construction		
Revenues:							
Local sources:							
Investment income	\$ -	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	85,339
Other	-	-	-	-	-	-	195,866
Intergovernmental:							
State of Alaska	-	-	-	42,564	-	42,564	67,746
Federal sources	-	-	50,000	-	-	50,000	96,385
Total revenues	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>42,564</u>	<u>-</u>	<u>92,564</u>	<u>445,336</u>
Expenditures:							
Current:							
Administrative	-	-	-	-	-	-	7,866
Police	-	-	-	-	-	-	83,297
Ambulance	-	-	-	-	-	-	15,281
Public works	-	-	-	-	-	-	16,331
Museum	-	-	-	-	-	-	5,227
Library	-	-	-	-	-	-	19,390
Non-departmental	-	-	-	-	-	-	212,236
Capital outlay	-	31,754	78,057	42,564	14,248	166,623	166,623
Total expenditures	<u>-</u>	<u>31,754</u>	<u>78,057</u>	<u>42,564</u>	<u>14,248</u>	<u>166,623</u>	<u>526,251</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(31,754)</u>	<u>(28,057)</u>	<u>-</u>	<u>(14,248)</u>	<u>(74,059)</u>	<u>(80,915)</u>
Other financing sources (uses):							
Transfers (out)	-	-	-	-	-	-	-
Transfers in	-	31,754	-	-	14,248	46,002	47,303
Total other financing sources (uses)	<u>-</u>	<u>31,754</u>	<u>-</u>	<u>-</u>	<u>14,248</u>	<u>46,002</u>	<u>47,303</u>
Net change in fund balances	-	-	(28,057)	-	-	(28,057)	(33,612)
Fund balances, beginning of year	<u>704,667</u>	<u>-</u>	<u>28,057</u>	<u>-</u>	<u>-</u>	<u>732,724</u>	<u>1,292,407</u>
Fund balances, end of year	\$ <u>704,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>704,667</u>	<u>1,258,795</u>

CITY OF NOME, ALASKA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2019

<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>478,939</u>	<u>478,939</u>
NAPC Forum 2018	HPF Grant 17021	15.904	8,466	2,641
Historic Preservation Plan, Phase I	HPF Grant 18007	15.904	5,905	3,543
Swanberg Dredge, Condition, Assessment, and Stabilization	HPF Grant 18008	15.904	<u>25,000</u>	<u>12,312</u>
Total CFDA 15.904			39,371	18,496
Passed through Nome Eskimo Community				
Tribal Transportation Program	MOA	15.033	<u>50,000</u>	<u>50,000</u>
Direct:				
National Park Service Cultural Resource Management	P16AC00333	15.946	<u>28,000</u>	<u>7,435</u>
Total U.S. Department of Interior			<u>596,310</u>	<u>554,870</u>
U.S. Department of Justice:				
Passed through State of Alaska, Department of Public Safety:				
SART	None	16.588	8,787	8,787
Direct:				
Bullet proof vest	None	16.607	<u>417</u>	<u>417</u>
Total Department of Justice			9,204	9,204
U.S. Department of Homeland Security (Public Assistance Grant):				
Passed through the State of Alaska, Department of Military and Veterans Affairs:				
Cape Nome Quarry Dock	DR-4050-AK	97.036	<u>3,413,725</u>	<u>1,055,951</u>
U.S. Department of Museum and Library Services:				
Passed through the State of Alaska, Department of Education and Early Development:				
Continuing Education	CED1974601	45.310	<u>1,250</u>	<u>1,250</u>
Passed through Nome Eskimo Community-				
Native American and Native Hawaiian Library Services	NG-01-18-0094-18	45.311	<u>10,000</u>	<u>10,000</u>
Total U.S. Department of Museum and Library Services			<u>11,250</u>	<u>11,250</u>
Total expenditures of federal awards			\$ <u>4,030,489</u>	<u>1,631,275</u>
Reconciliation from Federal Financial Assistance to Federal sources revenues, Exhibit D-1:				
Above expenditures, per schedule			\$ 1,631,275	
Less: Capital Contributions, Port Facility Enterprise Fund			<u>(1,055,951)</u>	
Total Federal sources revenue Exhibit D-1			\$ <u>575,324</u>	
See notes to the schedule				

CITY OF NOME, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

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, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the basic financial statements of the City.

Note 2. Basis of Accounting

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

Note 3. Reporting Entity

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

Note 4. Subrecipients

No federal funds were passed through to subrecipients.

CITY OF NOME, ALASKA

Schedule of State Financial Assistance

Year Ended June 30, 2019

<u>Grant Title</u>	<u>Pass Through/ Grant Number</u>	<u>Total Grant Award</u>	<u>Expenditures</u>
Department of Commerce, Community and Economic Development:			
Community Revenue Sharing	None	145,980	145,980
Richard Foster Building	12-DC-406	14,000,000	42,564
* Arctic Deep Draft Port Design	17-DC-005	1,600,000	1,098,405
Total Department of Commerce, Community and Economic Development		15,745,980	1,286,949
Department of Military and Veterans Affairs:			
Division of Homeland Security and Emergency Management-			
* Cape Nome Quarry Dock	DR-4050-AK	1,137,575	351,983
Local Emergency Planning Committee	20LEPC-GY19	15,281	15,281
Total Department of Military and Veterans Affairs		1,152,856	367,264
Department of Education and Early Development:			
* Debt Reimbursement	None	221,202	221,202
OWL Internet - Library	OWL1774601	3,916	3,916
Public Library Assistance	PLA-19-746-01	8,140	8,140
Total Department of Education and Early Development		233,258	233,258
Alaska State Council on the Arts			
NAPC Forum 2018	HPF Grant 17021	1,761	1,761
Department of Public Safety-			
Motor Vehicle License Tax	None	35,871	35,871
Department of Revenue:			
Liquor Licenses	None	9,800	9,800
Department of Administration-			
* PERS Employer On-Behalf	None	193,973	193,973
Total State Financial Assistance		\$ 17,373,499	2,128,876
Reconciliation from State Financial Assistance to State of Alaska revenues, Exhibit D-1:			
Above expenditures, per schedule		\$ 2,128,876	
Less: PERS On-Behalf adjustment to full accrual, Port Facilities Enterprise Fund		(18,332)	
Less: Capital Contributions, Port Facility Enterprise Fund		(1,450,388)	
Total State of Alaska revenue Exhibit D-1		\$ 660,156	

See notes to the schedule

CITY OF NOME, ALASKA

Notes to Schedule of State Financial Assistance

Year Ended June 30, 2019

Note 1. General

The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of the City under programs of the State of Alaska for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirement of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the basic financial statements of the City.

Note 2. Basis of Accounting

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

Note 3. Reporting Entity

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

Note 4. Subrecipients

No State funds were passed through to subrecipients.

Note 5. Major Programs

* Denotes a major program for compliance audit purposes.

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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, 2019, 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 28, 2020. 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) to determine the 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 determination of financial statement amounts. 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 28, 2020

Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance as 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, 2019. 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 \$1,680,889 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, 2019. 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, 2019.

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 28, 2020

CITY OF NOME, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

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>
97.036	Cape Nome Quarry Dock
15.226	PILT

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.

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Nome, Alaska's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of the City of Nome, Alaska's major state programs for the year ended June 30, 2019. The City of Nome, Alaska's major state programs are identified in the accompanying Schedule of State Financial Assistance.

City of Nome, Alaska's basic financial statements include the operations of Nome Public Schools and Nome Joint Utility System, component units, which received \$10,962,657 and \$0 in state awards which is not included in City of Nome's Schedule of state Financial Assistance during the year ended June 30, 2019. Our audit, described below, did not include the operations of Nome Public Schools because it was subjected to a separate audit performed in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and the Nome Joint Utility System because the organizational unit engaged other auditors to perform an audit.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Nome, Alaska's major state 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 the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* 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 state 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 state program. However, our audit does not provide a legal determination of City of Nome, Alaska's compliance.

Opinion on Each Major State 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 state programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of 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 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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, 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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Members of the City Council
City of Nome, Alaska

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

Altman, Rogers & Co.

Anchorage, Alaska
January 28, 2020

CITY OF NOME, ALASKA

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiency(ies) identified?

___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?

___ Yes X No

Significant deficiency(ies) identified?

___ Yes X None reported

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

Unmodified

Dollar threshold used to distinguish a state major program:

\$ 150,000

Section II – Financial Statement Findings

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

Section III – State Award Findings and Questioned Costs

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