

CITY OF NOME, ALASKA

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

Year Ended June 30, 2016

CITY OF NOME, ALASKA

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Basic Financial Statements, Required Supplementary Information,  
Additional Supplementary Information and  
Compliance Reports

Year Ended June 30, 2016

CITY OF NOME, ALASKA

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## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska, as of and for the year ended June 30, 2016, 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 Utility System and Nome Public Schools, which are discretely presented component units of the reporting entity. Those statements 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedules of City's Share of Net Pension 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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and the accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, are also not a required part of the financial statements.

The "Additional Supplementary Information" listed above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the "Additional Supplementary Information" is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2017 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  
January 27, 2017

# **MANAGEMENT DISCUSSION AND ANALYSIS**



**City of Nome, Alaska**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2016**

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, 2016 with comparable information presented for the year ended June 30, 2015. This discussion and analysis should be read in conjunction with the City's financial statements.

**Financial Highlights for 2016**

- The City's assets and deferred outflows (net position) exceeded its liabilities at the close of the 2016 fiscal year by \$98,917,119. Of this amount, \$8,278,312 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- As of June 30, 2016, the City's governmental funds reported combined ending fund balances of \$14,227,156, which is an increase of \$1,616,120 over the prior year.
- The fund balance is comprised of Non-spendable, Restricted, Committed, Assigned and Unassigned classifications. Unassigned fund balance for the General Fund was \$4,214,779 or 43% of total General Fund expenditures. The Non-spendable fund balance was the loan advanced to the school of \$249,102. The Restricted fund balance was \$2,942,581 which consists of debt service and E911 surcharge while the remaining balance of \$6,820,694 was assigned and committed to landfill, PERS, Clara Mielke Richards Estate, and equipment replacement and NJUS note.
- The City's total outstanding long-term debt decreased by \$526,082 due to debt repayments during the year.
- Substantial completion of the new Richard Foster Building which houses The Kegoayah Kozga Public Library, the Carrie M. McLain Memorial Museum and the Katirvik Cultural Center had been delayed from December 2015 to February 2016.
- The City agreed to borrow funds from Wells Fargo Bank, NA through the issuance of a Revenue Anticipation Note for \$6 million at 2.95% interest per annum to finance the purchase of diesel fuel for Nome Joint Utility System (NJUS). The Note is a direct and general obligation of the City. Concurrently, NJUS enters into an agreement with the City and pledged utility revenues, and made fund transfers to the City to make the fuel loan payments. The final payment on the 2015 fuel note was made in June 2016.

**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.

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

- 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.

**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.

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.

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

***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*.

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*.

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

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's assets and deferred outflows (net position) exceeded its liabilities at the close of the 2016 fiscal year by \$98,917,119. Of this amount, \$8,278,312 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

By far the largest portion of the City's net position (88%) 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.

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

2016				
	Governmental Activities	Business-type Activities	Eliminations	Total
Current and other assets	\$ 15,808,155	2,508,996	(1,936,048)	16,381,103
Long-term and capital assets	59,345,610	40,447,276	-	99,792,886
Total assets	<u>75,153,765</u>	<u>42,956,272</u>	<u>(1,936,048)</u>	<u>116,173,989</u>
Deferred outflows of resources	<u>902,855</u>	<u>155,175</u>	<u>-</u>	<u>1,085,030</u>
Current liabilities	1,039,845	2,949,931	(1,936,048)	2,053,728
Long-term liabilities	11,253,589	4,916,364	-	16,169,953
Total liabilities	<u>12,293,434</u>	<u>7,866,295</u>	<u>(1,936,048)</u>	<u>18,223,681</u>
Deferred inflows of resources	<u>76,150</u>	<u>15,069</u>	<u>-</u>	<u>91,219</u>
Net position				
Net investment in capital assets	51,495,988	35,211,162	-	86,707,150
Restricted for debt service	2,604,223	-	-	2,604,223
Restricted for E-911 surcharge	338,358	-	-	338,358
Restricted for causeway	-	989,076	-	989,076
Unrestricted	9,248,467	(970,155)	-	8,278,312
Total net position	<u>\$ 63,687,036</u>	<u>35,230,083</u>	<u>-</u>	<u>98,917,119</u>
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	<u>68,168,875</u>	<u>41,020,401</u>	<u>(3,072,534)</u>	<u>106,116,742</u>
Deferred outflows of resources	<u>318,898</u>	<u>39,615</u>	<u>-</u>	<u>358,513</u>
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	<u>12,238,599</u>	<u>9,870,250</u>	<u>(3,072,534)</u>	<u>19,036,315</u>
Deferred inflows of resources	<u>273,352</u>	<u>33,958</u>	<u>-</u>	<u>307,310</u>
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	<u>\$ 55,975,822</u>	<u>31,155,808</u>	<u>-</u>	<u>87,131,630</u>

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

The majority of net position is net investment in capital assets, (88% in 2016 and 86% in 2015). A small portion of the City's net position (4% in 2016 and 7% in 2015) 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 \$8,278,312 in 2016 and \$6,104,202 in 2015 may be used to meet the government's ongoing obligation to citizens and creditors.

**Statement of Activities**

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

	Change in Net Position					
	2016			2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,059,377	1,463,186	2,522,563	1,162,454	1,466,375	2,628,829
Operating grants and contributions	613,706	40,126	653,832	472,841	18,527	491,368
Capital grants and contributions	9,242,783	5,447,743	14,690,526	8,107,556	4,087,709	12,195,265
General revenues:						
Property taxes	3,157,862	-	3,157,863	3,027,417	-	3,027,417
Penalties and interest	60,989	-	60,989	42,224	-	42,224
Sales tax	5,099,899	-	5,099,899	5,317,125	-	5,317,125
Bed tax	151,997	-	151,997	126,834	-	126,834
Fines and forfeitures	8,509	-	8,509	6,420	-	6,420
Payment in lieu of taxes	347,673	-	347,673	334,568	-	334,568
Rentals and royalties	222,683	-	222,683	255,387	-	255,387
Investment earnings	76,029	17,126	93,155	59,121	7,311	66,432
Grants not restricted						
to specific programs	1,117,473	-	1,117,473	642,920	-	642,920
Gain on sale of equipment	82,250	-	82,250	-	-	-
Other	31,973	-	31,973	327,753	-	327,753
Total revenues	\$ 21,273,203	6,968,181	28,241,384	19,882,260	5,579,922	25,462,542

(continued)

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

	Change in Net Position					
	2016			2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Expenses:						
Legislative	169,124	-	169,124	239,524	-	239,524
Administrative	799,236	-	799,236	761,938	-	761,938
Information technology	210,466	-	210,466	188,966	-	188,966
Planning and engineering	131,870	-	131,870	3,809	-	3,809
City clerk	380,438	-	380,438	384,087	-	384,087
Police	2,567,290	-	2,567,290	2,312,735	-	2,312,735
Animal control	2,816	-	2,816	14,521	-	14,521
Fire	377,112	-	377,112	321,007	-	321,007
Ambulance	500,039	-	500,039	459,571	-	459,571
Public works	2,667,183	-	2,667,183	2,882,246	-	2,882,246
Recreation center	740,192	-	740,192	625,955	-	625,955
Swimming pool	137,554	-	137,554	137,264	-	137,264
Museum	390,329	-	390,329	269,981	-	269,981
Library	358,361	-	358,361	258,669	-	258,669
Visitor center	161,111	-	161,111	162,612	-	162,612
Education	3,476,055	-	3,476,055	2,884,367	-	2,884,367
Non-departmental	338,364	-	338,364	97,527	-	97,527
Unallocated interest	154,449	-	154,449	172,319	-	172,319
Port	-	2,893,906	2,893,906	-	2,648,654	2,648,654
Total expenses	<u>13,561,989</u>	<u>2,893,906</u>	<u>16,455,895</u>	<u>12,177,098</u>	<u>2,648,654</u>	<u>14,825,752</u>
Increase (decrease) in net position	7,711,214	4,074,275	11,785,489	7,705,522	2,931,268	10,636,790
Net position, beginning of year, as previously stated	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,353,116</u>	<u>28,607,509</u>	<u>79,960,625</u>
Cumulative effect of a change in accounting principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,082,816)</u>	<u>(382,969)</u>	<u>(3,465,785)</u>
Net position, beginning of year, as restated	<u>55,975,822</u>	<u>31,155,808</u>	<u>87,131,630</u>	<u>48,270,300</u>	<u>28,224,540</u>	<u>76,494,840</u>
Net position, end of year	<u>\$ 63,687,036</u>	<u>35,230,083</u>	<u>98,917,119</u>	<u>55,975,822</u>	<u>31,155,808</u>	<u>87,131,630</u>

Governmental activities in 2016 increased the City's net position by \$7,711,214, representing more than 7% of government net position. The increase in revenues was primarily due to health insurance premium holiday by the State, better than expected ambulance billing collection, interest earnings, recreation admissions and passes, building and equipment rentals, and sale of municipal property. The decrease in expenses was due to lower than budgeted increase in utilities costs, open positions due to staff turnover during the year, deferred spending in operating expenditure and the change in how the State on-behalf payments were recorded from 2015 to 2016.

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

Business-type activities in 2016 increased the City's net position by \$4,074,275 compared to an increase of \$2,931,268 in 2015, accounting for an increase of over 11% in business-type activities. This is largely due to the local, state and federal capital contributions to port upgrades and improvements.

**Financial Analysis of the Government's Funds**

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

***Governmental Funds***

The 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, 2016 the City's governmental funds reported combined ending fund balances of \$14,227,156, an increase of \$1,616,120 over the prior year. Of this amount \$10,012,377 is non-spendable, restricted, committed, or assigned for specific purposes. \$4,214,779 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At June 30, 2016 and 2015 the unassigned fund balance of the General Fund was \$4,214,779 and \$2,636,085, respectively, which is 40% and 29% of the total General Fund balance, respectively. 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 43 % of total General Fund expenditures at June 30, 2016 and 24% as of June 30, 2015.

The fund balance of the City's General Fund increased by \$1,461,194 in 2016 compared to an increase of \$1,234,995 in 2015.

***Proprietary Fund***

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

The Port of Nome Fund's total net position was \$35,230,083 in 2016, an increase of \$4,074,275 from 2015 while the unrestricted net position shows a deficit of \$970,155 compared to a deficit of \$3,121,923 in 2015. This was due in part to changes in the newly recognized net pension liability as well as restatement of the net position restricted for causeway operations.



**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 \$24,748 and actual expenditures were less than original budgetary estimates by \$749,249.

The increase in revenues was primarily due to health insurance premium holiday by the State, better than expected ambulance billing collection, interest earnings, recreation admissions and passes, building and equipment rentals, and sale of municipal property. The decrease in expenses was due to lower than budgeted increase in utilities costs, open positions due to staff turnover during the year and deferred spending in operating expenditure. The difference in the original and final expenditure was also due to the change in how the State on-behalf payments are recorded from 2015 to 2016.

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

- \$137,104 in decreases in property and sales taxes
- \$37,714 in increases allocated to rental and royalties;
- \$22,739 in increases allocated to licenses, permits and fees;
- \$27,038 in increases allocated to investment income;
- \$496,477 in increases allocated to intergovernmental funding sources.

**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, 2016 amounts to \$96,026,925 (net of accumulated depreciation), an increase of \$10,324,663 over last year. Major capital asset events during the current fiscal year included the following:

- Richard Foster Building
- Causeway Middle Dock and Deep Water
- Port and Harbor Improvements
- N Street Drainage

		2016			2015		
		Governmental	Business-type	Total	Governmental	Business-type	Total
		Activities	Activities		Activities	Activities	
Land	\$	7,172,128	5,153,383	12,325,511	7,483,515	5,153,383	12,636,898
Tideland patent		-	736,400	736,400	-	736,400	736,400
Buildings		29,434,067	86,894	29,520,961	31,536,773	96,376	31,633,149
Small Boat Harbor		-	3,613,475	3,613,475	-	3,774,433	3,774,433
Causeway		-	8,009,098	8,009,098	-	8,723,665	8,723,665
Quarry Jetty		-	2,397,393	2,397,393	-	2,593,529	2,593,529
C-cell dock		-	1,206,255	1,206,255	-	1,319,186	1,319,186
Vehicles, trucks and trailers		901,228	-	901,228	1,136,765	-	1,136,765
Assets other than buildings		558,244	-	558,244	384,996	-	384,996
Other		-	6,954,877	6,954,877	-	2,550,702	2,550,702
Machinery and equipment		308,350	61,720	370,070	383,880	108,919	492,799
Construction in progress		18,194,708	11,238,705	29,433,413	9,375,548	10,344,192	19,719,740
Total capital assets	\$	56,568,725	39,458,200	96,026,925	50,301,477	35,400,785	85,702,262

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

Additional information on the City's capital assets can be found in note 7 on pages 39 through 41 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 \$9,319,775. 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	
	2016	2015	2016	2015	2016	2015
General obligation bonds, including premium	\$ 5,072,737	5,424,140		-	5,072,737	5,424,140
Revenue bonds	-	-	4,247,038	4,360,983	4,247,038	4,360,983
Compensated absences	360,194	372,273	-	-	360,194	372,273
Landfill post closure care costs	876,989	834,230	-	-	876,989	834,230
Landfill loan	460,585	552,722	-	-	460,585	552,722
	<u>\$ 6,770,505</u>	<u>7,183,365</u>	<u>4,247,038</u>	<u>4,360,98</u>	<u>11,017,543</u>	<u>11,544,348</u>

During the current fiscal year, the City's total debt decreased by \$526,082, as a result of debt repayments during the year. Additional information on the City of Nome, Alaska's long-term debt can be found in note 8 on pages 41-44 of this report.

**Economic Factors and Next Year's (2017) Budgets and Rates**

- The property tax rate remained at 11 mills or \$0.11 per \$1,000 of assessed value.
- Sales tax for the months of September through to April remained at 5% and a seasonal sales tax of 7% for the months of May, June, July and August was approved by voters.
- These amounts were levied for the operation and maintenance activities in the General Fund, and to fund education and capital improvements not associated with the enterprise funds.
- With the State's fiscal situation remaining uncertain, we expect to see a continued reduction in state revenue sharing and capital grants.
- A new fuel note to purchase fuel for Nome Joint Utility System (NJUS) in the summer of 2016 was issued as a City of Nome general obligation to Wells Fargo at an interest rate of 2.68%. NJUS is obligated to make direct payment as principal and interest come due, but pledged utility revenues to the City, equivalent to the note's declining balance outstanding plus 10% at any time in the event the Utility defaulted and the City was required to make payment.
- The Kegoayah Kozga Public Library, moved into its new space in the Richard Foster Building in February 2016 while the Carrie M. McLain Memorial Museum and the Katirvik Cultural Center were expected to move in sometime in October 2016. Installation of the first phase of exhibits in the Carrie M. McLain Memorial Museum is scheduled for October 2016, in time for the grand opening of the new building.

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

- Negotiation on the sale of the daycare, Gold Hill Tutit Ininat building is underway and expected to be finalized in the 2017 fiscal year.
  
- These factors were considered in preparing the FY 2017 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

# **BASIC FINANCIAL STATEMENTS**

CITY OF NOME, ALASKA  
Statement of Net Position  
Government-Wide Financial Statements  
June 30, 2016

	Primary Government				Component Units	
	Governmental Activities	Business-type Activities	Eliminations	Totals	Nome Public Schools	Nome Joint Utility System
<b>Assets and Deferred Inflows of Resources</b>						
Current:						
Cash and short-term investments	\$ 9,704,366	1,539,737	-	11,244,103	2,895,417	1,037,297
Receivables:						
Property taxes, net	3,340,630	-	-	3,340,630	-	-
Sales and bed taxes, net	491,752	-	-	491,752	-	-
Accounts receivable, net	-	156,538	-	156,538	-	1,284,275
State of Alaska and federal government	128,088	812,721	-	940,809	570,169	358,716
Unbilled revenues	-	-	-	-	-	526,140
Other	198,446	-	-	198,446	259,708	456,330
Inventory	-	-	-	-	54,095	4,728,359
Prepaid items	-	-	-	-	778,951	128,975
Internal balances	1,936,048	-	(1,936,048)	-	-	-
Due from component units:						
Nome Joint Utility System	8,825	-	-	8,825	-	-
Other assets	-	-	-	-	-	467,064
Long-term:						
Restricted assets:						
Cash and short-term investments	2,527,783	989,076	-	3,516,859	-	-
Long-term notes receivable, due within one year	31,127	-	-	31,127	-	-
Long-term notes receivable, due in more than one year	217,975	-	-	217,975	-	-
Capital assets:						
Not being depreciated	25,614,811	17,128,488	-	42,743,299	-	1,392,893
Depreciated, net	30,953,914	22,329,712	-	53,283,626	2,008,157	100,599,215
Investment in ARC	-	-	-	-	-	1,646,012
Total assets	<u>75,153,765</u>	<u>42,956,272</u>	<u>(1,936,048)</u>	<u>116,173,989</u>	<u>6,566,497</u>	<u>112,625,276</u>
<b>Deferred outflows of resources</b>						
Pension deferrals	902,855	155,175	-	1,058,030	1,665,483	210,836
Deferred charges	-	-	-	-	-	682,943
Loss on refunding bonds	-	-	-	-	-	50,842
Total assets and deferred outflows of resources	<u>76,056,620</u>	<u>43,111,447</u>	<u>(1,936,048)</u>	<u>117,232,019</u>	<u>8,231,980</u>	<u>113,569,897</u>
<b>Liabilities and Deferred Inflows of Resources</b>						
Current:						
Accounts payable	558,591	163,810	-	722,401	139,130	328,827
Line of credit	-	-	-	-	-	-
Unearned revenue	103,227	-	-	103,227	212,939	-
Accrued payroll	55,762	-	-	55,762	424,726	160,517
Accrued payroll liabilities	28,222	-	-	28,222	-	190,647
Accrued interest payable	-	47,460	-	47,460	-	118,031
Internal balances	-	1,936,048	(1,936,048)	-	-	-
Deposits payable	-	-	-	-	-	58,011
Prepaid services	294,043	802,613	-	1,096,656	-	-
Fuel loan payable	-	-	-	-	-	3,707,403
Noncurrent liabilities:						
Long-term debt due within one year	366,071	118,607	-	484,678	31,127	778,332
Long-term debt due in more than one year	6,044,240	4,128,431	-	10,172,671	217,969	12,703,989
Net pension liability	4,483,084	669,326	-	5,152,410	7,666,071	1,636,384
Compensated absences	360,194	-	-	360,194	55,600	-
Total current and noncurrent liabilities	<u>12,293,434</u>	<u>7,866,295</u>	<u>(1,936,048)</u>	<u>18,223,681</u>	<u>8,747,562</u>	<u>19,682,141</u>
<b>Deferred inflows of resources</b>						
Pension deferrals	76,150	15,069	-	91,219	130,458	29,006
Total liabilities and deferred inflows of resources	<u>12,369,584</u>	<u>7,881,364</u>	<u>(1,936,048)</u>	<u>18,314,900</u>	<u>8,878,020</u>	<u>19,711,147</u>
<b>Net Position:</b>						
Net investment in capital assets	51,495,988	35,211,162	-	86,707,150	1,759,061	88,458,945
Restricted for insurance reserve	-	-	-	-	-	125,500
Restricted for debt service	2,604,223	-	-	2,604,223	-	341,564
Restricted for E-911 surcharge	338,358	-	-	338,358	-	-
Restricted for causeway operations	-	989,076	-	989,076	-	-
Restricted for scholarships	-	-	-	-	10,860	-
Unrestricted	9,248,467	(970,155)	-	8,278,312	(2,415,961)	4,932,741
Total net position	<u>\$ 63,687,036</u>	<u>35,230,083</u>	<u>-</u>	<u>98,917,119</u>	<u>(646,040)</u>	<u>93,858,750</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, 2016

	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		
<b>Primary government:</b>									
Governmental activities:									
Legislative	\$ 169,124	240	201	-	(168,683)	-	(168,683)	-	-
Administrative	799,236	89,107	36,935	-	(673,194)	-	(673,194)	-	-
Information technology	210,466	-	2,694	-	(207,772)	-	(207,772)	-	-
Planning and engineering	131,870	-	-	-	(131,870)	-	(131,870)	-	-
City clerk	380,438	-	9,958	-	(370,480)	-	(370,480)	-	-
Police	2,567,290	23,750	184,450	-	(2,359,090)	-	(2,359,090)	-	-
Animal control	2,816	7,435	126	-	4,745	-	4,745	-	-
Fire	377,112	-	11,812	-	(365,300)	-	(365,300)	-	-
Ambulance	500,039	216,422	11,484	-	(272,133)	-	(272,133)	-	-
Public works	2,667,183	389,343	277,120	69,956	(1,930,764)	-	(1,930,764)	-	-
Recreation center	740,192	277,966	25,391	-	(436,835)	-	(436,835)	-	-
Swimming pool	137,554	52,971	3,592	-	(80,991)	-	(80,991)	-	-
Museum	390,329	829	11,498	8,954,593	8,576,591	-	8,576,591	-	-
Library	358,361	1,314	29,710	-	(327,337)	-	(327,337)	-	-
Visitor center	161,111	-	25	-	(161,086)	-	(161,086)	-	-
Education	3,476,055	-	-	218,234	(3,257,821)	-	(3,257,821)	-	-
Non-departmental	338,364	-	8,710	-	(329,654)	-	(329,654)	-	-
Unallocated interest	154,449	-	-	-	(154,449)	-	(154,449)	-	-
Total governmental activities	<u>13,561,989</u>	<u>1,059,377</u>	<u>613,706</u>	<u>9,242,783</u>	<u>(2,646,123)</u>	<u>-</u>	<u>(2,646,123)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Port	<u>2,893,906</u>	<u>1,463,186</u>	<u>40,126</u>	<u>5,447,743</u>	<u>-</u>	<u>4,057,149</u>	<u>4,057,149</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 16,455,895</u>	<u>2,522,563</u>	<u>653,832</u>	<u>14,690,526</u>	<u>(2,646,123)</u>	<u>4,057,149</u>	<u>1,411,026</u>	<u>-</u>	<u>-</u>
Component Unit:									
Nome Public Schools	\$ 18,901,327	500,697	3,563,974	192,813	-	-	(14,643,843)	-	-
Nome Joint Utility System	17,738,714	13,977,464	-	686,401	-	-	-	(3,074,849)	-
Total component units	<u>\$ 36,640,041</u>	<u>14,478,161</u>	<u>3,563,974</u>	<u>879,214</u>	<u>-</u>	<u>-</u>	<u>(14,643,843)</u>	<u>(3,074,849)</u>	<u>-</u>
General revenues:									
Taxes:									
Property taxes	-	-	-	-	\$ 3,157,862	-	3,157,862	-	-
Sales taxes	-	-	-	-	5,099,899	-	5,099,899	-	-
Payments in lieu of taxes	-	-	-	-	347,673	-	347,673	-	-
Penalties and interest	-	-	-	-	60,989	-	60,989	-	-
Bed taxes	-	-	-	-	151,997	-	151,997	-	-
Fines and forfeitures	-	-	-	-	8,509	-	8,509	-	-
Grants not restricted to specific programs	-	-	-	-	1,117,473	-	1,117,473	9,492,901	66,403
E-rate revenue	-	-	-	-	-	-	-	1,808,353	-
Investment earnings	-	-	-	-	76,029	17,126	93,155	-	689
Appropriation from City of Nome	-	-	-	-	-	-	-	2,014,952	-
Rentals and royalties	-	-	-	-	222,683	-	222,683	-	24,050
Gain on sale of equipment	-	-	-	-	82,250	-	82,250	-	110,899
Other	-	-	-	-	31,973	-	31,973	400,596	388,000
Total general revenues	-	-	-	-	<u>10,357,337</u>	<u>17,126</u>	<u>10,374,463</u>	<u>13,716,802</u>	<u>590,041</u>
Change in net position	-	-	-	-	7,711,214	4,074,275	11,785,489	(927,041)	(2,484,808)
Net position, beginning of year	-	-	-	-	<u>55,975,822</u>	<u>31,155,808</u>	<u>87,131,630</u>	<u>281,001</u>	<u>96,343,558</u>
Net position, end of year	-	-	-	-	<u>\$ 63,687,036</u>	<u>35,230,083</u>	<u>98,917,119</u>	<u>(646,040)</u>	<u>93,858,750</u>

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

## CITY OF NOME, ALASKA

## Governmental Funds

## Balance Sheet

June 30, 2016

<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	\$ 9,704,366	-	-	9,704,366
Restricted cash	-	-	2,527,783	2,527,783
Receivables:				
Property tax levies due in subsequent year	3,171,662	-	-	3,171,662
Delinquent taxes, net of \$30,612 allowance for doubtful accounts	168,968	-	-	168,968
Sales and bed taxes, net of \$6,499 allowance for doubtful accounts	491,752	-	-	491,752
State of Alaska and federal government	33,726	26,176	68,186	128,088
Other	175,492	-	22,954	198,446
Due from other funds:				
General Fund	-	66,848	1,430,439	1,497,287
Port Facility Enterprise Fund	1,936,048	-	-	1,936,048
Other Governmental Funds	22,885	-	-	22,885
Due from component units:				
Nome Joint Utility System	8,825	-	-	8,825
Nome Public Schools	249,102	-	-	249,102
Total assets	<u>\$ 15,962,826</u>	<u>93,024</u>	<u>4,049,362</u>	<u>20,105,212</u>
<u>Liabilities, deferred inflows of resources, and fund balances</u>				
Liabilities:				
Accounts payable	175,043	93,024	290,524	558,591
Unearned revenue	14,522	-	88,705	103,227
Accrued payroll	55,762	-	-	55,762
Accrued payroll liabilities	28,222	-	-	28,222
Due to other funds:				
General Fund	-	-	22,885	22,885
Other Governmental Funds	1,430,439	-	-	1,430,439
Richard Foster Building Fund	66,848	-	-	66,848
Prepaid services	294,043	-	-	294,043
Total liabilities	<u>2,064,879</u>	<u>93,024</u>	<u>402,114</u>	<u>2,560,017</u>
Deferred inflows of resources:				
Unavailable property taxes	<u>3,318,039</u>	<u>-</u>	<u>-</u>	<u>3,318,039</u>
Total liabilities and deferred inflows	<u>5,382,918</u>	<u>93,024</u>	<u>402,114</u>	<u>5,878,056</u>
Fund balances:				
Non-spendable:				
School loan receivable	249,102	-	-	249,102
Restricted:				
Debt service	-	-	2,604,223	2,604,223
E-911 surcharge	-	-	338,358	338,358
Committed:				
Equipment replacement	737,040	-	-	737,040
Assigned:				
AMLIP landfill	1,594,952	-	-	1,594,952
Clara Mielke Richards estate	278,369	-	-	278,369
PERS	1,139,538	-	-	1,139,538
NJUS note	1,010	-	-	1,010
Pro Equity TVI landfill	1,255,986	-	-	1,255,986
Reinvestment	358,106	-	-	358,106
Landfill	751,026	-	704,667	1,455,693
Unassigned	4,214,779	-	-	4,214,779
Total fund balances	<u>10,579,908</u>	<u>-</u>	<u>3,647,248</u>	<u>14,227,156</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 15,962,826</u>	<u>93,024</u>	<u>4,049,362</u>	<u>20,105,212</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, 2016

Amounts reported as fund balances on the governmental funds		\$ 14,227,156
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds net of accumulated depreciation of \$51,516,846		56,568,725
Proportionate share of the collective net position liability: PERS		(4,483,084)
Deferred inflow and outflow of resources are the result of timing differences in the actuarial report.		
Pension related assets in the current fiscal year are presented as deferred outflows of resources: PERS		902,855
Pension related liabilities in the current fiscal year are presented as deferred inflows of resources: PERS		(76,150)
Other long-term assets, are not available to pay current year expenditures and, therefore, are deferred inflows in the funds Property taxes		3,318,039
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	(360,194)	
General obligation bonds	(4,763,000)	
Premium on general obligation bonds	(309,737)	
Landfill loan	(460,585)	
Landfill closure and post closure care costs	(876,989)	(6,770,505)
		<u>(6,770,505)</u>
Net position of governmental activities		\$ <u>63,687,036</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, 2016

	General Fund	Richard Foster Building Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Local sources:				
Taxes:				
Property taxes	\$ 2,998,413	-	-	2,998,413
Sales taxes	5,099,899	-	-	5,099,899
Payments in lieu of taxes	347,673	-	-	347,673
Penalties and interest	60,989	-	-	60,989
Bed tax	151,997	-	-	151,997
Charges for services:				
Licenses, permits, and fees	93,459	-	-	93,459
Other	965,918	-	-	965,918
Fines and forfeitures	8,509	-	-	8,509
Investment income	36,630	-	39,399	76,029
Rental and royalties	222,683	-	-	222,683
Contributions	21,975	-	-	21,975
Other	570	-	3,216,910	3,217,480
Total local sources	<u>10,008,715</u>	<u>-</u>	<u>3,256,309</u>	<u>13,265,024</u>
Intergovernmental:				
State of Alaska	805,249	6,081,093	246,479	7,132,821
Federal sources	457,452	-	87,218	544,670
Total intergovernmental	<u>1,262,701</u>	<u>6,081,093</u>	<u>333,697</u>	<u>7,677,491</u>
Total revenues	<u>11,271,416</u>	<u>6,081,093</u>	<u>3,590,006</u>	<u>20,942,515</u>
<b>Expenditures:</b>				
Current:				
Legislative	188,107	-	-	188,107
Administrative	672,829	-	11,757	684,586
Information technology	190,789	-	-	190,789
Planning and engineering	131,870	-	-	131,870
City clerk	334,085	-	-	334,085
Police	2,046,766	-	86,722	2,133,488
Animal control	2,816	-	-	2,816
Fire	334,062	-	6,071	340,133
Ambulance	280,567	-	6,072	286,639
Public works	1,807,688	-	2,625	1,810,313
Recreation center	711,997	-	-	711,997
Swimming pool	146,423	-	-	146,423
Museum	331,227	-	9,143	340,370
Library	298,403	-	19,856	318,259
Visitor center	161,111	-	-	161,111
Education	2,018,327	-	-	2,018,327
Non-departmental	77,909	-	228,372	306,281
Debt service:				
Principal	92,137	-	320,000	412,137
Interest	8,291	-	146,158	154,449
Capital outlay	-	6,081,093	3,040,372	9,121,465
Total expenditures	<u>9,835,404</u>	<u>6,081,093</u>	<u>3,877,148</u>	<u>19,793,645</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,436,012</u>	<u>-</u>	<u>(287,142)</u>	<u>1,148,870</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	467,250	-	-	467,250
Transfers in	-	-	442,094	442,094
Transfers out	(442,068)	-	(26)	(442,094)
Net other financing sources (uses)	<u>25,182</u>	<u>-</u>	<u>442,068</u>	<u>467,250</u>
Net change in fund balance	1,461,194	-	154,926	1,616,120
Fund balance, beginning of year	9,118,714	-	3,492,322	12,611,036
Fund balance, ending of year	<u>\$ 10,579,908</u>	<u>-</u>	<u>3,647,248</u>	<u>14,227,156</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, 2016

Net change in fund balance - total governmental funds		\$	1,616,120
Amounts reported for governmental activities in the statement of activities are different because:			
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Change in the unfunded net pension liability:			
PERS			(1,525,622)
Changes in deferred inflows and outflows of resources are the result of timing differences in the actuarial report and adjustments to reflect employer and non-employer contributions based on the measurement date of the liability			
PERS			781,159
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	\$	9,284,137	
Depreciation expense		<u>(2,631,889)</u>	6,652,248
Governmental funds report only the revenue from the sale of capital assets to the extent of the proceeds received from the sale. In the Statement of Activities, a gain or loss is reported for each sale. The net effect of transactions involving capital assets is to decrease net position.			
Cost of assets disposed		(424,948)	
Accumulated depreciation of assets disposed		<u>39,948</u>	(385,000)
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			159,449
The issuance of long-term debt and accrual of compensated absences provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:			
Principal repayments	\$	412,137	
Amortization of bond premium		31,403	
Increase in landfill post closure costs		(42,759)	
Compensated absences		<u>12,079</u>	<u>412,860</u>
Change in net position of governmental activities		\$	<u><u>7,711,214</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<b>Local sources:</b>				
<b>Taxes:</b>				
Property taxes	\$ 3,027,416	2,998,413	2,998,413	-
Sales taxes	5,208,000	5,099,899	5,099,899	-
Payments in lieu of taxes	317,677	347,673	347,673	-
Penalties and interest	53,000	60,989	60,989	-
Bed tax	141,000	151,997	151,997	-
<b>Charges for services</b>				
Licenses, permits, and fees	70,720	93,459	93,459	-
Other	992,820	965,918	965,918	-
Fines and forfeitures	5,500	8,509	8,509	-
Investment income	9,592	36,630	36,630	-
Rental and royalties	184,969	222,683	222,683	-
Contributions	2,500	21,975	21,975	-
Other	467,250	570	570	-
<b>Total local sources</b>	<b>10,480,444</b>	<b>10,008,715</b>	<b>10,008,715</b>	<b>-</b>
<b>Intergovernmental:</b>				
State of Alaska	328,499	805,249	805,249	-
Federal sources	437,725	457,452	457,452	-
<b>Total revenues</b>	<b>11,246,668</b>	<b>11,271,416</b>	<b>11,271,416</b>	<b>-</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Legislative	179,263	188,107	188,107	-
Administrative	787,024	672,829	672,829	-
Information technology	262,210	190,789	190,789	-
Planning and engineering	130,095	131,870	131,870	-
City clerk	382,083	334,085	334,085	-
Police	2,288,703	2,046,766	2,046,766	-
Animal control	17,400	2,816	2,816	-
Fire	348,581	334,062	334,062	-
Ambulance	321,669	280,567	280,567	-
Public works	1,878,723	1,807,688	1,807,688	-
Recreation center	769,879	711,997	711,997	-
Swimming pool	196,910	146,423	146,423	-
Museum	303,500	331,227	331,227	-
Library	288,277	298,403	298,403	-
Visitor center	165,486	161,111	161,111	-
Education	2,018,662	2,018,327	2,018,327	-
Non-departmental	86,245	77,909	77,909	-
<b>Debt service:</b>				
Principal	-	92,137	92,137	-
Interest	159,943	8,291	8,291	-
<b>Total expenditures</b>	<b>10,584,653</b>	<b>9,835,404</b>	<b>9,835,404</b>	<b>-</b>
<b>Excess of revenues over expenditures</b>	<b>662,015</b>	<b>1,436,012</b>	<b>1,436,012</b>	<b>-</b>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	467,250	467,250	467,250	-
Transfers out	(573,312)	-	(442,068)	442,068
<b>Net other financing sources (uses)</b>	<b>(106,062)</b>	<b>467,250</b>	<b>25,182</b>	<b>442,068</b>
<b>Net change in fund balance</b>	<b>\$ 555,953</b>	<b>1,903,262</b>	<b>1,461,194</b>	<b>442,068</b>
Fund balance, beginning of year			9,118,714	
Fund balance, ending of year			<b>\$ 10,579,908</b>	

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

## CITY OF NOME, ALASKA

## Port Facility Enterprise Fund

## Balance Sheet

June 30, 2016

Assets and Deferred Outflows of Resources

Current assets:	
Unrestricted:	
Cash and cash equivalents	\$ 1,539,737
Accounts receivable, net of \$65,889 allowance for doubtful accounts	156,538
Due from the State of Alaska	812,721
Total unrestricted current assets	<u>2,508,996</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	989,076
Capital assets:	
Not being depreciated	17,128,488
Depreciated, net	22,329,712
Total non-current assets	<u>40,447,276</u>
Deferred outflows of resources:	
Pension deferrals	155,175
Total assets and deferred outflows of resources	<u>\$ 43,111,447</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:	
Bonds payable - current portion	118,607
Accounts payable	163,810
Accrued interest payable	47,460
Due to General Fund	1,936,048
Prepaid lease revenue	802,613
Total current liabilities	<u>3,068,538</u>
Non-current liabilities:	
Bonds payable	4,128,431
Net pension liability	669,326
Total current and non-current liabilities	<u>7,866,295</u>
Deferred inflows of resources	
Pension deferrals	15,069
Total liabilities and deferred inflows of resources	<u>7,881,364</u>
Net position:	
Net investment in capital assets	35,211,162
Restriction for causeway operation	989,076
Unrestricted	(970,155)
Total net position	<u>35,230,083</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 43,111,447</u>

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

## CITY OF NOME, ALASKA

## Port Facility Enterprise Fund

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

Year Ended June 30, 2016

Operating revenues:	
Causeway terminal facility	\$ 642,180
Seawall terminal facility	413,361
Industrial park	318,450
Other	89,195
Total operating revenues	<u>1,463,186</u>
Operating expenses:	
Direct expenses:	
Causeway terminal facility	423,001
Seawall terminal facility	119,067
Industrial park	128,303
Total direct expenses	<u>670,371</u>
General and administrative expenses:	
Other	<u>660,586</u>
Total operating expenses, excluding depreciation	<u>1,330,957</u>
Depreciation:	
Causeway terminal facility	928,368
Seawall terminal facility	245,550
Quarry terminal facility	196,136
Industrial park	20,155
Vehicles	13,216
Total depreciation	<u>1,403,425</u>
Total operating expenses	<u>2,734,382</u>
Operating (loss)	<u>(1,271,196)</u>
Non-operating income (expenses):	
Interest income	17,126
Interest expense	(159,524)
Intergovernmental	40,126
Total non-operating income (expense)	<u>(102,272)</u>
(Loss) before capital contributions	(1,373,468)
Capital contributions	<u>5,447,743</u>
Change in net position	4,074,275
Net position, beginning of year	<u>31,155,808</u>
Net position, end of year	<u>\$ 35,230,083</u>

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

## CITY OF NOME, ALASKA

## Port Facility Enterprise Fund

## Statement of Cash Flows

Year Ended June 30, 2016

Cash flows provided (used) by operating activities:	
Receipts from customers and users	\$ 1,648,486
Payments to employees	(954,356)
Payments to vendors	(1,353,804)
Net cash (used) by operating activities	<u>(659,674)</u>
Cash flows from noncapital financing activities-	
Internal activity- payments to/from other funds	(1,136,486)
Deferred outflows- pension	(115,560)
Deferred inflows- pension	(18,889)
Pension	301,908
Net cash flows (used) by noncapital financing activities	<u>(969,027)</u>
Cash flows provided (used) by capital and related financing activities:	
Principal paid on debt	(113,945)
Interest paid on debt	(161,055)
Capital contributions	5,996,709
Acquisition of capital assets	(5,460,840)
Net cash provided by capital and related financing activities	<u>260,869</u>
Cash flows provided by investing activities:	
Interest income	<u>17,126</u>
Net (decrease) in cash and cash equivalents	(1,350,706)
Cash and cash equivalents at beginning of year	<u>3,879,519</u>
Cash and cash equivalents at end of year	\$ <u><u>2,528,813</u></u>
Composed of:	
Unrestricted cash and cash equivalents	1,539,737
Restricted cash and cash equivalents	989,076
	\$ <u><u>2,528,813</u></u>
Reconciliation of change in net assets to cash provided by operating activities:	
Operating (loss)	(1,271,196)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,403,425
Bad debt expense	3,077
On-behalf payment	40,126
Changes in assets and liabilities that provided (used) cash:	
Accounts receivable	218,795
Accounts payable	(1,012,329)
Unearned revenue	(5,000)
Prepaid lease revenue	(36,572)
Net cash (used) by operating activities	\$ <u><u>(659,674)</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, 2016

Assets

Investments:

ICMA Retirement Corporation  
The Hartford

\$	248,060
	<u>1,308,781</u>
\$	<u><u>1,556,841</u></u>

Net Position

Held in trust for:

Deferred compensation plan

\$	<u><u>1,556,841</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF NOME, ALASKA  
 Fiduciary Fund - Deferred Compensation Plan  
 Statement of Changes in Fiduciary Net Position  
 Year Ended June 30, 2016

Additions:	
Contributions	\$ 63,474
Investment (loss)	<u>(76,978)</u>
Total additions	<u>(13,504)</u>
Deductions:	
Regular benefit payments	<u>380,074</u>
Change in net position	(393,578)
Net position, beginning of year	<u>1,950,419</u>
Net position, end of year	<u>\$ 1,556,841</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, 2016

**(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.

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

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

## CITY OF NOME, ALASKA

### Notes to the Financial Statements, Continued

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

The City reports the following major governmental funds:

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

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 than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed and depreciated on a straight-line basis.

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.

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

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

	<u>Life in years</u>
Causeway	40
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.

## 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 Balances***

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

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

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

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

## 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.

## 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	\$1,000,000,000 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

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

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

The carrying amount of notes receivable and notes payable approximates fair value for those financial instruments with interest at variable rates, as those rates approximate current market rates for notes with similar maturities and credit quality.

(2) **Property Taxes**

Property taxes attach as an enforceable lien on property. Taxes are levied on the assessed value of taxable property as of January 1. Pursuant to Alaska Statute 29.53.170, the City establishes the mill rate on or before June 15. Tax bills mailed prior to July 1 are payable in two installments on July 15 and October 15. City property tax revenues are recognized in the fiscal year in which they become collectable. At June 30, 2016 the real and personal property tax levy of \$3,318,039 is reflected as deferred inflows of resources in the General Fund.

At June 30, 2016, property tax receivables included the following:

2016 real and personal property taxes due in fiscal year 2017	\$	3,171,662
Real and personal property taxes currently past due		<u>199,580</u>
		3,371,242
Less estimated allowance for doubtful collections		<u>30,612</u>
	\$	<u>3,340,630</u>

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

As of June 30, 2016, the City had the following investments:

<b>Investment type</b>	<b>Fair Value</b>	<b>Investment maturities (in years)</b>		
		<b>Less than 1</b>	<b>1 to 5</b>	<b>5-10</b>
Large Cap Equity	\$ 962,938	962,938	-	-
Mid Cap Equity	135,199	135,199	-	-
International Equity Fund	48,526	48,526	-	-
Balanced Funds	165,211	165,211	-	-
Bonds	<u>244,967</u>	<u>244,967</u>	<u>-</u>	<u>-</u>
Total investments in deferred compensation	\$ <u>1,556,841</u>	<u>1,556,841</u>	<u>-</u>	<u>-</u>
Money Market Funds	4,136,334	4,136,334	-	-
Fixed Income	<u>1,657,707</u>	<u>249,625</u>	<u>1,408,082</u>	<u>-</u>
Total	\$ <u>5,794,041</u>	<u>4,385,959</u>	<u>1,408,082</u>	<u>-</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

At June 30, 2016, the City had \$1,556,841 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.

**(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	\$ 620,921	47.6%
General	127,311	9.7%
Janus Twenty	116,085	8.9%
FA Growth OPPS	70,620	5.4%
Janus Enterprise	70,424	5.4%
HTFD UISHRT Bond H6S	66,213	5.1%

**(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, 2016.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

Reconciliation to the City's June 30, 2016 financial statements follows:

Petty cash	\$	700
Demand deposits		8,966,221
Fixed Income		1,657,707
Money market funds		4,136,334
Investment in deferred compensation plans		<u>1,556,841</u>
	\$	<u>16,317,803</u>
Governmental activities	\$	12,232,149
Business type activities		2,528,813
Fiduciary activity		<u>1,556,841</u>
	\$	<u>16,317,803</u>

**(4) Receivables**

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

	General Fund	Richard Foster Building Capital Project Fund	Other Governmental Funds	Total Governmental Funds	Business-type Activities	Total
Receivables:						
Property tax	\$ 3,371,242	-	-	3,371,242	-	3,371,242
Sales and bed tax	498,251	-	-	498,251	-	498,251
State of Alaska and Federal Government	33,726	26,176	68,186	128,088	812,721	940,809
Accounts - unrestricted	-	-	-	-	222,427	222,427
Other	175,492	-	22,954	198,446	-	198,446
Gross receivables	<u>4,078,711</u>	<u>26,176</u>	<u>91,140</u>	<u>4,196,027</u>	<u>1,035,148</u>	<u>5,231,175</u>
Less: allowance for uncollectibles	37,111	-	-	37,111	65,889	103,000
Net total receivables	<u>\$ 4,041,600</u>	<u>26,176</u>	<u>91,140</u>	<u>4,158,916</u>	<u>969,259</u>	<u>5,128,175</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:

	Unavailable	Unearned
Deferred Inflows (General Fund)	\$ 3,318,039	-
Grant advances prior to expending all proceeds	-	<u>103,227</u>
Total unavailable/unearned revenue	\$ <u>3,158,590</u>	<u>103,227</u>

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

(5) **Investments**

The City of Nome categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City of Nome has the following recurring fair value measurements as of June 30, 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Money market	\$ 4,136,334	4,136,334	-	-
Fixed income	<u>1,657,707</u>	<u>1,657,707</u>	-	-
Total	\$ <u>5,794,041</u>	<u>5,794,041</u>	-	-
Deferred compensation:				
Bonds	244,967	244,967	-	-
Equity securities:				
Large Cap	962,938	962,938	-	-
Mid Cap	135,199	135,199	-	-
International Equity Fund	48,526	48,526	-	-
Balanced Funds	<u>165,211</u>	<u>165,211</u>	-	-
Total equity securities	<u>1,311,874</u>	<u>1,311,874</u>	-	-
Total investments in deferred compensation	\$ <u>1,556,841</u>	<u>1,556,841</u>	-	-

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

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

A schedule of changes in long-term notes for the year ended June 30, 2016 follows:

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2016</u>
Renovation note	\$ <u>279,160</u>	<u>-</u>	<u>30,058</u>	<u>249,102</u>

CITY OF NOME, ALASKA

Notes to Financial Statements, Continued

Annual payment requirements to maturity follow:

Year Ending			
June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	35,797	3,552	39,349
2022-2025	<u>80,873</u>	<u>3,267</u>	<u>84,140</u>
	<u>\$ 249,102</u>	<u>31,783</u>	<u>280,885</u>

(7) **Capital Assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance at July 1, 2015</u>	<u>Increases</u>	<u>Decreases and transfers</u>	<u>Balance at June 30, 2016</u>
Governmental activities:				
Capital assets not being depreciated:				
Land general government	\$ 6,734,115	73,613	358,800	6,448,928
Land-schools	749,400	-	26,200	723,200
Artwork	247,975	-	-	247,975
Construction in progress	9,375,548	8,989,007	169,847	18,194,708
Total	<u>17,107,038</u>	<u>9,062,620</u>	<u>554,847</u>	<u>25,614,811</u>
Capital assets being depreciated:				
Buildings-general government	25,075,640	15,523	7,200	25,083,963
Buildings-schools	48,628,338	-	-	48,628,338
Vehicles, trucks and trailers	5,857,286	106,159	32,748	5,930,697
Assets other than buildings	1,002,098	235,004	-	1,237,102
Machinery and equipment	827,074	34,678	-	861,752
Office machinery and equipment	728,908	-	-	728,908
Total	<u>82,119,344</u>	<u>391,364</u>	<u>39,948</u>	<u>82,470,760</u>
Less accumulated depreciation:				
Buildings-general government	11,929,696	660,501	7,200	12,582,997
Buildings-schools	30,237,509	1,457,728	-	31,695,237
Vehicles, trucks and trailers	4,720,521	341,696	32,748	5,029,469
Assets other than buildings	865,077	61,756	-	926,833
Machinery and equipment	597,395	59,309	-	656,704
Office machinery and equipment	574,707	50,899	-	625,606
Total	<u>48,924,905</u>	<u>2,631,889</u>	<u>39,948</u>	<u>51,516,846</u>
Total capital assets, being depreciated, net	<u>33,194,439</u>	<u>(2,240,525)</u>	<u>-</u>	<u>30,953,914</u>
Governmental activities	<u>\$ 50,301,477</u>	<u>6,822,095</u>	<u>554,847</u>	<u>56,568,725</u>

CITY OF NOME, ALASKA

Notes to Financial Statements, Continued

	Balance at <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Balance at <u>June 30, 2016</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	10,344,192	5,460,840	4,566,327	-	11,238,705
Total	<u>16,233,975</u>	<u>5,460,840</u>	<u>4,566,327</u>	<u>-</u>	<u>17,128,488</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	361,596	-	-	32,748	394,344
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	4,453,500	4,566,327	-	-	9,019,827
Total	<u>46,559,864</u>	<u>4,566,327</u>	<u>-</u>	<u>32,748</u>	<u>51,158,939</u>
Less accumulated depreciation:					
Small boat harbor	1,606,096	160,958	-	-	1,767,054
Causeway	19,858,998	714,567	-	-	20,573,565
Buildings	435,660	9,482	-	-	445,142
Machinery and equipment	252,677	47,199	-	32,748	332,624
Quarry Jetty	1,238,262	196,136	-	-	1,434,398
C-Cell dock-North	999,498	61,833	-	-	1,061,331
C-Cell dock-South	1,099,065	51,098	-	-	1,150,163
Other	1,902,798	162,152	-	-	2,064,950
Total	<u>27,393,054</u>	<u>1,403,425</u>	<u>-</u>	<u>32,748</u>	<u>28,829,227</u>
Total capital assets, being depreciated, net	<u>19,166,810</u>	<u>3,162,902</u>	<u>-</u>	<u>-</u>	<u>22,329,712</u>
Business-type activities	<u>\$ 35,400,785</u>	<u>8,623,742</u>	<u>4,566,327</u>	<u>-</u>	<u>39,458,200</u>

A fully depreciated vehicle was transferred from governmental activities to the port fund. The cost is \$32,748 and the accumulated depreciation transferred is \$32,748

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	\$ 13,500
Administrative	30,482
Information technology	11,657
City clerk	6,251
Police	248,804
Fire	12,917
Ambulance	189,338
Public works	561,727
Recreation center	94,040
Swimming pool	3,608
Museum	1,837
Education	<u>1,457,728</u>
Total depreciation	<u>2,631,889</u>

Business-type activities

Port	\$ <u>1,403,425</u>
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**(8) Long-Term Debt**

(a) Changes in long-term debt follows:

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Due within one year
Governmental activities:					
Compensated absences	\$ 372,273	412,366	424,445	360,194	-
General obligation bonds	5,083,000	-	320,000	4,763,000	330,000
Premium on general obligation bonds	341,140	-	31,403	309,737	-
Landfill loan	552,722	-	92,137	460,585	36,071
Landfill closure and postclosure costs	<u>834,230</u>	<u>42,759</u>	<u>-</u>	<u>876,989</u>	<u>-</u>
	<u>7,183,365</u>	<u>455,125</u>	<u>867,985</u>	<u>6,770,505</u>	<u>366,071</u>
Business-type activities:					
Revenue bonds	\$ <u>4,360,983</u>	<u>-</u>	<u>113,945</u>	<u>4,247,038</u>	<u>118,607</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, 2016 follows:

Year ending June 30	1986 Series A	
	Port Revenue Bonds	
	Principal	Interest
2017	\$ 118,607	170,816
2018	123,460	165,964
2019	128,510	160,913
2020	133,767	155,657
2021	139,240	150,183
2022-2026	786,449	660,666
2027-2031	951,033	486,085
2032-2036	1,174,368	272,750
2037-2041	691,604	41,960
	<u>\$ 4,247,038</u>	<u>2,264,994</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, 2016 follows:

Year ending June 30	2003 QZAB		2007 A		2009 II			
	School G.O. Bonds		School G.O. Bonds		School G.O. Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest		
2017	-	-	145,000	32,419	25,000	3,806		
2018	-	-	155,000	25,247	30,000	2,775		
2019	1,798,000	-	165,000	17,859	30,000	1,425		
2020	-	-	170,000	10,618	-	-		
2021	-	-	175,000	3,610	-	-		
2022-2026	-	-	-	-	-	-		
2027-2031	-	-	-	-	-	-		
	\$ <u>1,798,000</u>	<u>-</u>	<u>810,000</u>	<u>89,753</u>	<u>85,000</u>	<u>8,006</u>		

  

Year ending June 30	2012		2015		Total		Total
	School G.O. Bonds		School G.O. Bonds		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	105,000	43,200	55,000	50,675	330,000	130,100	460,100
2018	110,000	38,900	60,000	48,650	355,000	115,572	470,572
2019	115,000	33,825	65,000	46,150	2,173,000	99,259	2,272,259
2020	120,000	27,950	90,000	43,050	380,000	81,618	461,618
2021	125,000	21,825	100,000	38,750	400,000	64,185	464,185
2022-2026	400,000	29,350	580,000	111,250	980,000	140,600	1,120,600
2027-2031	-	-	<u>145,000</u>	<u>11,125</u>	<u>145,000</u>	<u>11,125</u>	<u>156,125</u>
	\$ <u>975,000</u>	<u>195,050</u>	<u>1,095,000</u>	<u>349,650</u>	<u>4,763,000</u>	<u>642,459</u>	<u>5,405,459</u>

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 \$1,392,028, with interest earning of \$389,704.

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 \$134,168 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. For the year ended June 30, 2016 the City amortized \$8,800 and \$5,831 leaving \$105,599 and \$69,970 respectively, of unamortized premiums.

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

A summary of long-term debt payable to the ADEC serviced directly by the City general government fund at June 30, 2016 follows:

Year ending June 30	ADEC Loan		Total
	Principal	Interest	
2017	36,071	6,909	42,980
2018	36,612	6,368	42,980
2019	37,162	5,818	42,980
2020	37,719	5,261	42,980
2021	38,285	4,695	42,980
2022-2026	274,736	16,296	291,032
	\$ 460,585	45,347	505,932

**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).

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

**(9) Interfund Receivables, Payables and Transfers**

**(a) Interfund Receivables and Payables**

A summary of interfund receivables and payables at June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Port Enterprise Fund	\$ 1,936,048
	Other Governmental Funds	22,885
Other Governmental Funds	General Fund	1,430,439
Richard Foster Building	General Fund	66,848
Total primary government		<u>\$ 3,456,220</u>

**(b) Interfund Transfers**

A summary of interfund transfers in and out of June 30, 2016 is as follows:

<u>Transfer in:</u>	<u>Transfer out:</u>		
	General	Other	
	Fund	Governmental	Total
Other governmental	\$ 442,068	-	442,068
Other governmental	-	26	26
Total	<u>\$ 442,068</u>	<u>26</u>	<u>442,094</u>

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.

**(10) Employee Retirement Systems and Plans**

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

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

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

*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.

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

<u>Plan Name</u>	<u>Type of Plan</u>
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 (DB)**

*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.

*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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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

*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 2016 the past service rate is 16.53%.

*Employee Contribution Rate.* The City PERS active members are required to contribute 6.75% (4.12% pension costs and 2.63% OPEB).

*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% (13.25% pension costs and 8.75% 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 27.19% (16.59% pension and 10.60% 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.

*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. As a result, the On-behalf Contribution Rate for 2016 is 5.19% (3.63% pension and 1.56% OPEB). 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 4.55% healthcare discount rate. The current rate is 96.52% (37.79% pension and 58.73% OPEB).

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

Employer contributions for the years ended June 30, 2016, 2015 and 2014 are as follows:

	Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2016	\$ 135,583	89,538	225,121
2015	167,307	126,214	293,521
2014	159,787	170,600	330,387

The defined benefit unfunded liability (DBUL) presented under the defined contribution plan includes employer contributions of \$140,980 (pension) and \$93,089 (OPEB).

For the year ended June 30, 2016 the State of Alaska contributed \$173,958 (70% pension costs, 30% OPEB) on-behalf of the City which has been recorded in the fund financial statements under the modified-accrual basis of accounting. In the government-wide financial statements the pension expense has been adjusted as of the measurement date of June 30, 2015 to a total of \$190,782, to represent the portion of the City's pension expense attributable to 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, 2016, 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	\$ 5,152,410
State's proportionate share of the net pension liability	<u>1,381,511</u>
Total	\$ <u>6,533,921</u>

\$4,483,084 of the net pension liability is reported in governmental activities, while \$669,326 is reported in the business-type activities.

The net pension liability was measured as of June 30, 2015, 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, 2015, the City's proportion was 0.1062%, which is an increase of 0.0349% from its proportion measured as of June 30, 2014.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

For the year ended June 30, 2016, the City recognized pension expense of \$1,467,109. At June 30, 2016, 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	\$ 6,006	-
Changes of assumptions	301,267	-
Net difference between projected and actual earnings on pension plan investments	-	91,219
Changes in proportion and differences between City contributions and proportionate share of contributions	474,194	-
City contributions subsequent to the measurement date	<u>276,563</u>	<u>-</u>
Total	<u>\$ 1,058,030</u>	<u>91,219</u>

\$276,563 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, 2017. 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>	
2017	\$ 656,856
2018	7,444
2019	(58,584)
2020	<u>84,532</u>
	<u>\$ 690,248</u>

For the year ending June 30, 2016, the City recognized amortization of \$564,796 (\$471,492 allocated to governmental activities and \$93,304 allocated to business-type activities) related to deferred inflows and outflows of resources.

*Actuarial Assumptions:* The total pension liability in the June 30, 2015 (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)



CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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.
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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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	\$ 6,849,693	5,152,410	3,723,473

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

*Plan Description and Funding Requirements.* Cities and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. 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): 1.68% 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.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

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, 2016 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution – pension (DC)	\$ 99,670	159,472
Other post-employment benefits (DB):		
Retiree medical plan	33,489	-
Occupational death and disability benefits	8,345	-
Other post-employment benefits (DC) –		
Health reimbursement agreement (HRA )	62,991	-
Defined benefit unfunded liability (DBUL)	<u>234,069</u>	<u>-</u>
	<u>\$ 438,564</u>	<u>159,472</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 61% pension and 39% OPEB.

Employer contributions for the years ended June 30, 2016, 2015 and 2014 are as follows:

	<u>Pensions</u>	<u>Other Post-Employment Benefits</u>	<u>Total</u>
2016	\$ 240,650	197,914	438,564
2015	204,918	181,654	386,572
2014	190,918	154,052	344,970

**(11) 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, 2016, based on the landfill capacities used as of that date. The \$876,988 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, 2016, 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.

**(12) 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.

**(13) 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.

**(14) 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.

## 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 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 77 – *Tax Abatement Disclosures*. Effective for fiscal years beginning after December 15, 2015.
- GASB 78 – *Pension Provided through Certain Multiple – Employer Defined Benefit Pension Plans*. Effective for fiscal years beginning after December 15, 2015.
- GASB 80 – *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. Effective for fiscal years beginning after June 15, 2016.
- GASB 81 – *Irrevocable Split –Interest Agreements*. Effective for fiscal years beginning after December 15, 2016.
- GASB 82 – *Pension Issues – an Amendment of GASB Statement No. 67, No. 68, and No. 73*

Statements 77, 78 and 81 are not expected to have any significant impact on the financial statements of the City.

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.

GASB Statement No. 80 – This statement amends the blending requirements for the financial statements presentation of component units of all State and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation when the primary government is the sole corporate member.

GASB Statement No. 82 – The objective of this statement is to address certain pension issues. This statement defines covered payroll in required supplementary information as “the payroll on which contributions to a pension plan are based, and the ratios that use that measure”. This statement also addresses classification of employer paid member contributions as being member contributions. Finally this statement addresses selection of assumptions and clarifies that a deviation is not considered in conformity with the requirements of GASB Statements No. 67, No.68, or No.73.

CITY OF NOME, ALASKA

Notes to the Financial Statements, Continued

**(16) Related Party**

The City made a required contribution of \$2,014,952 to and received \$30,058 principal payments from the City of Nome School District. The City of Nome guaranteed up to \$6,000,000 revenue anticipation note to Nome Joint Utility System (NJUS) to finance the purchase of diesel fuel for NJUS. Loan was paid during fiscal year 2016, in the amount of \$3,780,454. The City received payments for pilot and various fees in the amount of \$618,111.

**(17) Subsequent Events**

Management has evaluated subsequent events through January 27, 2017, the date which the financial statements became available for issue, and the following events were identified that would require disclosure according to generally accepted accounting principles.

A new fuel note to purchase fuel for Nome Joint Utility System (NJUS) in the summer of 2016 was issued as a City of Nome general obligation to Wells Fargo at an interest rate of 2.68%. NJUS is obligated to make direct payment as principal and interest come due, but pledged utility revenues to the City, equivalent to the note's declining balance outstanding plus 10% at any time in the event the Utility defaulted and the City was required to make payment in the event that the Utility defaulted and the City was required make payment.

Negotiation on the sale of the daycare, Gold Hill Tutit Ininat building is underway and expected to be finalized in the 2017 fiscal year. Payment of over \$1.3 million was made in November 2016. As a result, the rental income for FY2017 will be affected.

In November 2016, the City issued \$650,000 of 2016 Series A to refund \$665,000 of principal for the outstanding general obligation bonds, 2007 Series One. The bond was issued with a premium of \$38,753.

**REQUIRED SUPPLEMENTARY  
INFORMATION**



## CITY OF NOME, ALASKA

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

## Public Employees' Retirement System

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.1062%	0.0713%
City's proportionate share of net pension liability (asset)	\$ 5,152,410	3,324,880
State's proportionate share of the net pension liability (asset) associated with the City	1,381,511	3,063,690
Total	<u>\$ 6,533,921</u>	<u>6,388,570</u>
City's covered employee payroll	\$ 2,267,847	2,177,129
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	227%	153%
Plan fiduciary net position as a percentage of the total pension liability	63.96%	62.37%

Notes to schedule

1. Information presented for 2016 is based upon Plan measurement date June 30, 2015.
2. Measurement is one year prior to fiscal year end for all years presented.
3. 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, 2016 and 2015

	2016	2015
Contractually required contribution	\$ 276,563	284,388
Contributions in relation to the contractually required contribution	(276,563)	(284,388)
Contribution deficiency (excess)	-	-
City's covered-employee payroll	\$ 2,087,260	2,267,847
Contributions as a percentage of covered employee payroll	13.25%	12.54%

Notes to schedule

1. Valuation date: June 30, 2014
  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, 2016

	Special Revenue Funds							Total	Debt Service Fund
	E-911 SurchARGE	Local Emergency Planning Committee	NSEDC Community Benefits Share	NSEDC Community Employment Program	Public Library Assistance	Institute of Museum and Library Services Grant	FEMA Hazard Mitigation		
<u>Assets</u>									
Restricted cash	\$ -	-	-	-	-	-	-	-	2,527,783
Receivables:									
Federal	-	-	-	-	1,500	-	709	2,209	-
State of Alaska	-	6,223	-	-	-	-	236	6,459	59,518
Other	-	-	-	5,654	-	-	-	5,654	1,903
Due from other funds	345,393	-	69,981	-	-	1,772	-	417,146	16,848
Total assets	<u>\$ 345,393</u>	<u>6,223</u>	<u>69,981</u>	<u>5,654</u>	<u>1,500</u>	<u>1,772</u>	<u>945</u>	<u>431,468</u>	<u>2,606,052</u>
<u>Liabilities and Fund Balances</u>									
Liabilities:									
Accounts payable	7,035	2,072	-	-	1,043	1,772	260	12,182	-
Unearned revenue	-	-	69,981	-	-	-	-	69,981	-
Due to other funds	-	4,151	-	5,654	457	-	685	10,947	1,829
Total liabilities	<u>7,035</u>	<u>6,223</u>	<u>69,981</u>	<u>5,654</u>	<u>1,500</u>	<u>1,772</u>	<u>945</u>	<u>93,110</u>	<u>1,829</u>
Fund balances:									
Restricted:									
Debt service	-	-	-	-	-	-	-	-	2,604,223
E-911 SurchARGE	338,358	-	-	-	-	-	-	338,358	-
Assigned:									
Landfill	-	-	-	-	-	-	-	-	-
Total fund balances	<u>338,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>338,358</u>	<u>2,604,223</u>
	<u>\$ 345,393</u>	<u>6,223</u>	<u>69,981</u>	<u>5,654</u>	<u>1,500</u>	<u>1,772</u>	<u>945</u>	<u>431,468</u>	<u>2,606,052</u>

(Continued)

CITY OF NOME, ALASKA

Other Governmental Funds

Combining Balance Sheet, Continued

	Capital Project Funds					Total Other Governmental Funds
	Landfill	Nome Eskimo Roads	Rasmuson Museum Construction Development	NSEDC Museum Project	Total	
<u>Assets</u>						
Restricted cash	\$ -	-	-	-	-	2,527,783
Receivables:						
Federal	-	-	-	-	-	2,209
State of Alaska	-	-	-	-	-	65,977
Other	-	7,897	-	7,500	15,397	22,954
Due from other funds	704,667	-	291,778	-	996,445	1,430,439
Total assets	\$ <u>704,667</u>	<u>7,897</u>	<u>291,778</u>	<u>7,500</u>	<u>1,011,842</u>	<u>4,049,362</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	-	5,288	273,054	-	278,342	290,524
Unearned revenue	-	-	18,724	-	18,724	88,705
Due to other funds	-	2,609	-	7,500	10,109	22,885
Total liabilities	<u>-</u>	<u>7,897</u>	<u>291,778</u>	<u>7,500</u>	<u>307,175</u>	<u>402,114</u>
Fund balances:						
Restricted:						
Debt service	-	-	-	-	-	2,604,223
E-911 Surcharge	-	-	-	-	-	338,358
Assigned:						
Landfill	704,667	-	-	-	704,667	704,667
Total fund balances	<u>704,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>704,667</u>	<u>3,647,248</u>
	\$ <u>704,667</u>	<u>7,897</u>	<u>291,778</u>	<u>7,500</u>	<u>1,011,842</u>	<u>4,049,362</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, 2016

	Special Revenue Funds					
	E-911 Surcharge	Local Emergency Planning Committee	Public Library Assistance	SOA Technical Assistance	FEMA Hazard Mitigation	NPD SART Grant
Revenues:						
Local sources:						
Investment income	\$ -	-	-	-	-	-
Other	100,281	-	-	-	-	3,000
Intergovernmental:						
State of Alaska	-	12,143	7,946	7,500	656	-
Federal sources	-	-	4,910	913	1,969	2,470
Total revenues	<u>100,281</u>	<u>12,143</u>	<u>12,856</u>	<u>8,413</u>	<u>2,625</u>	<u>5,470</u>
Expenditures:						
Current:						
Administrative	-	-	-	-	-	-
Police	81,252	-	-	-	-	5,470
Fire	-	6,071	-	-	-	-
Ambulance	-	6,072	-	-	-	-
Public works	-	-	-	-	2,625	-
Museum	-	-	-	9,143	-	-
Library	-	-	12,856	-	-	-
Non-departmental	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>81,252</u>	<u>12,143</u>	<u>12,856</u>	<u>9,143</u>	<u>2,625</u>	<u>5,470</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,029</u>	<u>-</u>	<u>-</u>	<u>(730)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):						
Transfers (out)	-	-	-	-	-	-
Transfers in	-	-	-	730	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>730</u>	<u>-</u>	<u>-</u>
Net change in fund balances	19,029	-	-	-	-	-
Fund balances, beginning of year	<u>319,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u><u>338,358</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></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	\$ -	-	-	-	39,399
Other	228,372	11,757	-	343,410	-
Intergovernmental:					
State of Alaska	-	-	-	28,245	218,234
Federal sources	-	-	7,000	17,262	-
Total revenues	<u>228,372</u>	<u>11,757</u>	<u>7,000</u>	<u>388,917</u>	<u>257,633</u>
Expenditures:					
Current:					
Administrative	-	11,757	-	11,757	-
Police	-	-	-	86,722	-
Fire	-	-	-	6,071	-
Ambulance	-	-	-	6,072	-
Public works	-	-	-	2,625	-
Museum	-	-	-	9,143	-
Library	-	-	7,000	19,856	-
Non-departmental	228,372	-	-	228,372	-
Debt service:					
Principal	-	-	-	-	320,000
Interest	-	-	-	-	146,158
Capital outlay	-	-	-	-	-
Total expenditures	<u>228,372</u>	<u>11,757</u>	<u>7,000</u>	<u>370,618</u>	<u>466,158</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,299</u>	<u>(208,525)</u>
Other financing sources:					
Transfers (out)	-	-	-	-	(26)
Transfers in	-	-	-	730	344,448
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>730</u>	<u>344,422</u>
Net change in fund balances	-	-	-	19,029	135,897
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,329</u>	<u>2,468,326</u>
Fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>338,358</u>	<u>2,604,223</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	Weinberg Museum	Nome Eskimo Roads	Rasmuson Museum Construction Development	NSEDC Museum Project	Museum Bering Center Project	School Renovation and Repairs	
Revenues:								
Local sources:								
Investment income	\$ -	-	-	-	-	-	-	39,399
Other	-	100,000	-	1,281,276	1,462,880	29,344	-	3,216,910
Intergovernmental:								
State of Alaska	-	-	-	-	-	-	-	246,479
Federal sources	-	-	69,956	-	-	-	69,956	87,218
Total revenues	<u>-</u>	<u>100,000</u>	<u>69,956</u>	<u>1,281,276</u>	<u>1,462,880</u>	<u>29,344</u>	<u>2,943,456</u>	<u>3,590,006</u>
Expenditures:								
Current:								
Administrative	-	-	-	-	-	-	-	11,757
Police	-	-	-	-	-	-	-	86,722
Fire	-	-	-	-	-	-	-	6,071
Ambulance	-	-	-	-	-	-	-	6,072
Public works	-	-	-	-	-	-	-	2,625
Museum	-	-	-	-	-	-	-	9,143
Library	-	-	-	-	-	-	-	19,856
Non-departmental	-	-	-	-	-	-	-	228,372
Debt service:								
Principal	-	-	-	-	-	-	-	320,000
Interest	-	-	-	-	-	-	-	146,158
Capital outlay	-	100,000	166,846	1,281,276	1,462,880	29,344	26	3,040,372
Total expenditures	<u>-</u>	<u>100,000</u>	<u>166,846</u>	<u>1,281,276</u>	<u>1,462,880</u>	<u>29,344</u>	<u>26</u>	<u>3,877,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(96,890)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26)</u>	<u>(287,142)</u>
Other financing sources (uses):								
Transfers (out)	-	-	-	-	-	-	-	(26)
Transfers in	-	-	96,890	-	-	-	26	442,094
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>96,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>442,068</u>
Net change in fund balances	-	-	-	-	-	-	-	154,926
Fund balances, beginning of year	<u>704,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>704,667</u>	<u>3,492,322</u>
Fund balances, end of year	<u>\$ 704,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>704,667</u>	<u>3,647,248</u>



CITY OF NOME, ALASKA  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

<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	\$ 457,452	457,452
Passed through Nome Eskimo Community:				
Indian Reservation Road Fund	MOA	15.033	69,956	69,956
Total U.S. Department of Interior			<u>527,408</u>	<u>527,408</u>
U.S. Department of Justice:				
Passed through State of Alaska, Department of Public Safety:				
SART	None	16.588	2,470	2,470
U.S. Department of Homeland Security (Public Assistance Grant):				
Passed through the State of Alaska, Department of Military and Veterans Affairs:				
Military and Veterans Affairs:				
Hazard Mitigation	4161.0002	97.039	2,625	1,969
Cape Nome Quarry Dock	PW 0017	97.036	1,723,725	29,809
Total U.S. Department of Homeland Security			<u>1,726,350</u>	<u>31,778</u>
U.S. Department of Natural Resources:				
Passed through State of Alaska, Department of National Resources:				
Historic Preservation Fund Travel and Training	15024	15.904	913	913
U.S. Department of Commerce:				
Direct:				
Development Facilities	07-01-07058	11.300	1,000,000	476,617
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
Interlibrary Cooperation	ILC1674601	45.310	2,410	2,410
Total CFDA 45.310			<u>4,910</u>	<u>4,910</u>
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>11,910</u>	<u>11,910</u>
Total expenditures of federal awards			<u>\$ 3,269,051</u>	<u>1,051,096</u>
Reconciliation from Federal Financial Assistance to Federal sources revenues, Exhibit D-1:				
Above expenditures, per schedule			\$ 1,051,096	
Less: Capital Contributions, Port Facility Enterprise Fund			<u>(506,426)</u>	
Total Federal sources revenue Exhibit D-1			<u>\$ 544,670</u>	
See notes to the schedule				

CITY OF NOME, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

**Note 1. General**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the basic financial statements of the City.

**Note 2. Basis of Accounting**

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

**Note 3. Reporting Entity**

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

**Note 4. Subrecipients**

No federal funds were passed through to subrecipients.

## CITY OF NOME, ALASKA

## Schedule of State Financial Assistance

Year Ended June 30, 2016

<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	\$ 218,234	218,234
* Community Revenue Sharing	None	260,063	260,063
* Richard Foster Building	12-DC-406	14,000,000	6,081,093
* Port Design and Construction	13-GO-012	10,000,000	3,646,498
* Port of Nome Improvements	15-DC-112	3,000,000	1,086,286
Raw Fish	None	481	481
Total Department of Commerce, Community and Economic Development		<u>27,478,778</u>	<u>11,292,655</u>
Department of Military and Veterans Affairs:			
Division of Homeland Security and Emergency Management-			
Hazard Mitigation	4161.0002	875	656
Cape Nome Quarry Dock	PW 00017	574,575	9,937
Local Emergency Planning Committee	20LEPC-GY16	12,143	12,143
Total Department of Military and Veterans Affairs		<u>587,593</u>	<u>22,736</u>
Department of Education and Early Development:			
Digital Literacy Intensive	None	575	575
Small Libraries Institute of Continuing Education	None	521	521
Guys Read Program/SLICE Implementation Project	None	200	200
Journeyman Archival Processing Program	15024	7,500	7,500
Public Library Assistance	PLA-15-74655	6,650	6,650
Total Department of Education and Early Development		<u>15,446</u>	<u>15,446</u>
Department of Public Safety-			
Motor Vehicle License Tax	None	39,175	39,175
Department of Revenue:			
Liquor Licenses	None	20,600	20,600
Raw Fish	None	28,842	28,842
Total Department of Revenue:		<u>49,442</u>	<u>49,442</u>
Department of Administration-			
* PERS Employer On-Behalf	None	173,958	173,958
Department of Retirement and Benefits:			
* State insurance contribution	None	310,860	310,860
Total State Financial Assistance		<u>\$ 28,655,252</u>	<u>11,904,272</u>
Reconciliation from State Financial Assistance to State of Alaska revenues, Exhibit D-1:			
Above expenditures, per schedule		\$ 11,904,272	
Less: Intergovernmental, Port Facility Enterprise Fund		(28,730)	
Less: Capital Contributions, Port Facility Enterprise Fund		(4,742,721)	
Total State of Alaska revenue Exhibit D-1		<u>\$ 7,132,821</u>	

See notes to the schedule

CITY OF NOME, ALASKA

Notes to Schedule of State Financial Assistance

Year ended June 30, 2016

**Note 1. General**

The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of the City under programs of the State of Alaska for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirement of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the basic financial statements of the City.

**Note 2. Basis of Accounting**

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

**Note 3. Reporting Entity**

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

**Note 4. Subrecipients**

No State funds were passed through to subrecipients.

**Note 5. Major Programs**

\* Denotes a major program for compliance audit purposes.

# **COMPLIANCE REPORTS**

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the City of Nome, Alaska's basic financial statements, and have issued our report thereon dated January 27, 2017. Our report includes a reference to other auditors who audited the financial statements of Nome Joint Utility System 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.

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

Members of the City Council  
City of Nome, Alaska

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Anchorage, Alaska  
January 27, 2017

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

**Independent Auditor's Report**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Nome, Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Nome, Alaska's major federal programs for the year ended June 30, 2016. City of Nome, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying Federal Schedule of Findings and Questioned Costs.

City of Nome, Alaska's basic financial statements include the operations of Nome Public Schools and Nome Joint Utility System, component units, which received \$1,348,160 and \$0, respectively, in federal awards which is not included in City of Nome, Alaska's Schedule of Expenditures of Federal Awards during the year ended June 30, 2016. Our audit, described below, did not include the operations of Nome Public Schools and Nome Joint Utility System because the organizational units engaged other auditors to perform an audit.

**Management's Responsibility**

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

**Auditor's Responsibility**

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



Members of the City Council  
City of Nome, Alaska

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

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

In our opinion, City of Nome, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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

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

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

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

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

*Altman, Rogers & Co.*

Anchorage, Alaska  
January 27, 2017

CITY OF NOME, ALASKA  
 Federal Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2016

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

Financial Statements

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

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

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

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

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

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

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, 2 CFR 200.516(a)(3) or (4)?  Yes  No

Identification of major programs:

<u>CFDA Number(s)/Cluster</u>	<u>Name of Federal Program or Cluster</u>
15.226	Payments in Lieu of Taxes

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

Auditee qualified as low-risk auditee?  Yes  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, 2016. The City of Nome, Alaska's major state programs are identified in the accompanying Schedule of State Financial Assistance.

City of Nome, Alaska's basic financial statements include the operations of Nome Public Schools and Nome Joint Utility System, component units, which received \$11,274,227 and \$163,011 in state awards which is not included in City of Nome's Schedule of state Financial Assistance during the year ended June 30, 2016. Our audit, described below, did not include the operations of Nome Public Schools and the Nome Joint Utility System because the organizational units engaged other auditors to perform an audit.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Members of the City Council  
City of Nome, Alaska

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Nome, Alaska's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Nome, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major State Program**

In our opinion, City of Nome, Alaska, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

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

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

Members of the City Council  
City of Nome, Alaska

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

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

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



Anchorage, Alaska  
January 27, 2017

CITY OF NOME, ALASKA  
State Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

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

Financial Statements

Type of auditor’s report issued: Unmodified

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

Noncompliance material to financial statements noted?        Yes   X   No

State Financial Assistance

Internal control over major programs:  
Material weakness(es) identified?        Yes   X   No  
Significant deficiency(ies) identified?        Yes   X   None reported

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

Dollar threshold used to distinguish a state major program: \$ 100,000

**Section II – Financial Statement Findings**

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

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

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

**Section IV – Summary of Prior Year Audit Findings**

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