

CITY OF NOME, ALASKA

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

Year Ended June 30, 2015

CITY OF NOME, ALASKA

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

Year Ended June 30, 2015

CITY OF NOME, ALASKA

TABLE OF CONTENTS

	<u>Exhibit No.</u>	<u>Page</u>
Independent Auditor's Report		1-3
Management Discussion and Analysis (MD&A)		4-14
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	A-1	15
Statement of Activities	B-1	16
Fund Financial Statements:		
Balance Sheet - Governmental Funds	C-1	17
Reconciliation of the Net Position Between the Government-Wide and Fund Financial Statements	C-2	18
Statement of Revenues, Expenditures and Changes in Fund Balance	D-1	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	D-2	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Original and Final Budgeted Amounts and Actual – General Fund	E-1	21
Proprietary Fund:		
Balance Sheet – Port Facility Enterprise Fund	F-1	22
Statement of Revenues, Expenses and Changes in Net Position – Port Facility Enterprise Fund	F-2	23
Statement of Cash Flows – Port Facility Enterprise Fund	F-3	24
Fiduciary Fund:		
Statement of Fiduciary Net Position – Deferred Compensation Plan	G-1	25
Statement of Changes in Fiduciary Net Position – Deferred Compensation Plan	G-2	26
Notes to Financial Statements		27-57
Required Supplementary Information:		
Public Employees' Retirement System:		
Schedule of City's Proportionate Share of the Net Pension Liability	H-1	58
Schedule of City's Contributions	H-2	59

CITY OF NOME, ALASKA

TABLE OF CONTENTS, Continued

	<u>Exhibit No.</u>	<u>Page</u>
Additional Supplementary Information:		
Other Governmental Funds:		
Combining Balance Sheet	I-1	60-61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	I-2	62-64
Schedule of Expenditures of Federal Awards	J-1	65
Notes to Schedule of Expenditures of Federal Awards		66
Schedule of State Financial Assistance	K-1	67
Notes to Schedule of State Financial Assistance		68
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 <i>Government Auditing Standards</i>		69-70
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>		71-72
Federal Schedule of Findings and Questioned Costs		73-74
Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>		75-77
State Schedule of Findings and Questioned Costs		78

Independent Auditor's Report

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

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska, as of and for the year ended June 30, 2015, 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 Public Schools and Nome Joint Utility System, which are discretely presented component units.

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 Utilities and Nome Public Schools; both are discretely presented component units of the reporting entity. The statements of Nome Joint Utilities and Nome Public Schools were audited by other auditors whose reports have 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 reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska, as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2015 the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedules of City's Share of Net Pension Liabilities and Contributions for the Public Employees' Retirement System on pages 4-14 and 58-59, 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nome, Alaska's basic financial statements. The information listed in the table of contents as "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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 are the responsibility of management and were derived from and relate 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 March 29, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Nome, Alaska's internal control over financial reporting and compliance.



Anchorage, Alaska
March 29, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

City of Nome, Alaska
Management Discussion and Analysis
For the Year Ended June 30, 2015

This section of the City of Nome, Alaska's annual financial report presents the City management's discussion and analysis of the City's financial activities for the fiscal year ended June 30, 2015 with comparable information presented for the year ended June 30, 2014. This discussion and analysis should be read in conjunction with the City's financial statements.

Financial Highlights for 2015

- The City of Nome, Alaska implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68" this year. With the new reporting change, the City has allocated its proportionate share of the State of Alaska net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased the beginning net position by \$3,465,785.
- In total, net position exceeded its liabilities at June 30, 2015 by \$87,131,630. Of this amount, \$6,104,202 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$10,636,790 in 2015.
- At the close of the current fiscal year, governmental funds reported combined ending fund balances of \$12,611,036, which is an increase of \$1,426,282 over the prior year. \$2,636,085 in unassigned fund balance is available for spending at the City's discretion.
- As of June 30, 2015, unassigned fund balance for the General Fund was \$2,636,085 or 24% of total General Fund expenditures.
- The City's total outstanding long-term debt decreased by \$399,853 due to debt repayments and savings in interest payments through the issuance of \$1,150,000 in general obligation refunding bonds during the year.
- On November 14, 2014, the City provided a short-term line of credit of \$2.2 million from its PERS and Self-Insurance Funds to its component unit, Nome Joint Utility System (NJUS), to assist in meeting interim cash flow requirements. Advances were primarily limited to payment of expense items reimbursable by State/Federal grants and loans and, as needed, to NJUS fuel loan with Wells Fargo Bank to avoid late payment penalties. The term of the line of credit expired on June 30, 2015 with full repayment of principal plus accrued interest of 2.5% per annum.

City of Nome, Alaska
Management Discussion and Analysis, Continued

Financial Highlights for 2014

- In total, net position exceeded its liabilities at June 30, 2014 by \$79,960,625. Of this amount, \$10,430,683 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$3,684,013 in 2014.
- At the close of the current fiscal year, governmental funds reported combined ending fund balances of \$11,184,754, which is an increase of \$533,351 over the prior year. \$1,429,306 in unassigned fund balance is available for spending at the City's discretion.
- As of June 30, 2014, unassigned fund balance for the General Fund was \$1,429,306 or 14% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. City of Nome, Alaska's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) 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 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 will serve as an indicator of whether the financial position of the City is improving or deteriorating.
- *The statement of activities* presents information showing how the government'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 the 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 *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.

City of Nome, Alaska
Management Discussion and Analysis, Continued

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.

Government-wide Statements

The Government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. Both of the Government-wide 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).

The Government-wide financial statements include all the City's *governmental activities*, which accounts for all of the City's basic services such as legislative, administrative, city clerk, police, animal control, fire, ambulance, public works, recreation center, 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

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. Funds are accounting devices the City uses to keep track of specific sources of revenue and spending on particular programs. 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.

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*.

City of Nome, Alaska
Management Discussion and Analysis, Continued

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.

Statement of Net Position

The City of Nome, Alaska implemented GASB Statement No. 68 and 71 this year. With the new reporting change, the City has allocated its proportionate share of the State of Alaska net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased the beginning net position by \$3,465,785.

Over time, increases or decreases in the City's net position is an indicator of whether its financial position is improving or deteriorating, respectively. However, the reporting standards provided by GASB 68 require the City to report its proportionate share of the net pension liability. These new reporting standards decreased the City's net position and the allocations are determined by the pension plan administrators and not by the City management.

City of Nome, Alaska
Management Discussion and Analysis, Continued

By far the largest portion of the City's net position (86%) 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.

	2015			
	Governmental Activities	Business-type Activities	Eliminations	Total
Current and other assets	\$ 15,489,887	2,381,686	(3,072,534)	14,799,039
Long-term and capital assets	52,678,988	38,638,715	-	91,317,703
Total assets	68,168,875	41,020,401	(3,072,534)	106,116,742
Deferred outflows of resources	318,898	39,615	-	358,513
Current liabilities	2,097,772	5,141,848	(3,072,534)	4,167,086
Long-term liabilities	10,140,827	4,728,402	-	14,869,229
Total liabilities	12,238,599	9,870,250	(3,072,534)	19,036,315
Deferred inflows of resources	273,352	33,958	-	307,310
Net position				
Net invested in capital assets	43,962,042	31,039,801	-	75,001,843
Restricted for debt service	2,468,326	-	-	2,468,326
Restricted for E-911 surcharge	319,329	-	-	319,329
Restricted for causeway	-	3,237,930	-	3,237,930
Unrestricted	9,226,125	(3,121,923)	-	6,104,202
Total net position	55,975,822	31,155,808	-	87,131,630

	2014			
	Governmental Activities	Business-type Activities	Eliminations	Total
Current and other assets	\$ 13,690,454	1,933,022	(1,608,853)	14,014,623
Long-term and capital assets	46,873,211	34,550,259	-	81,423,470
Total assets	60,563,665	36,483,281	(1,608,853)	95,438,093
Current liabilities	2,091,096	3,405,321	(1,608,853)	3,887,564
Long-term liabilities	7,119,453	4,470,451	-	11,589,904
Total liabilities	9,210,549	7,875,772	(1,608,853)	15,477,468
Net position				
Net invested in capital assets	37,602,981	27,446,475	-	65,049,456
Restricted for debt service	1,578,825	-	-	1,578,825
Restricted for E-911 surcharge	268,328	-	-	268,328
Restricted for causeway	-	2,633,333	-	2,633,333
Unrestricted	11,902,982	(1,472,299)	-	10,430,683
Total net position	51,353,116	28,607,509	-	79,960,625

City of Nome, Alaska
Management Discussion and Analysis, Continued

The majority of net position is net investment in capital assets, (86% in 2015 and 81% in 2014). A small portion of the City's net position (7% in 2015 and 6% in 2014) represents resources that are subject to external restrictions on how they may be used. Such restrictions are for the restricted assets for causeway operations, debt service, and the E-911 surcharge program. The remaining balance of unrestricted net position of \$6,104,202 in 2015 and \$10,430,683 in 2014 may be used to meet the government's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for government as a whole, and for its separate governmental and business-type activities.

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					
	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,162,454	1,466,375	2,628,829	1,100,493	1,719,629	2,820,122
Operating grants and contributions	472,841	18,527	491,368	881,261	52,126	933,387
Capital grants and contributions	8,107,556	4,087,709	12,195,265	2,090,464	4,043,830	6,134,294
General revenues:						
Property taxes	3,027,417	-	3,027,417	3,242,489	-	3,242,489
Penalties and interest	42,224	-	42,224	62,190	-	62,190
Sales tax	5,317,125	-	5,317,125	5,308,565	-	5,308,565
Bed tax	126,834	-	126,834	145,301	-	145,301
Fines and forfeitures	6,420	-	6,420	4,864	-	4,864
Payment in lieu of taxes	334,568	-	334,568	325,231	-	325,231
Rentals and royalties	255,387	-	255,387	187,624	-	187,624
Investment earnings	59,121	7,311	66,432	43,915	7,609	51,524
Grants not restricted						
to specific programs	642,920	-	642,920	548,214	-	548,214
Gain on sale of equipment	-	-	-	-	-	-
Other	327,753	-	327,753	288,268	-	288,268
Total revenues	\$ 19,882,260	5,579,922	25,462,542	14,228,879	5,823,194	20,052,073

(continued)

City of Nome, Alaska
Management Discussion and Analysis, Continued

	Change in Net Position					
	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Expenses:						
Legislative	239,524	-	239,524	169,198	-	169,198
Administrative	761,938	-	761,938	1,036,320	-	1,036,320
Information technology	188,966	-	188,966	-	-	-
Planning and engineering	3,809	-	3,809	-	-	-
City clerk	384,087	-	384,087	380,883	-	380,883
Police	2,312,735	-	2,312,735	2,458,338	-	2,458,338
Animal control	14,521	-	14,521	25,838	-	25,838
Fire	321,007	-	321,007	441,594	-	441,594
Ambulance	459,571	-	459,571	482,037	-	482,037
Public works	2,882,246	-	2,882,246	2,454,055	-	2,454,055
Recreation center	625,955	-	625,955	823,273	-	823,273
Swimming pool	137,264	-	137,264	153,232	-	153,232
Museum	269,981	-	269,981	296,725	-	296,725
Library	258,669	-	258,669	296,724	-	296,724
Visitor center	162,612	-	162,612	161,079	-	161,079
Education	2,884,367	-	2,884,367	3,289,313	-	3,289,313
Non-departmental	97,527	-	97,527	428,234	-	428,234
Unallocated interest	172,319	-	172,319	188,993	-	188,993
Port	-	2,648,654	2,648,654	-	3,102,224	3,102,224
Total expenses	<u>12,177,098</u>	<u>2,648,654</u>	<u>14,825,752</u>	<u>13,085,836</u>	<u>3,102,224</u>	<u>16,188,060</u>
Increase (decrease) in net position	7,705,522	2,931,268	10,636,790	1,143,043	2,720,970	3,864,013
Net position, beginning of year, as previously stated	<u>51,353,116</u>	<u>28,607,509</u>	<u>79,960,625</u>	<u>50,210,073</u>	<u>25,886,539</u>	<u>76,960,625</u>
Cumulative effect of a change in accounting principle	<u>(3,082,816)</u>	<u>(382,969)</u>	<u>(3,465,785)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of year, as restated	<u>48,270,300</u>	<u>28,224,540</u>	<u>76,494,840</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ 55,975,822</u>	<u>31,155,808</u>	<u>87,131,630</u>	<u>51,353,116</u>	<u>28,607,509</u>	<u>79,960,625</u>

Governmental activities in 2015 increased the City's net position by \$7,705,522 while business-type activities in 2015 increased the City's net position by \$2,931,268. The increases represent more than 8% and 3% of government net position respectively.

The increase in revenues was primarily due to increases in funding from unrestricted grants, and capital grants and contributions, sales tax, and rentals, and the decrease in expenses was due to lower than budgeted increase in utilities costs and the change in how the State on-behalf payments were recorded from 2014 to 2015.

City of Nome, Alaska
Management Discussion and Analysis, Continued

Business-type activities in 2015 increased the City's net position by \$2,931,268 compared to an increase of \$2,720,970 in 2014, accounting for an increase of over 7% in business-type activities. This is largely due to the local, state and federal capital contributions to port upgrades and improvements.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Nome, Alaska, assets exceeded liabilities by \$87,131,630 at the close of 2015, the most recent fiscal year, excluding the net pension liability and associated deferred outflows and inflows of resources.

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 focus of the City's governmental funds is to provide information on near-term inflows, outflow, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2015 the City's governmental funds reported combined ending fund balances of \$12,611,036, an increase of \$1,426,282 over the prior year. Of this amount \$9,974,951 is non-spendable, restricted, committed, or assigned for specific purposes. \$2,636,085 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At June 30, 2015 and 2014 the unassigned fund balance of the General Fund was \$2,636,085 and \$1,429,306, respectively, which is 29% and 18% of the total General Fund balance. 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 24% of total General Fund expenditures at June 30, 2015 and 14% as of June 30, 2014.

The fund balance of the City's General Fund increased by \$1,234,995 in 2015 compared to an increase of \$140,721 in 2014.

Proprietary Fund

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

Unrestricted net position of the proprietary fund amounted to \$(3,121,923) and \$(1,472,299) at June 30, 2015 and 2014, respectively. Net investment in capital assets \$31,039,801 and \$27,446,475 in 2015 and 2014 accounts for 99% and 96% of total net position in 2015 and 2014, respectively. Net positions of \$3,237,930 and \$2,633,333 have been restricted for causeway operations in 2015 and 2014, respectively. The increase in total net position was \$2,931,268 in 2015 and increase of \$2,720,970 in 2014. The main reason for the increase was the increase in capital contributions.

City of Nome, Alaska
Management Discussion and Analysis, Continued

General Fund Budgetary Highlights

During the year, actual revenues were more than original budgetary estimates by \$1,520,213 and actual expenditures were more than original budgetary estimates by \$457,490.

The increase in revenues was primarily due to increases in funding from unrestricted grants, and capital grants and contributions, sales tax, and rentals, and the change in how the State on-behalf payments were recorded from 2014 to 2015. The difference in the original and final expenditure was also due to the change in how the State on-behalf payments are recorded from 2014 to 2015.

Differences between the original budget and the final budget can be briefly summarized as follows:

- \$72,475 in increases allocated to rental and royalties;
- \$25,738 in increase allocated to licenses, permits and fees;
- \$12,783 in increases allocated to investment income;
- \$9,125 in increases allocated to sales tax.

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, 2015 amounts to \$85,702,262 (net of accumulated depreciation), an increase of \$9,527,318 over last year. This investment in capital assets includes the Richard Foster Building, buildings and improvements, lawn and playground upgrades at Old St. Joseph, machinery and equipment, vehicles, harbor barge high ramp, causeway middle dock, harbor upgrades, seawall erosion repairs, and school sprinkler system.

Major capital asset events during the current fiscal year included the following:

- Construction of \$19,719,740
- Vehicles, trucks and trailer additions of \$63,971
- Equipment additions of \$147,146

	<u>2015</u>			<u>2014</u>		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Land	\$ 7,483,515	5,153,383	12,636,898	7,483,515	5,153,383	12,636,898
Tideland patent	-	736,400	736,400	-	736,400	736,400
Buildings	31,536,773	96,376	31,633,149	32,665,005	107,928	32,772,933
Small Boat Harbor	-	3,774,433	3,774,433	-	3,935,391	3,935,391
Causeway	-	8,723,665	8,723,665	-	9,438,232	9,438,232
Quarry Jetty	-	2,593,529	2,593,529	-	2,789,665	2,789,665
C-cell dock	-	1,319,186	1,319,186	-	1,432,117	1,432,117
Vehicles, trucks and trailers	1,136,765	-	1,136,765	1,414,814	-	1,414,814
Assets other than buildings	384,996	-	384,996	385,429	-	385,429
Other	-	2,550,702	2,550,702	-	2,678,163	2,678,163
Machinery and equipment	383,880	108,919	492,799	376,033	135,099	511,132
Construction in progress	9,375,548	10,344,192	19,719,740	1,933,222	5,510,548	7,443,770
Total capital assets	\$ <u>50,301,477</u>	<u>35,400,785</u>	<u>85,702,262</u>	<u>44,258,018</u>	<u>31,916,926</u>	<u>76,174,944</u>

City of Nome, Alaska
Management Discussion and Analysis, Continued

Additional information on the City's capital assets can be found in note 6 on pages 38 through 40 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 \$9,785,123. 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	
	2015	2014	2015	2014	2015	2014
General obligation bonds, including premium	\$ 5,424,140	5,630,712	-	-	5,424,140	5,630,712
Revenue bonds	-	-	4,360,983	4,470,451	4,360,983	4,470,451
Compensated absences	372,273	354,297	-	-	372,273	354,297
Landfill post closure care costs	834,230	786,609	-	-	834,230	786,609
Landfill loan	552,722	702,132	-	-	552,722	702,132
	<u>\$ 7,183,365</u>	<u>7,473,750</u>	<u>4,360,983</u>	<u>4,470,451</u>	<u>11,544,348</u>	<u>11,944,201</u>

During the current fiscal year, the City's total debt decreased by \$399,853. This was due to debt repayments and the savings in interest payments through the issuance of \$1,150,000 in general obligation refunding bonds during the year.

Additional information on the City of Nome, Alaska's long-term debt can be found in note 7 on pages 40-44 of this report.

Economic Factors and Next Year's Budgets and Rates

- The seasonally adjusted unemployment rate hovers around 6.6% for the State of Alaska compared to the unemployment rate of 4.9% for the nation. Management does not believe either figure is indicative of unemployment within the City's limits.
- Lower oil prices have negatively impacted the State's fiscal situation. The State's uncertain fiscal situation will affect the City both in direct cuts in funding and a contracting Alaskan economy that will result in reduced state spending.
- The City Council commissioned a rate study for NJUS in December 2014 and authorized rate increases in the water, sewer and electricity utilities in April 2014 and January 2015 respectively. The goal in approving the increases was to improve the financial health of the Utility System.
- The City of Nome, Alaska agreed to borrow funds from Wells Fargo Bank, N.A. through the issuance of a Revenue Anticipation Note in the principal amount of \$6 million to finance the purchase of diesel fuel for the Nome Joint Utility System (NJUS). The Note is a direct and general obligation of the City and the full faith and credit of the City are pledged to the payment of the principal of \$6 million and interest of 2.95% per annum. In turn, NJUS enters into an agreement to repay the City of Nome for all payments the City makes to Wells Fargo Bank, N.A. from utility revenues of NJUS. The Note is due not later than June 30, 2017.

City of Nome, Alaska
Management Discussion and Analysis, Continued

- A rate study was completed in 2003 for the Port of Nome Operating Fund by Northern Economics. An increase of 5% to 10% was recommended for each of the next ten years.
- Substantial completion of the new Richard Foster Building has been scheduled for the end of December 2015 but has been pushed back to the end of January 2016. The city library is expected to move into its new space sometime in February 2016, followed by the city museum sometime in the fall of 2016. Additional space has been leased to Kawerak Inc. to house its cultural center (Katirvik Cultural Center) and they are expected to move in sometime in the summer of 2016. Utility costs are expected to increase.
- These factors were considered in preparing the FY2016 budget.

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, Alaska
P.O. Box 281
Nome, Alaska 99762

CITY OF NOME, ALASKA
Statement of Net Position
Government-Wide Financial Statements
June 30, 2015

	Primary Government				Component Units	
	Governmental Activities	Business-type Activities	Eliminations	Totals	Nome Public Schools	Nome Joint Utility
Assets and Deferred Inflows of Resources						
Current:						
Cash and short-term investments	\$ 5,412,034	641,589	-	6,053,623	2,406,282	82,523
Receivables:						
Property taxes, net	3,263,391	-	-	3,263,391	-	-
Sales and bed taxes, net	511,799	-	-	511,799	-	-
Accounts receivable, net	-	378,410	-	378,410	-	1,355,095
State of Alaska and federal government	3,097,106	1,361,687	-	4,458,793	1,019,204	1,654,170
Unbilled revenues	-	-	-	-	-	549,102
Other	131,649	-	-	131,649	279,512	3,352,955
Inventory	-	-	-	-	262,828	5,900,557
Prepaid items	-	-	-	-	4,634	195,820
Internal balances	3,072,534	-	(3,072,534)	-	-	-
Due from component units:						
Nome Joint Utility System	1,374	-	-	1,374	-	-
Other assets	-	-	-	-	-	467,064
Long-term:						
Restricted assets:						
Cash and short-term investments	2,098,351	3,237,930	-	5,336,281	-	-
Long-term notes receivable, due within one year	30,058	-	-	30,058	-	-
Long-term notes receivable, due in more than one year	249,102	-	-	249,102	-	-
Capital assets:						
Not being depreciated	17,107,038	16,233,975	-	33,341,013	-	1,392,893
Depreciated, net	33,194,439	19,166,810	-	52,361,249	2,113,423	105,945,528
Investment in ARC	-	-	-	-	-	1,560,326
Total assets	<u>68,168,875</u>	<u>41,020,401</u>	<u>(3,072,534)</u>	<u>106,116,742</u>	<u>6,085,883</u>	<u>122,456,033</u>
Deferred outflows of resources						
Pension deferrals	318,898	39,615	-	358,513	427,049	-
Deferred charges	-	-	-	-	-	176,383
Loss on refunding bonds	-	-	-	-	-	50,842
Total assets and deferred outflows of resources	<u>68,487,773</u>	<u>41,060,016</u>	<u>(3,072,534)</u>	<u>106,475,255</u>	<u>6,512,932</u>	<u>122,683,258</u>
Liabilities and Deferred Inflows of Resources						
Current:						
Accounts payable	1,490,496	1,176,139	-	2,666,635	173,831	3,447,871
Line of credit	-	-	-	-	-	1,157,188
Unearned revenue	199,119	5,000	-	204,119	81,538	-
Accrued payroll	168,906	-	-	168,906	604,428	113,298
Accrued payroll liabilities	166,794	-	-	166,794	71,724	200,841
Accrued interest payable	-	48,990	-	48,990	-	30,289
Internal balances	-	3,072,534	(3,072,534)	-	-	-
Deposits payable	-	-	-	-	-	54,489
Prepaid services	72,457	839,185	-	911,642	-	-
Fuel loan payable	-	-	-	-	-	5,274,692
Noncurrent liabilities:						
Long-term debt due within one year	471,657	113,946	-	585,603	30,058	781,497
Long-term debt due in more than one year	6,339,435	4,247,038	-	10,586,473	249,096	14,029,680
Net pension liability	2,957,462	367,418	-	3,324,880	4,558,500	-
Compensated absences	372,273	-	-	372,273	-	-
Total current and noncurrent liabilities	<u>12,238,599</u>	<u>9,870,250</u>	<u>(3,072,534)</u>	<u>19,036,315</u>	<u>5,769,175</u>	<u>25,089,845</u>
Deferred inflows of resources						
Pension deferrals	273,352	33,958	-	307,310	462,756	-
Total liabilities and deferred inflows of resources	<u>12,511,951</u>	<u>9,904,208</u>	<u>(3,072,534)</u>	<u>19,343,625</u>	<u>6,231,931</u>	<u>25,089,845</u>
Net Position:						
Net investment in capital assets	43,962,042	31,039,801	-	75,001,843	1,834,269	92,476,402
Restricted for insurance reserve	-	-	-	-	-	125,500
Restricted for debt service	2,468,326	-	-	2,468,326	-	341,564
Restricted for E-911 surcharge	319,329	-	-	319,329	-	-
Restricted for causeway operations	-	3,237,930	-	3,237,930	-	-
Restricted for scholarships	-	-	-	-	11,860	-
Unrestricted	9,226,125	(3,121,923)	-	6,104,202	(1,565,128)	4,649,947
Total net position	<u>\$ 55,975,822</u>	<u>31,155,808</u>	<u>-</u>	<u>87,131,630</u>	<u>281,001</u>	<u>97,593,413</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, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Nome Public Schools	Nome Joint Utility System
					Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
Legislative	\$ 239,524	120	371	-	(239,033)	-	(239,033)	-	
Administrative	761,938	105,970	39,913	-	(616,055)	-	(616,055)	-	
Information technology	188,966	-	2,502	-	(186,464)	-	(186,464)	-	
Planning and engineering	3,809	-	-	-	(3,809)	-	(3,809)	-	
City clerk	384,087	-	10,896	-	(373,191)	-	(373,191)	-	
Police	2,312,735	23,215	182,743	-	(2,106,777)	-	(2,106,777)	-	
Animal control	14,521	9,185	729	-	(4,607)	-	(4,607)	-	
Fire	321,007	-	14,227	-	(306,780)	-	(306,780)	-	
Ambulance	459,571	334,746	10,707	-	(114,118)	-	(114,118)	-	
Public works	2,882,246	387,708	147,909	333,658	(2,012,971)	-	(2,012,971)	-	
Recreation center	625,955	257,297	17,039	-	(351,619)	-	(351,619)	-	
Swimming pool	137,264	40,813	3,858	-	(92,593)	-	(92,593)	-	
Museum	269,981	1,871	9,791	7,535,915	7,277,596	-	7,277,596	-	
Library	258,669	1,529	25,463	-	(231,677)	-	(231,677)	-	
Visitor center	162,612	-	59	-	(162,553)	-	(162,553)	-	
Education	2,884,367	-	-	237,983	(2,646,384)	-	(2,646,384)	-	
Non-departmental	97,527	-	6,634	-	(90,893)	-	(90,893)	-	
Unallocated interest	172,319	-	-	-	(172,319)	-	(172,319)	-	
Total governmental activities	<u>12,177,098</u>	<u>1,162,454</u>	<u>472,841</u>	<u>8,107,556</u>	<u>(2,434,247)</u>	<u>-</u>	<u>(2,434,247)</u>	<u>-</u>	
Business-type activities:									
Port	<u>2,648,654</u>	<u>1,466,375</u>	<u>18,527</u>	<u>4,087,709</u>	<u>-</u>	<u>2,923,957</u>	<u>2,923,957</u>	<u>-</u>	
Total primary government	<u>\$ 14,825,752</u>	<u>2,628,829</u>	<u>491,368</u>	<u>12,195,265</u>	<u>(2,434,247)</u>	<u>2,923,957</u>	<u>489,710</u>	<u>-</u>	
Component Unit:									
Nome Public Schools	\$ 17,589,671	442,583	6,163,143	982,407	-	-	(10,001,538)	-	
Nome Joint Utility System	19,235,926	13,346,173	-	1,291,488	-	-	-	(4,598,265)	
Total component units	<u>\$ 36,825,597</u>	<u>13,788,756</u>	<u>6,163,143</u>	<u>2,273,895</u>	<u>-</u>	<u>-</u>	<u>(10,001,538)</u>	<u>(4,598,265)</u>	
General revenues:									
Taxes:									
Property taxes				\$ 3,027,417	-	3,027,417	-	-	
Sales taxes				5,317,125	-	5,317,125	-	-	
Payments in lieu of taxes				334,568	-	334,568	-	-	
Penalties and interest				42,224	-	42,224	-	-	
Bed taxes				126,834	-	126,834	-	-	
Fines and forfeitures				6,420	-	6,420	-	-	
Grants not restricted to specific programs				642,920	-	642,920	8,811,810	285,323	
E-rate revenue				-	-	-	337,637	-	
Investment earnings				59,121	7,311	66,432	-	690	
Appropriation from City of Nome				-	-	-	2,042,880	-	
Rentals and royalties				255,387	-	255,387	-	270,675	
Gain (loss) on sale of equipment				-	-	-	-	-	
Other				327,753	-	327,753	217,021	278,045	
Total general revenues				<u>10,139,769</u>	<u>7,311</u>	<u>10,147,080</u>	<u>11,409,348</u>	<u>834,733</u>	
Change in net position				7,705,522	2,931,268	10,636,790	1,407,810	(3,763,532)	
Net position, beginning of year, as previously stated				51,353,116	28,607,509	79,960,625	3,464,037	-	
Cumulative effect of a change in accounting principle				(3,082,816)	(382,969)	(3,465,785)	(4,590,846)	-	
Net position, beginning of year, as restated				<u>48,270,300</u>	<u>28,224,540</u>	<u>76,494,840</u>	<u>(1,126,809)</u>	<u>101,356,945</u>	
Net position, end of year				<u>\$ 55,975,822</u>	<u>31,155,808</u>	<u>87,131,630</u>	<u>281,001</u>	<u>97,593,413</u>	

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

CITY OF NOME, ALASKA

Governmental Funds

Balance Sheet

June 30, 2015

<u>Assets</u>	<u>General Fund</u>	<u>Richard Foster Building Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 5,412,034	-	-	5,412,034
Restricted cash	-	-	2,098,351	2,098,351
Receivables:				
Property tax levies due in subsequent year	3,027,416	-	-	3,027,416
Delinquent taxes, net of \$16,814 allowance for doubtful accounts	235,975	-	-	235,975
Sales and bed taxes, net of \$6,499 allowance for doubtful accounts	511,799	-	-	511,799
State of Alaska and federal government	10,471	2,772,738	313,897	3,097,106
Other	125,745	-	5,904	131,649
Due from other funds:				
General Fund	-	-	1,627,991	1,627,991
Port Enterprise Facility Fund	3,072,534	-	-	3,072,534
Other Governmental Funds	1,905,259	-	-	1,905,259
Due from component units:				
Nome Joint Utility System	1,374	-	-	1,374
Nome Public Schools	279,160	-	-	279,160
Total assets	<u>\$ 14,581,767</u>	<u>2,772,738</u>	<u>4,046,143</u>	<u>21,400,648</u>
<u>Liabilities, deferred inflows of resources, and fund balances</u>				
Liabilities:				
Accounts payable	246,893	1,123,977	119,626	1,490,496
Unearned revenue	21,422	-	177,697	199,119
Accrued payroll	168,906	-	-	168,906
Accrued payroll liabilities	166,794	-	-	166,794
Due to other funds:				
General Fund	-	1,648,761	256,498	1,905,259
Other Governmental Funds	1,627,991	-	-	1,627,991
Prepaid services	72,457	-	-	72,457
Total liabilities	<u>2,304,463</u>	<u>2,772,738</u>	<u>553,821</u>	<u>5,631,022</u>
Deferred inflows of resources:				
Unavailable property taxes	3,158,590	-	-	3,158,590
Total liabilities and deferred inflows	<u>5,463,053</u>	<u>2,772,738</u>	<u>553,821</u>	<u>8,789,612</u>
Fund balances:				
Non-spendable:				
School loan receivable	279,160	-	-	279,160
Restricted:				
Debt service	-	-	2,468,326	2,468,326
E-911 surcharge	-	-	319,329	319,329
Committed:				
Equipment replacement	115,175	-	-	115,175
Assigned:				
AMLIP landfill	1,593,172	-	-	1,593,172
Clara Mielke Richards estate	278,017	-	-	278,017
NJUS note	2,200,000	-	-	2,200,000
Pro Equity TVI landfill	1,239,000	-	-	1,239,000
Reinvestment	778,105	-	-	778,105
Landfill	-	-	704,667	704,667
Unassigned	2,636,085	-	-	2,636,085
Total fund balances	<u>9,118,714</u>	<u>-</u>	<u>3,492,322</u>	<u>12,611,036</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 14,581,767</u>	<u>2,772,738</u>	<u>4,046,143</u>	<u>21,400,648</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, 2015

Amounts reported as fund balances on the governmental funds		\$	12,611,036
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds			50,301,477
Other long-term assets, are not available to pay current year expenditures and, therefore, are deferred inflows in the funds			
Property taxes			3,158,590
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	(372,273)		
General obligation bonds	(5,083,000)		
Premium on general obligation bonds	(341,140)		
Landfill loan	(552,722)		
Landfill closure and post closure care costs	(834,230)		(7,183,365)
Proportionate share of the collective net pension liability:			
PERS			(2,957,462)
Changes in deferred inflows and outflows of resources are the results of timing differences in the actuarial report			
Pension related assets in the current fiscal year are presented as deferred outflows of resources:			
PERS			318,898
Pension related liabilities in the current fiscal year are presented as deferred inflows of resources:			
PERS			(273,352)
Net position of governmental activities		\$	<u>55,975,822</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, 2015

	General Fund	Richard Foster Building Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources:				
Taxes:				
Property taxes	\$ 3,252,921	-	-	3,252,921
Sales taxes	5,317,125	-	-	5,317,125
Payments in lieu of taxes	334,568	-	-	334,568
Penalties and interest	42,224	-	-	42,224
Bed tax	126,834	-	-	126,834
Charges for services:				
Licenses, permits, and fees	112,443	-	-	112,443
Other	1,050,011	-	-	1,050,011
Fines and forfeitures	6,420	-	-	6,420
Investment income	23,697	-	35,424	59,121
Rental and royalties	255,387	-	-	255,387
Contributions	12,372	-	-	12,372
Other	724	-	310,257	310,981
Total local sources	<u>10,534,726</u>	<u>-</u>	<u>345,681</u>	<u>10,880,407</u>
Intergovernmental:				
State of Alaska	1,739,613	7,057,348	677,955	9,474,916
Federal sources	458,754	-	350,229	808,983
Total intergovernmental	<u>2,198,367</u>	<u>7,057,348</u>	<u>1,028,184</u>	<u>10,283,899</u>
Total revenues	<u>12,733,093</u>	<u>7,057,348</u>	<u>1,373,865</u>	<u>21,164,306</u>
Expenditures:				
Current:				
Legislative	231,877	-	-	231,877
Administrative	1,002,871	-	147,304	1,150,175
Information technology	204,813	-	-	204,813
Planning and engineering	3,809	-	-	3,809
City clerk	448,796	-	-	448,796
Police	2,497,403	-	61,729	2,559,132
Animal control	15,346	-	-	15,346
Fire	351,526	-	8,578	360,104
Ambulance	295,467	-	6,072	301,539
Public works	2,112,579	-	111,749	2,224,328
Recreation center	731,515	-	-	731,515
Swimming pool	158,854	-	-	158,854
Museum	320,238	-	-	320,238
Library	293,435	-	16,860	310,295
Visitor center	162,991	-	-	162,991
Education	2,046,255	-	-	2,046,255
Non-departmental	109,307	-	-	109,307
Debt service:				
Principal	149,410	-	315,000	464,410
Interest	10,533	-	161,786	172,319
Capital outlay	-	7,057,348	829,773	7,887,121
Total expenditures	<u>11,147,025</u>	<u>7,057,348</u>	<u>1,658,851</u>	<u>19,863,224</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,586,068</u>	<u>-</u>	<u>(284,986)</u>	<u>1,301,082</u>
Other financing sources (uses):				
Refunding bonds issued	-	-	1,150,000	1,150,000
Premium on bonds	-	-	190,200	190,200
Payment to refunded bond escrow agent	-	-	(1,215,000)	(1,215,000)
Transfers in	-	-	1,102,090	1,102,090
Transfers out	(351,073)	-	(751,017)	(1,102,090)
Net other financing sources (uses)	<u>(351,073)</u>	<u>-</u>	<u>476,273</u>	<u>125,200</u>
Net change in fund balance	1,234,995	-	191,287	1,426,282
Fund balance, beginning of year	<u>7,883,719</u>	<u>-</u>	<u>3,301,035</u>	<u>11,184,754</u>
Fund balance, ending of year	<u>\$ 9,118,714</u>	<u>-</u>	<u>3,492,322</u>	<u>12,611,036</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, 2015

Net change in fund balance - total governmental funds	\$	1,426,282
---	----	-----------

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.

Net change in the unfunded net pension liability:		
PERS		(3,739)

Amortization of deferred inflows and outflows of resources:		
PERS		25,819

Changes in deferred inflow and outflow of resources are the results of timing differences in the actuarial report.

Contributions to the pension plan in the current fiscal year are included in the fund financial statements and are presented as changes in deferred outflow of resources in the government-wide statements.		
PERS		148,820

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	\$	8,607,489	
Depreciation expense		<u>(2,564,030)</u>	6,043,459

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

Property taxes		(225,504)
----------------	--	-----------

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:

Issuance of long term debt	\$	(1,150,000)	
Bond premium		(190,200)	
Bonds refunded		1,215,000	
Principal repayments		464,410	
Amortization of bond premium		16,772	
Increase in landfill post closure costs		(47,621)	
Compensated absences		<u>(17,976)</u>	<u>290,385</u>

Change in net position of governmental activities	\$	<u><u>7,705,522</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Taxes:				
Property taxes	\$ 3,254,603	3,252,921	3,252,921	-
Sales taxes	5,308,000	5,317,125	5,317,125	-
Payments in lieu of taxes	335,888	334,568	334,568	-
Penalties and interest	54,900	42,224	42,224	-
Bed tax	142,000	126,834	126,834	-
Charges for services				
Licenses, permits, and fees	86,705	112,443	112,443	-
Other	1,026,220	1,050,011	1,050,011	-
Fines and forfeitures	3,300	6,420	6,420	-
Investment income	10,914	23,697	23,697	-
Rental and royalties	182,912	255,387	255,387	-
Contributions	28,600	12,372	12,372	-
Other	32	724	724	-
Total local sources	<u>10,434,074</u>	<u>10,534,726</u>	<u>10,534,726</u>	<u>-</u>
Intergovernmental:				
State of Alaska	341,081	1,739,613	1,739,613	-
Federal sources	<u>437,725</u>	<u>458,754</u>	<u>458,754</u>	<u>-</u>
Total revenues	<u>11,212,880</u>	<u>12,733,093</u>	<u>12,733,093</u>	<u>-</u>
Expenditures:				
Current:				
Legislative	209,262	231,877	231,877	-
Administrative	787,100	1,002,871	1,002,871	-
Information technology	263,687	204,813	204,813	-
Planning and engineering	5,060	3,809	3,809	-
City clerk	381,543	448,796	448,796	-
Police	2,261,803	2,497,403	2,497,403	-
Animal control	19,600	15,346	15,346	-
Fire	339,599	351,526	351,526	-
Ambulance	316,948	295,467	295,467	-
Public works	2,180,212	2,112,579	2,112,579	-
Recreation center	759,429	731,515	731,515	-
Swimming pool	151,357	158,854	158,854	-
Museum	275,312	320,238	320,238	-
Library	247,789	293,435	293,435	-
Visitor center	170,746	162,991	162,991	-
Education	2,046,305	2,046,255	2,046,255	-
Non-departmental	113,840	109,307	109,307	-
Debt service:				
Principal	-	149,410	149,410	-
Interest	<u>159,943</u>	<u>10,533</u>	<u>10,533</u>	<u>-</u>
Total expenditures	<u>10,689,535</u>	<u>11,147,025</u>	<u>11,147,025</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	523,345	1,586,068	1,586,068	-
Other financing sources (uses):				
Transfers out	<u>(573,312)</u>	<u>(351,073)</u>	<u>(351,073)</u>	<u>-</u>
Net change in fund balance	<u>\$ (49,967)</u>	<u>1,234,995</u>	<u>1,234,995</u>	<u>-</u>
Fund balance, beginning of year			<u>7,883,719</u>	
Fund balance, ending of year			<u>\$ 9,118,714</u>	

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

CITY OF NOME, ALASKA

Proprietary Fund

Port Facility Enterprise Fund

Balance Sheet

June 30, 2015

Assets and Deferred Outflows of Resources

Current assets:	
Unrestricted:	
Cash and cash equivalents	\$ 641,589
Accounts receivable, net of \$125,980 allowance for doubtful accounts	378,410
Due from the State of Alaska	1,361,687
Total unrestricted current assets	<u>2,381,686</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	3,237,930
Capital assets:	
Not being depreciated	16,233,975
Depreciated, net	19,166,810
Total non-current assets	<u>38,638,715</u>
Deferred outflows of resources:	
Pension deferrals	39,615
Total assets and deferred outflows of resources	<u>\$ 41,060,016</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:	
Bonds payable - current portion	113,946
Accounts payable	1,176,139
Accrued interest payable	48,990
Due to General Fund	3,072,534
Unearned revenue	5,000
Prepaid lease revenue	839,185
Total current liabilities	<u>5,255,794</u>
Non-current liabilities:	
Bonds payable	4,247,038
Net pension liability	367,418
Total current and non-current liabilities	<u>9,870,250</u>
Deferred inflows of resources	
Pension deferrals	33,958
Total liabilities and deferred inflows of resources	<u>9,904,208</u>
Net position:	
Net investment in capital assets	31,039,801
Restriction for causeway operation	3,237,930
Unrestricted	(3,121,923)
Total net position	<u>31,155,808</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 41,060,016</u>

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

CITY OF NOME, ALASKA

Proprietary Fund

Port Facility Enterprise Fund

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2015

Operating revenues:	
Causeway terminal facility	\$ 601,496
Seawall terminal facility	463,626
Industrial park	357,637
Other	43,616
Total operating revenues	<u>1,466,375</u>
Operating expenses:	
Direct expenses:	
Causeway terminal facility	218,957
Seawall terminal facility	102,261
Industrial park	135,071
Total direct expenses	<u>456,289</u>
General and administrative expenses:	
Other	<u>624,245</u>
Total operating expenses, excluding depreciation	<u>1,080,534</u>
Depreciation:	
Causeway terminal facility	930,199
Seawall terminal facility	244,349
Quarry terminal facility	196,136
Industrial park	20,156
Vehicles	13,216
Total depreciation	<u>1,404,056</u>
Total operating expenses	<u>2,484,590</u>
Operating (loss)	<u>(1,018,215)</u>
Non-operating income (expenses):	
Interest income	7,311
Interest expense	(164,064)
Intergovernmental	18,527
Total non-operating income (expense)	<u>(138,226)</u>
(Loss) before capital contributions	(1,156,441)
Capital contributions	<u>4,087,709</u>
Change in net position	2,931,268
Net position, beginning of year, as previously stated	<u>28,607,509</u>
Cumulative effect of a change in accounting principle	(382,969)
Net position, beginning of year, as restated	<u>28,224,540</u>
Net position, end of year	\$ <u><u>31,155,808</u></u>

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

CITY OF NOME, ALASKA

Proprietary Fund

Port Facility Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2015

Cash flows provided (used) by operating activities:	
Receipts from customers and users	\$ 1,585,592
Payments to employees	(515,479)
Payments to vendors	(83,795)
Net cash provided by operating activities	<u>986,318</u>
Cash flows from noncapital financing activities-	
Internal activity- payments to/from other funds	<u>1,463,681</u>
Cash flows provided (used) by capital and related financing activities:	
Principal paid on debt	(109,468)
Interest paid on debt	(165,533)
Capital contributions	3,300,184
Acquisition of capital assets	(4,887,915)
Pension deferrals	(21,694)
Net cash (used) by capital and related financing activities	<u>(1,884,426)</u>
Cash flows provided by investing activities:	
Interest income	<u>7,311</u>
Net (decrease) in cash and cash equivalents	572,884
Cash and cash equivalents at beginning of year	<u>3,306,635</u>
Cash and cash equivalents at end of year	\$ <u><u>3,879,519</u></u>
Composed of:	
Unrestricted cash and cash equivalents	641,589
Restricted cash and cash equivalents	3,237,930
	\$ <u><u>3,879,519</u></u>
Reconciliation of change in net assets to cash provided by operating activities:	
Operating (loss)	(1,018,215)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,404,056
Bad debt expense	88,973
On-behalf payment	18,527
Changes in assets and liabilities that provided (used) cash:	
Accounts receivable	82,705
Accounts payable	462,733
Prepaid lease revenue	(52,461)
Net cash provided by operating activities	\$ <u><u>986,318</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, 2015

Assets

Investments:		
ICMA Retirement Corporation	\$	212,736
The Hartford		1,737,683
	\$	<u>1,950,419</u>

Net Position

Held in trust for:		
Deferred compensation plan	\$	<u>1,950,419</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 Changes in Fiduciary Net Position
 Year Ended June 30, 2015

Additions:	
Contributions	\$ 42,035
Investment income	87,745
Total additions	<u>129,780</u>
Deductions:	
Regular benefit payments	<u>110,055</u>
Change in net position	19,725
Net position, beginning of year	<u>1,930,694</u>
Net position, end of year	<u>\$ 1,950,419</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, 2015

(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 (School District), 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 School District. The accounts and financial transactions of the School District are maintained separate from those of the City and are included in the financial statements. Financial statements of the School District can be obtained by contacting the School District 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 for which 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 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.

Property tax and sales tax are susceptible to accrual. Other receipts, including licenses, interest, and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

The City reports the following major governmental funds:

- *The General Fund* is the government's primary operating fund. It allows for all financial resources of the general government, except those required to be accounted for in another fund.
- *The Richard Foster Building Capital Project Fund* is used to account for the construction of the new building to house the historical archives, cultural artifacts and collections from the Carrie M. McLain Memorial Museum and the Kegoayah Kozga Library. The building will also provide public space for community gatherings and meetings.

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.
- *Debt Service Fund* – accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for principal and interest
- *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 terminal facility, seawall terminal facility, and industrial pad. 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 Short-Term Investments

The City's short-term investments have maturities of less than one year, and are reported at fair value in the accompanying financial statements.

The City participates in the Alaska Municipal League Investment Pool (AMLIP). 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.

(g) Restricted Assets

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

(h) Receivables and Payables

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

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

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

(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 that \$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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

Donated capital assets or capital assets received in exchange are recorded at their estimated fair value at the date of donation or exchange. Interest incurred during construction is not capitalized on general fixed assets. The City has elected to capitalize infrastructure, retroactively.

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

Port depreciation is computed by the straight-line method over the estimated life of the assets as follows:

	<u>Life in years</u>
Causeway	40
C-Cell docks	36
Fuel lines	40
Quarry jetty	40
Building	25
Machinery and equipment	5-7

(j) *Compensated Absences*

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

(k) *Long-Term Obligations*

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

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

(l) *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension 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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(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 Equity*

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

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

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

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

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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 and library 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 and Special Revenue Funds. Encumbrances outstanding at year end are reported in assigned fund balances since they do not constitute expenditures or liabilities. The amount of encumbrances, if significant, are disclosed in the Notes to the Basic Financial Statements as commitments.

(q) Net Position

Government-wide net position is divided into three components:

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

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(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.

(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 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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(2) **Property Taxes**

Property taxes attach as an enforceable lien on property. Taxes are levied on the assessed value of taxable property as of January 1. Pursuant to Alaska Statute 29.53.170, the City establishes the mill rate on or before June 15. Tax bills mailed prior to July 1 are payable in two installments on July 15 and October 15. City property tax revenues are recognized in the fiscal year in which they become collectable. At June 30, 2015 the real and personal property tax levy of \$3,158,590 is reflected as deferred inflows of resources in the General Fund.

At June 30, 2015, property tax receivables included the following:

2015 real and personal property taxes due in fiscal year 2016	\$	3,027,416
Real and personal property taxes currently past due		<u>252,789</u>
		3,280,205
Less estimated allowance for doubtful collections		<u>16,814</u>
	\$	<u><u>3,263,391</u></u>

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

As of June 30, 2015, 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	\$ 1,290,237	1,290,237	-	-
Mid Cap Equity	131,270	131,270	-	-
Small Cap Equity	90,320	90,320	-	-
International Equity Fund	49,953	49,953	-	-
Balanced Funds	119,440	119,440	-	-
Bonds	<u>269,199</u>	<u>269,199</u>	<u>-</u>	<u>-</u>
Total investments in deferred Compensation	\$ <u>1,950,419</u>	<u>1,950,419</u>	<u>-</u>	<u>-</u>
Money Market Funds	1,908,318	1,908,318	-	-
Fixed Income	<u>1,239,000</u>	-	<u>1,239,000</u>	<u>-</u>
Total investments	\$ <u>3,147,318</u>	<u>1,908,318</u>	<u>1,239,000</u>	<u>-</u>

At June 30, 2015, the City had \$1,950,419 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 City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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>
Htfd Cap App HLS	\$ 643,097	37%
Janus Twenty	213,328	12%
General	196,160	11%

(D) Custodial Credit Risk – Deposits

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

The City's bank accounts are insured by the Federal Depository Insurance Corporation (FDIC) to a maximum of \$250,000. U.S. Treasury obligations collateralize the remaining bank 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, 2015.

Reconciliation to the City's June 30, 2015 financial statements follows:

Petty cash	\$	550
Demand deposits		8,242,036
Fixed Income		1,239,000
Money market funds		1,908,318
Investment in deferred compensation plans		<u>1,950,419</u>
	\$	<u>13,340,323</u>
Governmental activities	\$	7,510,385
Business type activities		3,879,519
Fiduciary activity		<u>1,950,419</u>
	\$	<u>13,340,323</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:

	General Fund	Richard Foster Building Capital Project Fund	Other Governmental Funds	Total Governmental Funds	Business-type Activities	Total
Receivables:						
Property tax	\$ 3,280,205	-	-	3,280,205	-	3,280,205
Sales and bed tax	518,298	-	-	518,298	-	518,298
State of Alaska and Federal Government	10,471	2,772,738	313,897	3,097,106	1,361,687	4,458,793
Accounts - unrestricted	-	-	-	-	504,390	504,390
Other	125,745	-	5,904	131,649	-	131,649
Gross receivables	<u>3,934,719</u>	<u>2,772,738</u>	<u>319,801</u>	<u>7,027,258</u>	<u>1,866,077</u>	<u>8,893,335</u>
Less: allowance for uncollectibles	23,313	-	-	23,313	125,980	149,293
Net total receivables	<u>\$ 3,911,406</u>	<u>2,772,738</u>	<u>319,801</u>	<u>7,003,945</u>	<u>1,740,097</u>	<u>8,744,042</u>

The City reports unearned revenue 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 unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Deferred Inflows (General Fund)	\$ 3,158,590	-
Grant advances prior to expending all proceeds	-	<u>204,119</u>
Total unavailable/unearned revenue	<u>\$ 3,158,590</u>	<u>204,119</u>

(5) 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.

A schedule of changes in long-term notes for the year ended June 30, 2015 follows:

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2015</u>
Renovation note	\$ <u>308,179</u>	<u>-</u>	<u>29,019</u>	<u>279,160</u>

CITY OF NOME, ALASKA

Notes to Financial Statements, Continued

Annual payment requirements to maturity follow:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30,			
2016	30,058	9,291	39,349
2017	31,127	8,222	39,349
2018	32,234	7,115	39,349
2019	33,941	5,408	39,349
2020	35,130	4,219	39,349
2021-2024	<u>116,670</u>	<u>9,327</u>	<u>125,997</u>
	<u>\$ 279,160</u>	<u>43,582</u>	<u>322,742</u>

(6) Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Balance at</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u>
	<u>July 1, 2014</u>			<u>June 30, 2015</u>
Governmental activities:				
Capital assets not being depreciated:				
Land general government	\$ 6,734,115	-	-	6,734,115
Land-schools	749,400	-	-	749,400
Artwork	247,975	-	-	247,975
Construction work in progress	<u>1,933,222</u>	<u>7,798,894</u>	<u>356,568</u>	<u>9,375,548</u>
Total	<u>9,664,712</u>	<u>7,798,894</u>	<u>356,568</u>	<u>17,107,038</u>
Capital assets being depreciated:				
Buildings-general government	24,790,072	285,568	-	25,075,640
Buildings-schools	47,955,334	673,004	-	48,628,338
Vehicles, trucks and trailers	5,793,315	63,971	-	5,857,286
Assets other than buildings	986,624	15,474	-	1,002,098
Machinery and equipment	773,560	53,514	-	827,074
Office machinery and equipment	<u>655,276</u>	<u>73,632</u>	-	<u>728,908</u>
Total	<u>80,954,181</u>	<u>1,165,163</u>	-	<u>82,119,344</u>
Less accumulated depreciation:				
Buildings-general government	11,274,068	655,628	-	11,929,696
Buildings-schools	28,806,333	1,431,176	-	30,237,509
Vehicles, trucks and trailers	4,378,501	342,020	-	4,720,521
Assets other than buildings	849,170	15,907	-	865,077
Machinery and equipment	544,273	53,122	-	597,395
Office machinery and equipment	<u>508,530</u>	<u>66,177</u>	-	<u>574,707</u>
Total	<u>46,360,875</u>	<u>2,564,030</u>	-	<u>48,924,905</u>
Total capital assets, being depreciated, net	<u>34,593,306</u>	<u>(1,398,867)</u>	-	<u>33,194,439</u>
Governmental activities	<u>\$ 44,258,018</u>	<u>6,400,027</u>	<u>356,568</u>	<u>50,301,477</u>

CITY OF NOME, ALASKA

Notes to Financial Statements, Continued

	<u>Balance at July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2015</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 5,153,383	-	-	5,153,383
Tideland patent	736,400	-	-	736,400
Construction in progress	5,510,548	4,833,644	-	10,344,192
Total	<u>11,400,331</u>	<u>4,833,644</u>	<u>-</u>	<u>16,233,975</u>
Capital assets being depreciated:				
Small boat harbor	5,380,529	-	-	5,380,529
Causeway	28,582,663	-	-	28,582,663
Buildings	532,036	-	-	532,036
Machinery and equipment	341,596	20,000	-	361,596
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	4,419,229	34,271	-	4,453,500
Total	<u>46,505,593</u>	<u>54,271</u>	<u>-</u>	<u>46,559,864</u>
Less accumulated depreciation:				
Small boat harbor	1,445,138	160,958	-	1,606,096
Causeway	19,144,431	714,567	-	19,858,998
Buildings	424,108	11,552	-	435,660
Machinery and equipment	206,497	46,180	-	252,677
Quarry Jetty	1,042,126	196,136	-	1,238,262
C-Cell dock-North	937,665	61,833	-	999,498
C-Cell dock-South	1,047,967	51,098	-	1,099,065
Other	1,741,066	161,732	-	1,902,798
Total	<u>25,988,998</u>	<u>1,404,056</u>	<u>-</u>	<u>27,393,054</u>
Total capital assets, being depreciated, net	<u>20,516,595</u>	<u>(1,349,785)</u>	<u>-</u>	<u>19,166,810</u>
Business-type activities	<u>\$ 31,916,926</u>	<u>3,483,859</u>	<u>-</u>	<u>35,400,785</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	\$ 10,048
Administrative	56,264
Information technology	344
City Clerk	5,798
Police	251,340
Fire	11,314
Ambulance	188,024
Public works	512,361
Recreation center	92,150
Swimming pool	3,374
Museum	1,837
Education	<u>1,431,176</u>
Total depreciation	<u>2,564,030</u>

Business-type activities

Port	\$ <u>1,404,056</u>
------	---------------------

(7) Long-Term Debt

(a) Changes in long-term debt follows:

	<u>Balance at</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 2015</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Compensated absences	\$ 354,297	395,089	377,113	372,273	-
General obligation bonds	5,463,000	1,150,000	1,530,000	5,083,000	320,000
Premium on general obligation bonds	167,712	190,200	16,772	341,140	-
Landfill loan	702,132	-	149,410	552,722	151,657
Landfill closure and postclosure costs	786,609	47,621	-	834,230	-
	<u>7,473,750</u>	<u>1,782,910</u>	<u>2,073,295</u>	<u>7,183,365</u>	<u>471,657</u>
Business-type activities:					
Revenue bonds	\$ <u>4,470,451</u>	<u>-</u>	<u>109,468</u>	<u>4,360,983</u>	<u>113,946</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, 2015 follows:

1986 Series A		
Year ending June 30	Port Revenue Bonds	
	Principal	Interest
2016	\$ 113,946	175,478
2017	118,607	170,816
2018	123,460	165,964
2019	128,510	160,913
2020	133,767	155,657
2021-2025	592,082	565,614
2026-2030	886,977	560,142
2031-2035	965,447	336,959
2036-2040	1,298,187	148,930
	<u>\$ 4,360,983</u>	<u>2,440,473</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.

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, 2015 follows:

Year ending June 30	2003 QZAB School G.O. Bonds		2007 A School G.O. Bonds		2009 II School G.O. Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest		
2016	-	-	140,000	39,894	25,000	4,868		
2017	-	-	145,000	32,419	25,000	3,806		
2018	-	-	155,000	25,247	30,000	2,775		
2019	-	-	165,000	17,859	30,000	1,425		
2020	-	-	170,000	10,618	-	-		
2021-2025	1,798,000	-	175,000	3,610	-	-		
2026-2030	-	-	-	-	-	-		
	\$ 1,798,000	-	950,000	129,647	110,000	12,874		

Year ending June 30	2012 School G.O. Bonds		2015 School G.O. Bonds		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	100,000	47,300	55,000	33,629	320,000	125,691	445,691
2017	105,000	43,200	55,000	30,975	330,000	110,400	440,400
2018	110,000	38,900	60,000	30,150	355,000	97,072	452,072
2019	115,000	33,825	65,000	27,750	375,000	80,859	455,859
2020	120,000	27,950	90,000	44,850	380,000	83,418	463,418
2021-2025	525,000	51,175	555,000	148,875	3,053,000	203,660	3,256,660
2026-2030	-	-	270,000	23,625	270,000	23,625	293,625
	\$ 1,075,000	242,350	1,150,000	339,854	5,083,000	724,725	5,807,725

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 \$1,447,695, with interest earning of \$350,305.

In January 2007, the City issued \$1,855,000 of 2007 Series A General Obligation Refunding Bonds to advance refund \$1,400,000 of principal and \$365,288 of interest of the outstanding general obligation bonds, 2000 Series E.

In April 2009, the City issued \$644,195 of 2009 General Obligation School Bonds for the purpose of financing construction and renovation work at the school.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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, 2015, the City amortized \$16,772, leaving \$341,140 in unamortized premiums.

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.

In 1995, the City issued a note payable to the State of Alaska, Department of Environmental Conservation (ADEC) in the amount of \$2,000,000 for the purpose of financing a landfill project. The loan requires annual principal and interest payments of \$92,247 and bears interest at 1.5%. In addition to the annual payment, the City is making extra payments towards principal.

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 \$43,684 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, 2015 follows:

Year ending June 30	ADEC Loan		Total
	Principal	Interest	
2016	151,657	8,286	159,943
2017	153,927	6,016	159,943
2018	156,236	3,707	159,943
2019	90,902	1,353	92,255
	<u>\$ 552,722</u>	<u>19,362</u>	<u>572,084</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

In March 2015, the City of Nome, Alaska refinanced the 2006A bond issuance. This resulted in a total savings, based on the net present value of the new debt, of approximately \$65,000. The table shows the savings by year.

	2015 Refunding Bond Total	Prior Bond Issue Total	Savings Total
2016	\$ 55,000	\$ 60,000	\$ 5,000
2017	55,000	60,000	5,000
2018	60,000	65,000	5,000
2019	65,000	70,000	5,000
2020	60,000	70,000	10,000
2021	65,000	75,000	10,000
2022	70,000	75,000	5,000
2023	75,000	80,000	5,000
2024	80,000	85,000	5,000
2025	80,000	85,000	5,000
2026	85,000	90,000	5,000
	<u>\$ 750,000</u>	<u>\$ 815,000</u>	<u>\$ 65,000</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).

(8) Interfund Receivables, Payables and Transfers

(a) Interfund Receivables and Payables

A summary of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major governmental funds:		
General Fund	Port Enterprise Fund	\$ 3,072,534
	Richard Foster Building	1,648,761
	Other Governmental Funds	256,498
Other Governmental Funds	General Fund	1,627,991
Total primary government		<u>\$ 6,605,784</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(b) Interfund Transfers

A summary of interfund transfers in and out of June 30, 2015 is as follows:

<u>Transfer in:</u>	<u>Transfer out:</u>		
	General Fund	Other Governmental	Total
Other governmental	\$ 351,073	-	351,073
Other governmental	-	751,017	751,017
Total	\$ 351,073	751,017	1,102,090

There was a transfer from the General Fund to the Debt Service fund to cover scheduled bond payments and transfers to the Nome Eskimo Roads funds to cover the excess of expenditures over revenues.

(9) Employee Retirement Systems and Plans

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

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). In addition to the pension plan, the systems also administer other post-employment benefit plan.

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.

Summary of Significant Accounting Policies. The financial statements for PERS is 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 agency 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 (DB)	
Occupational Death and Disability Plan	Cost-sharing, Defined Benefits OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Benefits OPEB
Retiree Medical Plan	Cost-sharing, Defined Benefits OPEB
Defined Contribution Other Postemployment Benefits (DC)	
Healthcare Reimbursement Arrangement Plan	Defined Contribution OPEB

Other Postemployment Benefit Plans (OPBP)

Occupational Death and Disability Plan (DB)

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.

Alaska Retiree Healthcare Trust Plan (DB)

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).

Healthcare Reimbursement Arrangement Plan (DC)

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants.

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

Plan Description. The City of Nome 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 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 159 employers participating in PERS, including the State of Alaska and 158 political subdivisions and public organizations.

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 Police/Fire 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 police/fire personnel 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.

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 2015 the past service rate is 20.90%

Employee Contribution Rate. The City PERS active members are required to contribute 6.75% (3.85% pension costs and 2.90% OPEB) of their annual covered salary.

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% (12.54% pension costs and 9.46% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution 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. This rate is 44.03% (25.09% pension and 18.94% OPEB). 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. Note that in 2015, the State legislature appropriated a one-time contribution to the plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for 2015 is 42.41% (100% pension costs), which significantly exceeds the statutory amount. 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% pension discount rate and a 4.90% healthcare discount rate. The current rate is 88.12% (33.05% pension and 55.07% OPEB).

Employer contributions for the years ended June 30, 2015, 2014 and 2013 are as follows:

		Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2015	\$	167,307	126,214	293,521
2014		159,787	170,600	330,387
2013		139,605	178,007	317,612

For the year ended June 30, 2015 the State of Alaska contributed \$1,422,393 or 42.41% (pension cost) on-behalf of the City. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2014 to a total of \$192,225, to represent the on-behalf contribution made by the State under the full accrual basis of accounting.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, the City reported a liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$	3,324,880
State's proportionate share of the net pension liability		<u>3,063,690</u>
Total	\$	<u>6,388,570</u>

\$2,957,462 of the net pension liability is reported in the governmental activities, while \$367,418 is reported in the business-type activities. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2014, the City's proportion was 0.0713%, which is a decrease of 0.008 percentage point from its proportion measured as of June 30, 2013.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

As of measurement date June 30, 2014, the City recognized pension expense of \$638,483. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	307,310
Changes in proportion and differences between City contributions and proportionate share of contributions	191,206	-
City contributions subsequent to the measurement date	<u>167,307</u>	<u>-</u>
Total	<u>\$ 358,513</u>	<u>307,310</u>

\$167,307 (\$148,820 allocated to governmental activities and \$18,487 allocated to business-type activities) reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ (29,026)
2017	(29,026)
2018	(29,026)
2019	<u>(29,026)</u>
Total	<u>\$ (116,104)</u>

For the year ended June 30, 2015, the City recognized \$29,026 of amortization of the deferred inflows of resources. \$25,819 of the amortization was recorded in the governmental activities and \$3,207 was recorded in the business-type activities.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

Actuarial Assumptions: The total pension liability in the June 30, 2014 (latest available) actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions were based upon the results of an actuarial 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.
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, and 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 2 and 3 deferred vested members are assumed to retire at age 60.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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.

The long-term expected rate of return on pension 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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	6.77%
International Equity	7.50%
Private Equity	10.86%
Fixed Income	2.05%
Real Estate	3.63%
Absolute Return	4.80%

Discount Rate: The discount rate is used to measure the total pension liability was 8.00%. The projection of the cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net pension was 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the System calculated using the discount rate of 8%, as well as what the Systems' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Rate (8%)</u>	<u>1% Increase (9%)</u>
Net pension liability	\$ 4,359,557	3,324,880	2,453,586

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

Plan Description and Funding Requirements. 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. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.66% for the retiree medical plan (DB), 0.22% 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%. 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%

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2015 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution – pension (DC)	\$ 386,574	140,535
Other post-employment benefits (DB):		
Retiree medical plan	29,161	-
Occupational death and disability benefits	7,910	-
Other post-employment benefits (DC) –		
Health reimbursement agreement (HRA)	56,256	-
Defined benefit unfunded liability (DBUL)	<u>205,412</u>	<u>-</u>
	<u>\$ 685,313</u>	<u>140,535</u>

Actual contributions were equal to the annual required contributions. The Defined Benefit Unfunded Liability (DBUL) is computed as the difference between the statutory employer contribution rate less employer contributions for the defined contribution, major medical, occupational death and disability and the health reimbursement arrangement. The DBUL calculation is allocated 57% pension and 43% OPEB.

Employer contributions for the years ended June 30, 2015, 2014 and 2013 are as follows:

	<u>Pensions</u>	<u>Other Post-Employment Benefits</u>	<u>Total</u>
2015	\$ 503,659	181,654	685,313
2014	438,741	167,361	606,102
2013	155,762	167,096	322,858

Actual contributions were equal to the annual required contributions.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(10) Landfill Closure and Post Closure Costs

State and Federal laws and regulations require the City to place a final cover on its landfill sites when they stop accepting waste to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and post closure costs as a long-term liability at June 30, 2015, based on the landfill capacities used as of that date. The \$834,230 amount reported to date based on the use of 59.17%, 64.5%, 56.6% and 31.8% of the estimated capacities of the old and new landfills, monofill and post closure costs of \$1,526,271 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.

As of June 30, 2015, there are no state laws or regulations that require the City to provide financial assurances for the closure and post closure costs of the landfill. Federal regulations, which went into effect in April 1997, do require the City to provide financial assurances for future closure and post closure costs. There are a number of allowable mechanisms available. The City has decided to use the local government's financial test financial assurance mechanism to be in compliance with the April 1997 regulations. Future inflation costs and additional costs that might arise from changes in closure and post closure requirements are covered by charges to future landfill users, taxpayers, or both.

(11) Litigation

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

(12) Contingent Liabilities

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

The City treats the on-behalf funding, created by AS 39.35.280 and AS 14.25.085, as a special funding situation. AS 39.35.255 established the uniform contribution rate for PERS employers at 22%, with the State of Alaska contributing the difference between the total PERS actuarial required contributions and the amount employers contribute at 22% of covered payroll.

Per GASB 68, a special funding situation is created when a non-employer entity is legally responsible for making contributions directly to the pension plan that is used to provide pensions to the employees of another entity. Under GASB 68, "legal responsible" is determined by State statute. The State of Alaska created AS 39.35.80 and AS 14.25.085, which established the required contributions for the Employer and the State.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

The determination of whether the on-behalf payments should be considered a special funding situation is still being debated. If through litigation a decision is made by the courts that the on-behalf payment is not considered a special funding situation, the City's net pension liability for PERS would increase by \$3,063,690, as of June 30, 2015.

(13) Budget and Budgetary Accounting

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

The City Manager, the Nome City School Board and the Nome Joint Utility System Board are authorized to transfer budgeted amounts within any fund or department; however, any revisions that alter the total expenditures of any fund or department must be approved by the Council. Formal budgetary integration is employed as a management control device during the year for the City's and School District's General Fund, Special Revenue Funds and the City's Capital Projects Funds. 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 Capital Projects Funds and Special Revenue Funds. Budgeted amounts are presented as originally adopted or as amended by the Council.

(14) Change in Accounting Principle

As discussed in Note I to the financial statements, the City participates in the Alaska Public Employees' Retirement System (PERS). In 2015, the City adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the City's fiscal year. As a result of the implementation of these statements, the City has recorded an opening balance adjustment to increase liabilities and to decrease opening net position as follows:

		Governmental <u>Activities</u>	Business-type <u>Activities</u>
Opening net position, as originally presented	\$	51,353,116	28,607,509
Change in accounting principle adjustment		<u>(3,082,816)</u>	<u>(382,969)</u>
Opening net position, as restated	\$	<u>48,270,300</u>	<u>28,224,540</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(15) **Subsequent Accounting Pronouncements**

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

- GASB 72 – *Fair Value Measurement and Application*. Effective for periods beginning after June 15, 2015.
- GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. Effective for fiscal years beginning after June 15, 2015.
- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Effective for fiscal years beginning after June 15, 2016.
- GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective for fiscal years beginning after June 15, 2017.
- GASB 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Effective for fiscal years beginning after June 15, 2015.
- GASB 77 – *Tax Abatement Disclosures*. Effective for fiscal years beginning after December 15, 2015.

Statements 73, 76 and 77 are not expected to have any significant impact on the financial statements of the City.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of 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. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements.

GASB Statements No. 74 and 75, the objective of these Statements is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, this Statement requires two financial statements—a statement of fiduciary net position and a statement of changes in fiduciary net position. Note disclosures and required supplemental information are addressed in these statements. GASB Statement 75 establishes standards for measuring liabilities, deferred inflow and outflows of resources, and expenses/expenditures.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(16) Subsequent Events

The City of Nome guaranteed a Revenue Anticipation note for Nome Joint Utility System in the amount of \$6,000,000 as of July 13, 2015. The interest rate is 2.950% and matures on September 5, 2016. Management has evaluated subsequent events through March 29, 2016, the date which the financial statements were available to issue.

(17) Related Party

The City made a required contribution of \$2,042,880 to the City of Nome School District. The City also passed a local grant of \$10,000 through to the District. There was \$2,251,102 paid to Nome Joint Utility System (NJUS) for various construction projects and utility services. The City provided a short-term line of credit to NJUS which was paid in full during fiscal year 2015. In total NJUS paid \$2,588,661 for the line of credit with an ending balance of \$0.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF NOME, ALASKA

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

Public Employees' Retirement System

June 30, 2015

City's proportion of the net pension liability (asset)		0.0713%
City's proportionate share of net pension liability (asset)	\$	3,324,880
State's proportionate share of the net pension liability (asset) associated with the City		<u>3,063,690</u>
Total	\$	<u>6,388,570</u>
City's covered employee payroll	\$	1,501,759
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		221%
Plan fiduciary net position as a percentage of the total pension liability		62.37%

Notes to schedule

1. Information presented for 2015 is based upon Plan measurement date June 30, 2014.
2. This schedule is intended to present 10 years of information. Additional years will be included as it becomes available.

CITY OF NOME, ALASKA
 Schedule of City's Contributions
 Public Employees' Retirement System
 Year Ended June 30, 2015

Contractually required contribution	\$ 167,307
Contributions in relation to the contractually required contribution	(167,307)
Contribution deficiency (excess)	-
City's covered-employee payroll	\$ 1,334,188
Contributions as a percentage of covered employee payroll	12.54%

Notes to schedule

1. Valuation date: June 30, 2013
 2. 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:
3. Actuarial cost method: Entry Age Normal.
 4. Amortization method: Level dollar, closed.
 5. Amortization period: 25 years, layered.
 6. Equivalent single amortization period: 17 years.
 7. Asset valuation method: Actuarial value that smooths investment gains and losses over 5 years, constrained to a range of 80% - 120% of fair value.
 8. Inflation: 3.12% per annum.
 9. Salary increases: Ranges from 6.36% to 4.12% based on service for Peace Officer/Firefighter. Ranges from 9.60% to 3.62% based on age and service for All Others.
 10. 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%.
 11. Retirement age: An age-related assumption is used for participants not yet receiving payments.
 12. Mortality: 1994 Group Annuity Mortality (GAM) Table, sex distinct, 1994 Base Year without margin projected to 2013 using projection Scale AA, 80% of the male table for males and 60% of the female table for females for pre-termination mortality for Peace Officer/Firefighter, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females for pre-termination mortality for All Others and the 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1-year set-forward for females for post-termination mortality.
 13. This schedule is intended to present 10 years of information. Additional years 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, 2015

	Special Revenue Funds							Debt Service Fund
	E-911 Surcharge	Local Emergency Planning Committee	NSEDC Community Benefits Share	NSEDC Community Employment Program	Institute of Museum and Library Services Grant	Public Library Assistance	Total	
<u>Assets</u>								
Restricted cash	\$ -	-	-	-	-	-	-	2,098,351
Receivables:								
Federal	-	-	-	-	-	1,500	1,500	-
State of Alaska	-	7,669	-	-	-	-	7,669	2,223
Other	-	-	-	5,904	-	-	5,904	-
Due from other funds	319,329	-	151,129	-	581	-	471,039	367,752
Total assets	<u>\$ 319,329</u>	<u>7,669</u>	<u>151,129</u>	<u>5,904</u>	<u>581</u>	<u>1,500</u>	<u>486,112</u>	<u>2,468,326</u>
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	-	1,138	2,776	-	581	783	5,278	-
Unearned revenue	-	-	148,353	-	-	-	148,353	-
Due to other funds	-	6,531	-	5,904	-	717	13,152	-
Total liabilities	<u>-</u>	<u>7,669</u>	<u>151,129</u>	<u>5,904</u>	<u>581</u>	<u>1,500</u>	<u>166,783</u>	<u>-</u>
Fund balances:								
Restricted:								
Debt service	-	-	-	-	-	-	-	2,468,326
E-911 Surcharge	319,329	-	-	-	-	-	319,329	-
Assigned:								
Bond reimbursement for capital projects	-	-	-	-	-	-	-	-
Landfill	-	-	-	-	-	-	-	-
Total fund balances	<u>319,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,329</u>	<u>2,468,326</u>
	<u>\$ 319,329</u>	<u>7,669</u>	<u>151,129</u>	<u>5,904</u>	<u>581</u>	<u>1,500</u>	<u>486,112</u>	<u>2,468,326</u>

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

	Capital Project Funds				Total Other Governmental Funds
	Landfill	Nome Eskimo Roads	Museum Bering Center Project	Total	
<u>Assets</u>					
Restricted cash	\$ -	-	-	-	2,098,351
Receivables:					
Federal	-	302,505	-	302,505	304,005
State of Alaska	-	-	-	-	9,892
Other	-	-	-	-	5,904
Due from other funds	704,667	-	84,533	789,200	1,627,991
Total assets	\$ <u>704,667</u>	<u>302,505</u>	<u>84,533</u>	<u>1,091,705</u>	<u>4,046,143</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	-	59,159	55,189	114,348	119,626
Unearned revenue	-	-	29,344	29,344	177,697
Due to other funds	-	243,346	-	243,346	256,498
Total liabilities	<u>-</u>	<u>302,505</u>	<u>84,533</u>	<u>387,038</u>	<u>553,821</u>
Fund balances:					
Restricted:					
Debt service	-	-	-	-	2,468,326
E-911 Surcharge	-	-	-	-	319,329
Assigned:					
Bond reimbursement for capital projects	-	-	-	-	-
Landfill	704,667	-	-	704,667	704,667
Total fund balances	<u>704,667</u>	<u>-</u>	<u>-</u>	<u>704,667</u>	<u>3,492,322</u>
	\$ <u>704,667</u>	<u>302,505</u>	<u>84,533</u>	<u>1,091,705</u>	<u>4,046,143</u>

CITY OF NOME, ALASKA

Exhibit I-2

Other Governmental Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Year Ended June 30, 2015

	Special Revenue Funds				
	E-911 <u>Surcharge</u>	Local Emergency Planning <u>Committee</u>	Public Library <u>Assistance</u>	DOT Law <u>Enforcement</u>	NPD SART <u>Grant</u>
Revenues:					
Local sources:					
Investment income	\$ -	-	-	-	-
Other	105,659	-	-	-	-
Intergovernmental:					
State of Alaska	-	14,650	7,360	-	-
Federal sources	-	-	2,500	1,760	5,311
Total revenues	<u>105,659</u>	<u>14,650</u>	<u>9,860</u>	<u>1,760</u>	<u>5,311</u>
Expenditures:					
Current:					
Administrative	-	-	-	-	-
Police	54,658	-	-	1,760	5,311
Fire	-	8,578	-	-	-
Ambulance	-	6,072	-	-	-
Public works	-	-	-	-	-
Library	-	-	9,860	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>54,658</u>	<u>14,650</u>	<u>9,860</u>	<u>1,760</u>	<u>5,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>51,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):					
Transfers (out)	-	-	-	-	-
Transfers in	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	51,001	-	-	-	-
Fund balances, beginning of year	<u>268,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 319,329</u>	<u>-</u>	<u>-</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	Debt Service Fund
	NSEDC Community Benefits Share	NSEDC Community Employment Program	Institute of Museum and Library Services Grant		
Revenues:					
Local sources:					
Investment income	\$ -	-	-	-	35,424
Other	111,749	12,223	-	229,631	20,021
Intergovernmental:					
State of Alaska	-	-	-	22,010	222,507
Federal sources	-	-	7,000	16,571	-
Total revenues	<u>111,749</u>	<u>12,223</u>	<u>7,000</u>	<u>268,212</u>	<u>277,952</u>
Expenditures:					
Current:					
Administrative	-	12,223	-	12,223	135,081
Police	-	-	-	61,729	-
Fire	-	-	-	8,578	-
Ambulance	-	-	-	6,072	-
Public works	111,749	-	-	111,749	-
Library	-	-	7,000	16,860	-
Debt service:					
Principal	-	-	-	-	315,000
Interest	-	-	-	-	161,786
Capital outlay	-	-	-	-	-
Total expenditures	<u>111,749</u>	<u>12,223</u>	<u>7,000</u>	<u>217,211</u>	<u>611,867</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,001</u>	<u>(333,915)</u>
Other financing sources:					
Refunding bonds issued	-	-	-	-	1,150,000
Premium on bonds	-	-	-	-	190,200
Payment to refunded bond escrow agent	-	-	-	-	(1,215,000)
Transfers (out)	-	-	-	-	(1,802)
Transfers in	-	-	-	-	1,100,018
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,223,416</u>
Net change in fund balances	-	-	-	51,001	889,501
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,328</u>	<u>1,578,825</u>
Fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>319,329</u>	<u>2,468,326</u>

(Continued)

CITY OF NOME, ALASKA

Exhibit I-2, Continued

Other Governmental Funds

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

	Capital Project Funds						Total Other Governmental Funds
	Landfill	Public School Sprinkler and Fire Alarm System	Nome Eskimo Roads	Museum Construction and Development	Museum Bering Center Project	School Renovation and Repairs	
Revenues:							
Local sources:							
Investment income	\$ -	-	-	-	-	-	35,424
Other	-	-	-	-	55,189	5,416	310,257
Intergovernmental:							
State of Alaska	-	10,060	-	423,378	-	-	677,955
Federal sources	-	-	333,658	-	-	-	350,229
Total revenues	<u>-</u>	<u>10,060</u>	<u>333,658</u>	<u>423,378</u>	<u>55,189</u>	<u>5,416</u>	<u>1,373,865</u>
Expenditures:							
Current:							
Administrative	-	-	-	-	-	-	147,304
Police	-	-	-	-	-	-	61,729
Fire	-	-	-	-	-	-	8,578
Ambulance	-	-	-	-	-	-	6,072
Public works	-	-	-	-	-	-	111,749
Library	-	-	-	-	-	-	16,860
Debt service:							
Principal	-	-	-	-	-	-	315,000
Interest	-	-	-	-	-	-	161,786
Capital outlay	-	10,060	333,928	423,378	55,189	7,218	829,773
Total expenditures	<u>-</u>	<u>10,060</u>	<u>333,928</u>	<u>423,378</u>	<u>55,189</u>	<u>7,218</u>	<u>1,658,851</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(270)</u>	<u>-</u>	<u>-</u>	<u>(1,802)</u>	<u>(284,986)</u>
Other financing sources (uses):							
Refunding bonds issued	-	-	-	-	-	-	1,150,000
Premium on bonds	-	-	-	-	-	-	190,200
Payment to refunded bond escrow agent	-	-	-	-	-	-	(1,215,000)
Transfers (out)	-	-	-	-	-	(749,215)	(751,017)
Transfers in	-	-	270	-	-	1,802	1,102,090
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>270</u>	<u>-</u>	<u>-</u>	<u>(747,413)</u>	<u>476,273</u>
Net change in fund balances	-	-	-	-	-	(749,215)	191,287
Fund balances, beginning of year	704,667	-	-	-	-	749,215	3,301,035
Fund balances, end of year	\$ <u>704,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>704,667</u>	<u>3,492,322</u>

CITY OF NOME, ALASKA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

<u>Federal Grant Title</u>	<u>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	\$ 458,754	458,754
Passed through Nome Eskimo Community:				
Indian Reservation Road Fund	MOA	15.033	333,658	333,658
Total U.S. Department of Interior			<u>792,412</u>	<u>792,412</u>
U.S. Department of Justice:				
Passed through State of Alaska, Department of Public Safety:				
SART	None	16.588	5,311	5,311
Total U.S. Department of Justice			<u>5,311</u>	<u>5,311</u>
U.S. Department of Commerce:				
Direct:				
Development Facilities	07-01-07058	11.300	1,000,000	250,603
Total U.S. Department of Commerce			<u>1,000,000</u>	<u>250,603</u>
U.S. Department of Museum and Library Services:				
Passed through the State of Alaska, Department of Education and Early Development:				
Continuing Education	None	45.310	1,000	1,000
Continuing Education	None	45.310	1,500	1,500
Passed through Nome Eskimo Community-				
Native American and Native Hawaiian Library Services	None	45.311	7,000	7,000
Total U.S. Department of Museum and Library Services			<u>9,500</u>	<u>9,500</u>
U.S. Department of Transportation:				
Passed through the State of Alaska, Department of Transportation:				
DOT Law Enforcement	MOA	20.106	21,900	1,760
			<u>21,900</u>	<u>1,760</u>
			<u>\$ 1,829,123</u>	<u>1,059,586</u>
Reconciliation from Federal Financial Assistance to Federal sources revenues, Exhibit D-1:				
			\$ 1,059,586	
			<u>(250,603)</u>	
			<u>\$ 808,983</u>	

See notes to the schedule

CITY OF NOME, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Nome, Alaska (City). The City's reporting entity is defined in note 1 to the City's basic financial statements.

(2) Basis of Accounting

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

(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 OMB A-133, if applicable.

(4) Subrecipients

No federal funds were passed through to subrecipients.

CITY OF NOME, ALASKA

Schedule of State Financial Assistance

Year Ended June 30, 2015

<u>Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>Expenditures</u>
Department of Commerce, Community and Economic Development:			
* Debt Reimbursement	DR-03-147	\$ 222,507	222,507
* Community Revenue Sharing	None	270,312	270,312
* Museum Construction and Development	11-DC-312	2,000,000	423,378
Public School Sprinkler and Fire Alarm System	12-DC-405	90,000	10,060
* Richard Foster Building	12-DC-406	14,000,000	7,057,348
* Port Design and Construction	13-GO-012	10,000,000	944,691
* Port of Nome Improvements	15-DC-112	3,000,000	1,913,714
Raw Fish	None	647	647
		<u>29,583,466</u>	<u>10,842,657</u>
Department of Military and Veterans Affairs:			
Division of Homeland Security and Emergency Management- Local Emergency Planning Committee	15LEPC-GR35602	14,650	14,650
Department of Education and Early Development:			
Early Literacy Minigrant	ELM-15-74614	710	710
Public Library Assistance	PLA-15-74655	6,650	6,650
		<u>7,360</u>	<u>7,360</u>
Department of Public Safety-			
Motor Vehicle License Tax	None	33,620	33,620
Department of Revenue:			
Liquor Licenses	None	24,400	24,400
Raw Fish	None	30,280	30,280
		<u>54,680</u>	<u>54,680</u>
Department of Transportation:			
* Harbor Facilities Grant	13-HG-010	1,021,910	677,297
Department of Administration-			
* HB65 PERS Supplement Employer Relief Fund	None	1,422,393	1,422,393
Department of Retirement and Benefits:			
* State insurance contribution	None	115,175	115,175
		<u>115,175</u>	<u>115,175</u>
Total State Financial Assistance		<u>\$ 32,253,254</u>	<u>13,167,832</u>
Reconciliation from State Financial Assistance to State of Alaska revenues, Exhibit D-1:			
Above expenditures, per schedule		\$ 13,167,832	
Less: Intergovernmental, Port Facility Enterprise Fund		(157,214)	
Less: Capital Contributions, Port Facility Enterprise Fund		(3,535,702)	
Total State of Alaska revenue Exhibit D-1		<u>\$ 9,474,916</u>	

See notes to the schedule

CITY OF NOME, ALASKA

Notes to Schedule of State Financial Assistance

Year ended June 30, 2015

(1) General

The accompanying Schedule of State Financial Assistance presents the activity of all state financial assistance programs of the City of Nome, Alaska (City). The City's reporting entity is defined in note 1 to the City's basic financial statements.

(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.

(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.

(4) Subrecipients

No State funds were passed through to subrecipients

(5) * Denotes a Major Program

(This page was left blank intentionally)

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 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, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City of Nome, Alaska's basic financial statements, and have issued our report thereon dated March 29, 2016. Our report includes a reference to other auditors who audited the financial statements of Nome Joint Utilities and Nome Public Schools, 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 over financial reporting.

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 of 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 City of Nome, Alaska's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Nome, Alaska's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anchorage, Alaska
March 29, 2016

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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 City of Nome, Alaska's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. 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 the Nome Public Schools and the Nome Joint Utility System, Component Units, which received \$1,430,906 and \$3,487,863 respectively, in federal awards which is not included in the schedule during the year ended June 30, 2015. Our audit, described below, did not include the operations of the Nome Public Schools and the Nome Joint Utility System because the organizational units engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Altman, Rogers & Co.

Anchorage, Alaska
March 29, 2016

CITY OF NOME, ALASKA
 Federal Schedule of Findings and Questioned Costs
 Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: 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:
 Material weakness(es) identified
 (Section .510 (a)(1))? Yes No
 Significant deficiency(ies) identified
 (Section .510 (a)(1))? Yes None Reported

Any material noncompliance with provisions of laws,
 regulations, contracts, or grant agreements related
 to a major program (Section .510 (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 Circular A-133,
 Section .510(a) (3) or (4)? Yes No

<u>CFDA Number(s)/Cluster</u>	<u>Name of Federal Program or Cluster</u>
11.300	Investments for Public Works and Economic Development Facilities
15.033	Road Maintenance – Indian Roads

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 300,000

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.

Section IV – Summary of Prior Year Audit Findings

The City of Nome did not have any prior year audit findings.

**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, 2015. 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 operations of the Nome Public Schools and the Nome Joint Utility System, component units, which received \$24,007,466 and \$1,317,231, respectively, in state awards that is not included in the schedule during the year ended June 30, 2015. Our audit, described below, did not include the operations of the Nome Public Schools and the Nome Joint Utility System because the organizational units engaged other auditors to perform an audit in accordance with the *State of Alaska Audit Guide and Compliance Supplementary State Single Audits*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major 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 *State of Alaska Audit Guide and*

Members of the City Council
City of Nome, Alaska

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 the City of Nome, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City of Nome, Alaska, complied, in all material respects, with the 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, 2015.

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 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 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 the 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 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.

Members of the City Council
City of Nome, Alaska

Our consideration of the 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 controls 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.

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

Anchorage, Alaska
March 29, 2016

CITY OF NOME, ALASKA
State Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I – Summary of Auditors’ 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 Awards

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: \$ 100,000

Section II – Financial Statement Findings

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

Section III – State Award Findings and Questioned Costs

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

Section IV – Summary of Prior Year Audit Findings

The City of Nome did not have any prior year audit findings.