

**CITY OF NOME, ALASKA**

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

**Year Ended June 30, 2013**

*Altman, Rogers  
& Co.* | CERTIFIED  
PUBLIC  
ACCOUNTANTS

**CITY OF NOME, ALASKA**

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

**Year Ended June 30, 2013**

**CITY OF NOME, ALASKA**

**Management Discussion and Analysis, Basic Financial  
Statements, Additional Supplementary  
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**Year Ended June 30, 2013**

CITY OF NOME, ALASKA

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**Independent Auditor's Report**

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

Ladies and Gentlemen:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Nome, Alaska, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

***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 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.

Members of the City Council  
City of Nome, Alaska

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, 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, 2013, 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.

***Emphasis of Matter***

As described in Note 14 to the financial statements, in 2013, the City adopted new accounting guidance GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13 respectively, 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

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City of Nome, Alaska

analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, are also not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and combining non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014 on our consideration of the City of Nome's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Nome, Alaska's internal control over financial reporting and compliance.



Anchorage, Alaska  
March 25, 2014



# **MANAGEMENT DISCUSSION AND ANALYSIS**

**City of Nome, Alaska**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2013**

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, 2013 with comparable information presented for the year ended June 30, 2012. This discussion and analysis should be read in conjunction with the City's financial statements.

**Financial Highlights for 2013**

- In total, net position exceeded its liabilities at June 30, 2013 by \$76,096,612. Of this amount, \$10,718,366 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$84,091 in 2013.
- At the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,651,403, which is an increase of \$740,610 over the prior year. \$1,262,054 in unassigned fund balance is available for spending at the City's discretion.
- As of June 30, 2013, unassigned fund balance for the General Fund was \$1,262,054 or 12% of total General Fund expenditures.

**Financial Highlights for 2012**

- In total, net position exceeded its liabilities at June 30, 2012 by \$76,049,387. Of this amount, \$12,144,318 in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position decreased by \$1,159,679 in 2012.
- At the close of the current fiscal year, governmental funds reported combined ending fund balances of \$9,910,793, which is an increase of \$942,913 over the prior year. \$719,787 in unassigned fund balance is available for spending at the City's discretion.
- As of June 30, 2012, unassigned fund balance for the General Fund was \$719,787 or 7% of total General Fund expenditures.

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

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. 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 two sections (1) additional supplementary information on individual fund activity, and (2) compliance reports.

***Government-wide Statements***

The Government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. Both of the Government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

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

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, planning, and development 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* and individual budget to actual schedules elsewhere in this report.

**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.

*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***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Nome, Alaska, assets exceeded liabilities by \$76,096,612 at the close of FY2013, the most recent fiscal year.

By far the largest portion of the City's net position (80%) 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**

	2013			2012		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Current and other assets	\$ 12,785,615	1,689,629	14,475,244	12,482,257	2,265,204	14,747,461
Long-term and capital assets	45,927,911	31,003,772	76,931,683	47,001,054	29,739,751	76,740,805
<b>Total assets</b>	<b>58,713,526</b>	<b>32,693,401</b>	<b>91,406,927</b>	<b>59,483,311</b>	<b>32,004,955</b>	<b>91,488,266</b>
Current liabilities	956,320	2,231,245	3,187,565	1,025,846	1,490,694	2,516,540
Long-term liabilities	7,547,133	4,575,617	12,122,750	8,245,690	4,676,649	12,922,339
<b>Total liabilities</b>	<b>8,503,453</b>	<b>6,806,862</b>	<b>15,310,315</b>	<b>9,271,536</b>	<b>6,167,343</b>	<b>15,438,879</b>
<b>Net position</b>						
Net invested in capital assets	37,500,250	24,147,748	61,647,998	37,792,480	22,694,126	60,756,606
Restricted for debt service	1,223,256	-	1,223,256	872,217	-	872,217
Restricted for E-911 surcharge	226,585	-	226,585	150,167	-	150,167
Restricted for rural fire protection	-	-	-	18,750	-	18,750
Restricted for causeway	-	2,280,407	2,280,407	-	2,107,329	2,107,329
Unrestricted	11,259,962	(541,616)	10,718,366	11,378,161	766,167	12,144,318
<b>Total net position</b>	<b>50,210,073</b>	<b>25,886,539</b>	<b>76,096,612</b>	<b>50,211,775</b>	<b>25,837,612</b>	<b>76,049,387</b>

The majority of net position is restricted for capital assets, net of debt (80% in 2013 and 80% in 2012). A small portion of the City's net position (5% in 2013 and 4% in 2012), represent 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, rural fire protection program, and the E-911 surcharge program. The remaining balance of unrestricted net position of \$10,718,366 in 2013 and \$12,144,318 in 2012 may be used to meet the government's ongoing obligation to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for government as a whole, and for its separate governmental and business-type activities.

The governmental activities net position increased by \$35,164 in 2013 and decreased by \$471,788 in 2012.

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

**Statement of Activities**

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

	Change in Net Position			Change in Net Position		
	2013			2012		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,234,607	1,561,964	2,796,571	1,101,289	1,328,460	2,429,749
Operating grants and contributions	940,205	28,920	969,125	1,042,964	-	1,042,964
Capital grants and contributions	1,048,264	925,625	1,973,889	392,742	349,098	741,840
<b>General revenues:</b>						
Property taxes	2,695,920	-	2,695,920	2,540,004	-	2,540,004
Penalties and interest	58,484	-	58,484	36,384	-	36,384
General sales tax	5,355,600	-	5,355,600	5,118,996	-	5,118,996
Bed tax	157,913	-	157,913	145,224	-	145,224
Fines and forfeitures	16,332	-	16,332	14,800	-	14,800
Payment in lieu of taxes	328,848	-	328,848	325,785	-	325,785
Rentals and royalties	165,527	-	165,527	187,357	-	187,357
Investment earnings	41,569	11,217	52,786	39,010	5,873	44,883
Grants and donations not restricted to specific programs	517,573	-	517,573	1,114,005	-	1,114,005
Gain on sale of equipment	52,446	-	52,446	-	-	-
Other	385,325	-	385,325	4,517	-	4,517
<b>Total revenues</b>	<b>\$ 12,998,613</b>	<b>2,527,726</b>	<b>15,526,339</b>	<b>12,063,077</b>	<b>1,683,431</b>	<b>13,746,508</b>
<b>Expenses:</b>						
Legislative	247,309	-	247,309	254,123	-	254,123
Administrative	949,532	-	949,532	792,474	-	792,474
City clerk	456,765	-	456,765	391,190	-	391,190
Police	2,182,707	-	2,182,707	2,209,110	-	2,209,110
Animal control	92,635	-	92,635	103,102	-	103,102
Fire	441,338	-	441,338	450,569	-	450,569
Ambulance	468,581	-	468,581	511,112	-	511,112
Public works	2,516,554	-	2,516,554	2,573,614	-	2,573,614
Recreation center	1,041,837	-	1,041,837	813,420	-	813,420
Swimming pool	138,480	-	138,480	134,196	-	134,196
Museum	283,795	-	283,795	121,651	-	121,651
Library	294,748	-	294,748	310,377	-	310,377
Visitor center	153,432	-	153,432	151,330	-	151,330
Education	3,185,980	-	3,185,980	3,178,106	-	3,178,106
Non-departmental	318,197	-	318,197	217,125	-	217,125
Interest	191,559	-	191,559	323,366	-	323,366
Port	-	2,478,799	2,478,799	-	2,371,322	2,371,322
<b>Total expenses</b>	<b>12,963,449</b>	<b>2,478,799</b>	<b>15,442,248</b>	<b>12,534,865</b>	<b>2,371,322</b>	<b>14,906,187</b>
<b>Increase (decrease) in net position</b>	<b>35,164</b>	<b>48,927</b>	<b>84,091</b>	<b>(471,788)</b>	<b>(687,891)</b>	<b>(1,159,679)</b>
<b>Net position, beginning of year, as restated</b>	<b>50,174,909</b>	<b>25,837,612</b>	<b>76,012,521</b>	<b>50,646,697</b>	<b>26,525,503</b>	<b>77,172,200</b>
<b>Net position, end of year</b>	<b>\$ 50,210,073</b>	<b>25,886,539</b>	<b>76,096,612</b>	<b>50,174,909</b>	<b>25,837,612</b>	<b>76,012,521</b>

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

**Governmental Activities**

Governmental activities in 2013 increased the City's net position by \$35,164. This increase represents less than 1% of government net position.

A detail of expenses for governmental activities is as follows:

Function:	2013		2012	
	Expense	Percentage	Expense	Percentage
Legislative	\$ 247,309	1.91%	254,123	2.03%
Administrative	949,532	7.32%	792,474	6.32%
City clerk	456,765	3.52%	391,190	3.12%
Police	2,182,707	16.84%	2,209,110	17.62%
Animal control	92,635	0.71%	103,102	0.82%
Fire	441,338	3.40%	450,569	3.59%
Ambulance	468,581	3.61%	511,112	4.08%
Public works	2,516,554	19.41%	2,573,614	20.53%
Recreation center	1,041,837	8.04%	813,420	6.49%
Swimming pool	138,480	1.07%	134,196	1.07%
Museum	283,795	2.19%	121,651	0.97%
Library	294,748	2.27%	310,377	2.48%
Visitor center	153,432	1.18%	151,330	1.21%
Education-Nome Public schools	3,185,980	24.58%	3,178,106	25.36%
Non-departmental	318,197	2.45%	217,125	1.73%
Unallocated interest	191,559	1.48%	323,366	2.58%
Total	12,963,449	100%	12,534,865	100%

**Business-type Activities**

Business-type activities in 2013 increased net position by \$48,927 compared to a decrease of \$687,891 in 2012, accounting for a less than 1% increase in business-type activities. Governmental-type activities in 2013 increased by \$35,164 compared to a decrease of \$687,891 in 2012, accounting for a less than 1% increase in governmental-type activities.

**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.



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

***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, 2013 the City's governmental funds reported combined ending fund balances of \$10,651,403, an increase of \$740,610 over the prior year. Of this amount \$9,389,349 is non-spendable, restricted, committed, or assigned for specific purposes. \$1,262,054 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At June 30, 2013 and 2012 the unassigned fund balance of the General Fund was \$1,262,054 and \$719,787, respectively, which is 16% and 10% of the total General Fund balance. As a measure of the General Fund's liquidity, both unassigned fund balance and total fund balance may be compared to total fund expenditures. Unassigned fund balance represents 12% of total General Fund expenditures at June 30, 2013 and 7% as of 2012.

The fund balance of the City's General Fund increased by \$484,207 in 2013 compared to an increase of \$420,685 in 2012.

***Proprietary Fund***

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

Unrestricted net position of the proprietary fund amounted to \$(541,616) and \$766,157 at June 30, 2013 and 2012, respectively. Net investment in capital assets \$24,147,748 and \$22,964,126 in 2013 and 2012 accounts for 93% and 89 % of total net position in 2013 and 2012, respectively. Net position of \$2,280,407 and \$2,107,329 have been restricted for causeway operations in 2013 and 2012, respectively. The increase in total net position was \$48,927 in 2013 and a decrease of \$687,891 in 2012. The main reason for the increase was the increase in capital contributions.

**General Fund budgetary Highlights**

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

- \$855,600 in increases allocated to sales tax;
- \$166,574 in increases allocated to property tax;
- \$210,126 in increases allocated to charges for services revenue;

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

**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, 2013 amounts to \$73,318,544 (net of accumulated depreciation), a decrease of \$87,794 over last year. This investment in capital assets includes land, buildings, machinery, and equipment, vehicles, fuel lines, causeway, small boat harbor and c-cell dock.

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

- Land additions of \$1,527,649.
- Construction of \$1,212,177.
- Vehicles, trucks and trailer additions of \$761,316
- Equipment additions of \$234,643

	2013			2012		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Land	\$ 7,162,013	5,153,383	12,315,396	7,159,162	3,973,474	11,132,636
Tideland patent	-	736,400	736,400	-	736,400	736,400
Buildings	34,538,733	119,668	34,658,401	36,225,495	122,290	36,347,785
Small Boat Harbor	-	4,096,350	4,096,350	-	4,257,308	4,257,308
Causeway	-	10,152,798	10,152,798	-	10,867,365	10,867,365
Quarry Jetty	-	2,985,801	2,985,801	-	3,181,937	3,181,937
C-cell dock	-	1,545,048	1,545,048	-	1,657,979	1,657,979
Vehicles, trucks and trailers	1,698,497	-	1,698,497	1,471,188	-	1,471,188
Assets other than buildings	380,462	-	380,462	400,218	-	400,218
Other	-	2,813,398	2,813,398	-	1,566,364	1,566,364
Machinery and equipment	377,071	175,376	552,447	285,879	183,566	469,445
Construction in progress	438,402	945,143	1,383,545	223,821	1,094,092	1,317,713
<b>Total capital assets</b>	<b>\$ 44,595,178</b>	<b>28,723,365</b>	<b>73,318,543</b>	<b>45,765,583</b>	<b>27,640,775</b>	<b>73,406,338</b>

Additional information on the City's capital assets can be found in note 6 on pages 39 through 41 of this report.

**Long-Term Debt** – At the end of the current fiscal year, the City of Nome, Alaska had total bonded debt outstanding of \$10,528,101. This entire amount is backed by the full faith and credit of the City. The remainder of the City's debt represents revenue bonds, loans, compensated absences and landfill closure and post-closure costs.

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

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds, including premium	\$ 5,952,484	6,274,256	-	-	5,952,484	6,274,256
Revenue bonds	-	-	4,575,617	4,676,649	4,575,617	4,676,649
Compensated absences	319,882	272,607	-	-	319,882	272,607
Landfill post closure care costs	745,315	704,465	-	-	745,315	704,465
Landfill loan	849,334	994,362	-	-	849,334	994,362
	<u>\$ 7,867,015</u>	<u>8,245,690</u>	<u>4,575,617</u>	<u>4,676,649</u>	<u>12,442,632</u>	<u>12,922,339</u>

The City of Nome, Alaska's total debt decreased by \$378,675 during the current fiscal year. This decrease was due to debt payments during the year.

Additional information on the City of Nome, Alaska's long-term debt can be found in note 7 on pages 41-44 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate hovers around 7.8% for the State of Alaska.
- Due to budget constraints, it is anticipated that State and Federal funding will decrease.
- These factors were considered in preparing the FY13 budget.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Nome, Alaska's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager of the City of Nome, Alaska, P.O. Box 281, Nome, Alaska 99762.

CITY OF NOME, ALASKA  
Statement of Net Position  
Government-Wide Financial Statements  
June 30, 2013

	Primary Government				Component Units	
	Governmental Activities	Business-type Activities	Eliminations	Totals	Nome Public Schools	Nome Joint Utility
<b>Assets</b>						
<b>Current:</b>						
Cash and short-term investments	\$ 7,830,263	1,191,088	-	9,021,371	2,802,183	524,223
<b>Receivables:</b>						
Property taxes, net	2,865,685	-	-	2,865,685	-	-
Sales and bed taxes, net	473,256	-	-	473,256	-	-
Accounts, net	-	114,362	-	114,362	-	1,796,399
State of Alaska and federal government	65,544	375,957	-	441,501	756,228	9,266,085
Unbilled revenues	-	-	-	-	-	574,377
Other	263,082	8,222	-	271,304	12,019	2,963,201
Inventory	-	-	-	-	272,717	5,325,568
Prepaid items	58,135	-	-	58,135	-	120,886
Internal balances	1,183,506	-	(1,183,506)	-	-	-
Due from component units:						
Nome Joint Utility System	46,124	-	-	46,124	-	-
Other assets	-	-	-	-	-	1,873,021
<b>Long-term:</b>						
<b>Restricted assets:</b>						
Cash and short-term investments	996,526	2,191,219	-	3,187,745	-	-
Accounts receivable, net	-	89,188	-	89,188	-	-
Long-term notes receivable, due within one year	28,028	-	-	28,028	-	-
Long-term notes receivable, due in more than one year	308,179	-	-	308,179	-	-
<b>Capital assets:</b>						
Depreciated, net	36,746,788	21,888,439	-	58,635,227	693,389	95,332,921
Not being depreciated	7,848,390	6,834,926	-	14,683,316	-	6,098,327
<b>Total assets</b>	<b>58,713,526</b>	<b>32,693,401</b>	<b>(1,183,506)</b>	<b>90,223,421</b>	<b>4,536,536</b>	<b>123,865,008</b>
<b>Deferred outflows</b>						
Deferred charges	-	-	-	-	-	319,732
<b>Total assets and deferred outflows</b>	<b>58,713,526</b>	<b>32,693,401</b>	<b>(1,183,506)</b>	<b>90,223,421</b>	<b>4,536,536</b>	<b>124,184,740</b>
<b>Liabilities</b>						
<b>Current:</b>						
Accounts payable	242,788	114,408	-	357,206	241,067	4,654,013
Line of credit	-	-	-	-	-	8,100,000
Unearned revenue	164,833	-	-	164,833	96,582	-
Accrued payroll	416,936	-	-	416,936	680,152	210,820
Accrued payroll liabilities	77,580	-	-	77,580	-	204,368
Accrued interest payable	-	35,296	-	35,296	-	32,192
Internal balances	-	1,183,506	(1,183,506)	-	-	-
Deposits payable	-	-	-	-	-	40,632
Prepaid services	54,173	898,035	-	952,208	-	-
Fuel loan payable	-	-	-	-	-	4,877,711
<b>Noncurrent liabilities:</b>						
Long-term debt due within one year	452,205	106,165	-	558,370	111,126	569,981
Long-term debt due in more than one year	7,094,928	4,469,452	-	11,564,380	308,179	11,821,489
<b>Total liabilities</b>	<b>8,503,453</b>	<b>6,806,862</b>	<b>(1,183,506)</b>	<b>14,126,809</b>	<b>1,437,106</b>	<b>30,511,006</b>
<b>Net Position:</b>						
Net investment in capital assets	37,500,250	24,147,748	-	61,647,998	357,181	89,039,778
Restricted for insurance reserve	-	-	-	-	-	125,500
Restricted for debt service	1,223,256	-	-	1,223,256	-	411,807
Restricted for E-911 surcharge	226,585	-	-	226,585	-	-
Restricted for causeway operations	-	2,280,407	-	2,280,407	-	-
Restricted for scholarships	-	-	-	-	13,610	-
Unrestricted	11,259,982	(541,616)	-	10,718,366	2,728,639	4,096,649
<b>Total net position</b>	<b>\$ 60,210,073</b>	<b>25,886,539</b>	<b>-</b>	<b>76,096,612</b>	<b>3,099,430</b>	<b>93,673,734</b>

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, 2013

	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>									
<b>Governmental activities:</b>									
Legislative	247,309	220	1,012	-	(246,077)	-	(246,077)	-	-
Administrative	949,532	25,339	71,151	-	(853,042)	-	(853,042)	-	-
City clerk	456,765	-	31,239	-	(425,526)	-	(425,526)	-	-
Police	2,162,707	44,960	303,659	-	(1,834,088)	-	(1,834,088)	-	-
Animal control	92,635	8,655	3,391	-	(80,589)	-	(80,589)	-	-
Fire	441,338	1,800	66,285	-	(373,253)	-	(373,253)	-	-
Ambulance	468,581	326,810	18,333	-	(123,438)	-	(123,438)	-	-
Public works	2,516,554	454,441	327,957	738,013	(996,143)	-	(996,143)	-	-
Recreation center	1,041,837	310,546	43,850	-	(687,441)	-	(687,441)	-	-
Swimming pool	138,480	54,710	8,334	-	(75,436)	-	(75,436)	-	-
Museum	283,795	4,840	20,987	43,936	(214,032)	-	(214,032)	-	-
Library	294,748	1,276	38,242	-	(255,230)	-	(255,230)	-	-
Visitor center	153,432	1,010	1,551	-	(150,871)	-	(150,871)	-	-
Education	3,185,980	-	-	266,315	(2,919,665)	-	(2,919,665)	-	-
Non-departmental	318,197	-	4,214	-	(313,983)	-	(313,983)	-	-
Unallocated interest	191,559	-	-	-	(191,559)	-	(191,559)	-	-
<b>Total governmental activities</b>	<b>12,963,449</b>	<b>1,234,607</b>	<b>940,205</b>	<b>1,048,264</b>	<b>(9,740,373)</b>	<b>-</b>	<b>(9,740,373)</b>	<b>-</b>	<b>-</b>
<b>Business-type activities:</b>									
Port	2,478,799	1,561,964	28,920	925,625	-	37,710	37,710	-	-
<b>Total primary government</b>	<b>\$ 15,442,248</b>	<b>2,796,571</b>	<b>969,125</b>	<b>1,973,889</b>	<b>(9,740,373)</b>	<b>37,710</b>	<b>(9,702,663)</b>	<b>-</b>	<b>-</b>
<b>Component Unit:</b>									
Nome Public Schools	\$ 16,353,686	508,884	4,359,344	-	-	-	(10,485,458)	-	-
Nome Joint Utility System	18,659,218	13,947,953	-	10,193,154	-	-	-	5,482,889	-
<b>Total component units</b>	<b>\$ 34,011,904</b>	<b>14,456,837</b>	<b>4,359,344</b>	<b>10,193,154</b>	<b>-</b>	<b>-</b>	<b>(10,485,458)</b>	<b>5,482,889</b>	<b>-</b>
<b>General revenues:</b>									
<b>Taxes:</b>									
Property taxes					\$ 2,695,920		2,695,920		
Sales taxes					5,355,600		5,355,600		
Payments in lieu of taxes					328,848		328,848		
Penalties and interest					58,484		58,484		
Bed taxes					157,913		157,913		
Fines and forfeitures					16,332		16,332		
Grants not restricted to specific programs					517,573		517,573	8,331,364	95,718
Investment earnings					41,569	11,217	52,786		1,024
Appropriation from City of Nome					-		-	2,008,869	-
Rentals and royalties					165,527		165,527		478,547
Gain on sale of equipment					52,446		52,446		-
Other					385,325		385,325	137,142	302,181
<b>Total general revenues and restricted earnings</b>					<b>9,775,537</b>	<b>11,217</b>	<b>9,786,754</b>	<b>10,477,375</b>	<b>876,470</b>
<b>Change in net position</b>					<b>35,164</b>	<b>48,927</b>	<b>84,091</b>	<b>(8,083)</b>	<b>6,361,359</b>
<b>Net position, beginning of year, as restated</b>					<b>50,174,909</b>	<b>25,837,612</b>	<b>76,012,521</b>	<b>3,107,513</b>	<b>87,312,375</b>
<b>Net position, end of year</b>					<b>\$ 50,210,073</b>	<b>25,886,539</b>	<b>76,096,612</b>	<b>3,099,430</b>	<b>93,673,734</b>

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

CITY OF NOME, ALASKA  
 Governmental Fund Financial Statements  
 Combining Balance Sheet  
 June 30, 2013

<u>Assets</u>	General Fund	Other Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 6,875,355	954,928	7,830,283
Restricted cash	-	996,526	996,526
Receivables:			
Property tax levies due in subsequent year	2,701,016	-	2,701,016
Delinquent taxes, net of \$16,814 allowance for doubtful accounts	164,669	-	164,669
Sales and bed taxes, net of \$6,499 allowance for doubtful accounts	473,256	-	473,256
State of Alaska and federal government	11,563	53,981	65,544
Other assets	229,065	34,017	263,082
Due from other funds:			
General Fund	-	1,312,667	1,312,667
Port Enterprise Facility Fund	1,183,506	-	1,183,506
Other Governmental Funds	311,015	-	311,015
Due from component units:			
Nome Joint Utility System	46,124	-	46,124
Nome Public Schools	336,207	-	336,207
Prepaid items	58,135	-	58,135
Total assets	<u>\$ 12,389,911</u>	<u>3,352,119</u>	<u>15,742,030</u>
<u>Liabilities, deferred inflows of resources, and Fund Balances</u>			
Liabilities:			
Accounts payable	234,132	8,666	242,798
Unearned revenue	40,800	124,033	164,833
Accrued payroll	97,054	-	97,054
Accrued payroll liabilities	77,580	-	77,580
Due to other funds:			
General Fund	-	311,015	311,015
Other Governmental Funds	1,312,667	-	1,312,667
Prepaid services	54,173	-	54,173
Total liabilities	<u>1,816,406</u>	<u>443,714</u>	<u>2,260,120</u>
Deferred inflows of resources:			
Unavailable property taxes	2,830,507	-	2,830,507
Total liabilities and deferred inflows	<u>4,646,913</u>	<u>443,714</u>	<u>5,090,627</u>
Fund balances:			
Non-spendable:			
Prepaid items	58,135	-	58,135
School loan receivable	336,207	-	336,207
Restricted:			
Debt service	-	1,223,256	1,223,256
E-911 surcharge	-	226,585	226,585
Committed:			
AMLIP self insurance	1,082,655	-	1,082,655
Assigned:			
Bond reimbursement for capital projects	-	753,897	753,897
AMLIP landfill	3,592,530	-	3,592,530
AMLIP PERS	1,133,510	-	1,133,510
Clara Mielke Richards estate	277,907	-	277,907
Landfill	-	704,667	704,667
Unassigned	1,262,054	-	1,262,054
Total fund balances	<u>7,742,998</u>	<u>2,908,405</u>	<u>10,651,403</u>
Total liabilities and fund balances	<u>\$ 12,389,911</u>	<u>3,352,119</u>	<u>15,742,030</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 and Fund Financial Statements

Year Ended June 30, 2013

Amounts reported as fund balances on the governmental funds	\$ 10,651,403
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	44,595,178
Other long-term assets, are not available to pay current year expenditures and, therefore, are deferred inflows in the funds	
Property taxes	2,830,507
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	(319,882)
General obligation bonds	(5,768,000)
Premium on general obligation bonds	(184,484)
Landfill loan	(849,334)
Landfill closure and post closure care costs	<u>(745,315)</u>
Net position of governmental activities	<u>\$ 50,210,073</u>

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

## CITY OF NOME, ALASKA

## Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Local sources:			
Taxes:			
Property taxes	\$ 2,609,656	-	2,609,656
Sales taxes	5,355,600	-	5,355,600
Payments in lieu of taxes	328,848	-	328,848
Penalties and interest	58,484	-	58,484
Bed tax	157,913	-	157,913
Licenses, permits, and fees	114,731	-	114,731
Charges for services	1,119,876	-	1,119,876
Fines and forfeitures	16,332	-	16,332
Investment income	13,562	28,007	41,569
Rentals and royalties	165,527	-	165,527
Contributions	78,776	-	78,776
Other	2,268	366,285	368,553
Total local sources	<u>10,021,573</u>	<u>394,292</u>	<u>10,415,865</u>
Intergovernmental:			
State of Alaska	831,215	941,457	1,772,672
Federal sources	448,949	205,645	654,594
Total intergovernmental	<u>1,280,164</u>	<u>1,147,102</u>	<u>2,427,266</u>
Total revenues	<u>11,301,737</u>	<u>1,541,394</u>	<u>12,843,131</u>
<b>Expenditures:</b>			
Current:			
Legislative	241,008	-	241,008
Administrative	902,687	16,594	919,281
City clerk	454,731	-	454,731
Police	1,918,207	95,903	2,014,110
Animal control	86,061	-	86,061
Fire	326,421	-	326,421
Ambulance	320,138	-	320,138
Public works	2,025,537	276,258	2,301,795
Recreation center	846,066	-	846,066
Swimming pool	143,309	-	143,309
Museum	282,640	-	282,640
Library	273,586	19,279	292,865
Visitor center	153,432	-	153,432
Education	1,773,120	-	1,773,120
Non-departmental	321,197	-	321,197
Debt service:			
Principal	145,028	305,000	450,028
Interest	14,915	176,644	191,559
Capital outlay	-	1,035,206	1,035,206
Total expenditures	<u>10,230,083</u>	<u>1,924,884</u>	<u>12,154,967</u>
Excess (deficiency) of revenues over expenditures	<u>1,071,654</u>	<u>(383,490)</u>	<u>688,164</u>
Other financing sources (uses):			
Proceeds from sale of capital assets	52,446	-	52,446
Transfers in	-	639,893	639,893
Transfers out	(639,893)	-	(639,893)
Net other financing sources (uses)	<u>(587,447)</u>	<u>639,893</u>	<u>52,446</u>
Net change in fund balance	484,207	256,403	740,610
Fund balance, beginning of year	<u>7,258,791</u>	<u>2,652,002</u>	<u>9,910,793</u>
Fund balance, ending of year	<u>\$ 7,742,998</u>	<u>2,908,405</u>	<u>10,651,403</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, 2013

Net change in fund balance - total governmental funds		\$	740,610
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:			
Capital outlay	\$	1,178,163	
Depreciation expense		<u>(2,348,548)</u>	(1,170,385)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. The net effect of transactions involving capital assets is to decrease net position.			
Cost of assets disposed		(465,159)	
Accumulated depreciation	\$	<u>465,159</u>	-
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			86,264
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	\$	450,028	
Amortization of bond premium		16,772	
Increase in landfill post closure costs		(40,850)	
Compensated absences		<u>(47,275)</u>	<u>378,675</u>
Change in net position of governmental activities		\$	<u>35,164</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<b>Local sources:</b>				
<b>Taxes:</b>				
Property taxes	\$ 2,443,082	2,609,656	2,609,656	-
Sales taxes	4,500,000	5,355,600	5,355,600	-
Payments in lieu of taxes	329,150	328,648	328,648	-
Penalties and interest	36,500	58,484	58,484	-
Bed tax	136,000	157,913	157,913	-
Licenses, permits, and fees	51,675	114,731	114,731	-
Charges for services	909,750	1,119,876	1,119,876	-
Fines and forfeitures	6,050	16,332	16,332	-
Investment income	16,013	13,562	13,562	-
Rental and royalties	156,346	165,527	165,527	-
Contributions	33,550	78,776	78,776	-
Other		2,268	2,268	-
<b>Total local sources</b>	<b>8,618,116</b>	<b>10,021,573</b>	<b>10,021,573</b>	<b>-</b>
<b>Intergovernmental:</b>				
State of Alaska	417,811	831,215	831,215	-
Federal sources	428,938	448,949	448,949	-
<b>Total revenues</b>	<b>9,464,865</b>	<b>11,301,737</b>	<b>11,301,737</b>	<b>-</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Legislative	190,257	241,008	241,008	-
Administrative	769,770	902,687	902,687	-
City clerk	406,184	454,731	454,731	-
Police	1,758,755	1,918,207	1,918,207	-
Animal control	79,311	86,061	86,061	-
Fire	286,958	328,421	328,421	-
Ambulance	269,360	320,138	320,138	-
Public works	1,898,930	2,025,537	2,025,537	-
Recreation center	689,331	846,066	846,066	-
Swimming pool	141,182	143,309	143,309	-
Museum	237,923	282,640	282,640	-
Library	228,609	273,586	273,586	-
Visitor center	143,064	153,432	153,432	-
Non-departmental	378,459	321,197	321,197	-
Education	1,763,747	1,773,120	1,773,120	-
<b>Debt service:</b>				
Principal	-	145,028	145,028	-
Interest	159,943	14,915	14,915	-
<b>Total expenditures</b>	<b>9,401,783</b>	<b>10,230,083</b>	<b>10,230,083</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>63,082</b>	<b>1,071,654</b>	<b>1,071,654</b>	<b>-</b>
<b>Other financing (uses):</b>				
Proceeds from sale of capital assets	-	52,446	52,446	-
Transfer out	(578,615)	(639,893)	(639,893)	-
<b>Net other financing sources (uses)</b>	<b>(578,615)</b>	<b>(587,447)</b>	<b>(587,447)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (515,533)</b>	<b>484,207</b>	<b>484,207</b>	<b>-</b>
<b>Fund balance, beginning of year</b>			<b>7,258,791</b>	
<b>Fund balance, ending of year</b>			<b>\$ 7,742,998</b>	

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

CITY OF NOME, ALASKA  
 Proprietary Fund  
 Port Facility Enterprise Fund  
 Balance Sheet  
 June 30, 2013

Assets

<b>Current assets:</b>	
Unrestricted:	
Cash and cash equivalents	\$ 1,191,088
Accounts receivable, net of \$122,693 allowance for doubtful accounts	114,362
Due from the State of Alaska and federal government	375,957
Due from Causeway funds	8,222
Total unrestricted current assets	<u>1,689,629</u>
<b>Non-current assets:</b>	
Restricted assets:	
Cash and cash equivalents	2,191,219
Accounts receivable, net of \$0 allowance for doubtful accounts	89,188
Capital assets:	
Depreciated, net	21,888,439
Not being depreciated	<u>6,834,926</u>
Total assets	<u>\$ 32,693,401</u>

Liabilities and Net Position

<b>Current liabilities:</b>	
Bonds payable - current portion	106,165
Accounts payable	114,408
Accrued interest payable	35,296
Due to General Fund	1,183,506
Prepaid lease revenue	898,035
Total current liabilities	<u>2,337,410</u>
<b>Non-current liabilities:</b>	
Bonds payable	<u>4,469,452</u>
Total liabilities	<u>6,806,862</u>
<b>Net position:</b>	
Net investment in capital assets	24,147,748
Restriction for causeway operation	2,280,407
Unrestricted	(541,616)
Total net position	<u>25,886,539</u>
Total liabilities and net position	<u>\$ 32,693,401</u>

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

## CITY OF NOME, ALASKA

## Proprietary Fund

## Port Facility Enterprise Fund

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

Year Ended June 30, 2013

Operating revenues:	
Causeway terminal facility	\$ 710,143
Seawall terminal facility	550,467
Industrial park	299,822
Other	1,532
Total operating revenues	<u>1,561,964</u>
Operating expenses:	
Direct expenses:	
Causeway terminal facility	190,829
Seawall terminal facility	113,583
Industrial park	52,261
Total direct expenses	<u>356,673</u>
General and administrative expenses:	
Other	<u>619,592</u>
Total operating expenses, excluding depreciation	<u>976,265</u>
Depreciation:	
Causeway terminal facility	894,636
Seawall terminal facility	229,170
Quarry terminal facility	196,136
Industrial park	20,477
Vehicles	14,503
Total depreciation	<u>1,354,922</u>
Total operating expenses	<u>2,331,187</u>
Operating (loss)	<u>(769,223)</u>
Non-operating income (expenses):	
Interest income	11,217
Interest expense	(147,612)
Intergovernmental	28,920
Total non-operating income (expense)	<u>(107,475)</u>
(Loss) before capital contributions	(876,698)
Capital contributions - federal and state government and local	<u>925,625</u>
Change in net position	48,927
Net position, beginning of year	<u>25,837,612</u>
Net position, end of year	<u>\$ 25,886,539</u>

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

## CITY OF NOME, ALASKA

## Proprietary Fund

## Port Facility Enterprise Fund

## Statement of Cash Flows

Year Ended June 30, 2013

Cash flows provided (used) by operating activities:	
Receipts from customers and users	\$ 1,686,503
Payments to employees	(450,856)
Payments to vendors	(674,001)
Net cash provided by operating activities	<u>561,646</u>
Cash flows from noncapital financing activities-	
Internal activity- payments to/from other funds	<u>908,467</u>
Cash flows provided (used) by capital and related financing activities:	
Principal paid on debt	(101,032)
Interest paid on debt	(148,968)
Capital contributions	799,381
Proceeds from sale of capital assets	350,471
Acquisition of capital assets	(2,785,253)
Net cash (used) by capital and related financing activities	<u>(1,885,401)</u>
Cash flows provided by investing activities:	
Interest income	<u>11,217</u>
Net (decrease) in cash and cash equivalents	(404,071)
Cash and cash equivalents at beginning of year	<u>3,786,378</u>
Cash and cash equivalents at end of year	<u>\$ 3,382,307</u>
Composed of:	
Unrestricted cash and cash equivalents	1,191,088
Restricted cash and cash equivalents	2,191,219
	<u>\$ 3,382,307</u>
Reconciliation of change in net assets to cash provided by operating activities:	
Operating (loss)	(769,223)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,354,922
(Gain) on sale of capital assets	(2,730)
Bad debt expense	90,197
On-behalf payment	28,920
Changes in assets and liabilities that provided (used) cash:	
Accounts receivable	(137,213)
Restricted accounts receivable	171,555
Accounts payable	(184,282)
Prepaid lease revenue	9,500
Net cash provided by operating activities	<u>\$ 561,646</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, 2013

Assets

Investments:			
ICMA Retirement Corporation	\$	148,919	
The Hartford		<u>1,462,490</u>	
	\$	<u><u>1,611,409</u></u>	

Net position

Held in trust for:			
Deferred compensation plan	\$	<u><u>1,611,409</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 Changes in Fiduciary Net Position

Year Ended June 30, 2013

Additions:	
Contributions	\$ 44,800
Investment income	<u>229,392</u>
Total additions	<u>274,192</u>
Deductions:	
Regular benefit payments	<u>21,654</u>
Change in net position	252,538
Net position, beginning of year	<u>1,358,871</u>
Net position, end of year	<u>\$ 1,611,409</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, 2013

**(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.

**(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 as soon as all eligibility requirements have been met.

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

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

City of Nome, Alaska

Notes to the Financial Statements, Continued

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

The City reports the following major governmental funds:

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

The 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 fixed 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 Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

City of Nome, Alaska

Notes to the Financial Statements, Continued

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.

**(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.

**Assets, Liabilities and Net Position**

**(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.

**(g) Restricted Assets**

Restricted assets consist of assets that must be used for the Port facilities causeway as required by bond indentures.

**(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) Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

City of Nome, Alaska

Notes to the Financial Statements, Continued

**(j) Capital Assets**

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

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

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

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

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

**(k) Compensated Absences**

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

**(l) Long-Term Obligations**

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

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

City of Nome, Alaska

Notes to the Financial Statements, Continued

**(m) Unbilled Revenue**

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

**(n) Unearned Revenues**

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

**(o) Prepaid Lease Revenue**

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

**(p) Fund Equity**

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

**Nonspendable Fund Balance** – Amounts that are legally or contractually required to be maintained intact (such as the corpus of an endowment fund) or amounts that are not in a spendable form (such as inventory, prepaid expenses, supplies, 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.

City of Nome, Alaska

Notes to the Financial Statements, Continued

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

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

Compliance with the provisions of the Fund Balance Classification Policy are reviewed as part of the annual budget adoption process. The Mayor 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.

City of Nome, Alaska

Notes to the Financial Statements, Continued

**(r) Statement of Cash Flows**

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

**(s) Deferred Compensation**

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

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

**(t) Retirement Plans**

All full-time employees and certain permanent part-time employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS).

The City has adopted GASB Codification P20, *Accounting for Pensions by State and Local Governmental Employers* and GASB Codification P50, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pension*. GASB Codification P20 and P50 establish uniform standards for the measurement, recognition, and display of pension and postretirement health and expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of the state and local governmental employers.

**(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.

City of Nome, Alaska

Notes to the Financial Statements, Continued

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	2,500,000	-
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.

(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, 2013 the real and personal property tax levy of \$2,830,507 is reflected as deferred inflows of resources in the General Fund.

At June 30, 2013, property tax receivables included the following:

2013 real and personal property taxes due in fiscal year 2014	\$ 2,701,016
Real and personal property taxes currently past due	<u>181,483</u>
	2,882,499
Less estimated allowance for doubtful collections	<u>16,814</u>
	\$ <u>2,865,685</u>



City of Nome, Alaska

Notes to the Financial Statements, Continued

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

As of June 30, 2013, the City had the following investments:

<u>Investment type</u>		<u>Fair Value</u>	<u>Investment maturities (in years)</u>		
			<u>Less than 1</u>	<u>1 to 5</u>	<u>5-10</u>
Large Cap Equity	\$	1,383,291	1,383,291	-	-
International Equity Fund		8,563	8,563	-	-
Balanced Funds		112,499	112,499	-	-
Bonds		75,523	75,523	-	-
Money Market Funds		<u>31,533</u>	<u>31,533</u>	-	-
Total investments in deferred Compensation	\$	<u>1,611,409</u>	<u>1,611,409</u>	-	-
Money Market Funds		<u>6,123,776</u>	<u>6,123,776</u>	-	-
Total investments	\$	<u>7,735,185</u>	<u>7,735,185</u>	-	-

At June 30, 2013, the City had \$1,611,409 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 30 Balance</u>	<u>Percentage</u>
Htfd Cap App HLS	\$ 504,336	31%
General	230,201	14%
Janus Twenty	146,318	9%

City of Nome, Alaska

Notes to the Financial Statements, Continued

**(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, 2013.

Reconciliation to the City's June 30, 2013 financial statements follows:

Petty cash	\$	1,700
Demand deposits		6,083,640
Money market funds		6,123,776
Investment in deferred compensation plans		<u>1,611,409</u>
	\$	<u>13,820,525</u>
Governmental activities	\$	8,826,809
Business type activities		3,382,307
Fiduciary activity		<u>1,611,409</u>
	\$	<u>13,820,525</u>

City of Nome, Alaska

Notes to the Financial Statements, Continued

(4) Receivables

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

	General Fund	Other Governmental Funds	Total Governmental Funds	Business-type Activities	Total
Receivables:					
Property tax	\$ 2,882,499	-	2,882,499	-	2,882,499
Sales and bed tax	479,755	-	479,755	-	479,755
State of Alaska and Federal Government	11,563	53,981	65,544	375,957	441,501
Accounts - unrestricted	-	-	-	237,055	237,055
Accounts - restricted	-	-	-	89,188	89,188
Other	229,065	34,017	263,082	8,222	271,304
Gross receivables	3,602,882	87,998	3,690,880	710,422	4,401,302
Less: allowance for uncollectibles	23,313	-	23,313	122,693	146,006
Net total receivables	\$ 3,579,569	87,998	3,667,567	587,729	4,255,296

Governmental funds report deferred 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 deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Deferred Inflows (General Fund)	\$ 2,830,507	-
Grant advances prior to expending all proceeds	-	164,833
Total deferred/unearned revenue for governmental funds	\$ <u>2,830,507</u>	<u>164,833</u>

City of Nome, Alaska

Notes to the Financial Statements, Continued

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

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

A schedule of changes in long-term notes for the year ended June 30, 2013 follows:

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2013</u>
Renovation note	\$ <u>363,274</u>	<u>-</u>	<u>27,067</u>	<u>336,207</u>

Annual payment requirements to maturity follow:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 28,028	11,321	39,349
2015	29,026	10,323	39,349
2016	30,058	9,291	39,349
2017	31,127	8,222	39,349
2018	32,234	7,115	39,349
2019-2023	179,214	17,531	196,745
2024	<u>6,520</u>	<u>29</u>	<u>6,549</u>
	\$ <u>336,207</u>	<u>63,832</u>	<u>400,039</u>

City of Nome, Alaska

Notes to the Financial Statements, Continued

(6) **Capital Assets**

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance at <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance at <u>June 30, 2013</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land general government	\$ 6,409,762	2,851	-	6,412,613
Land-schools	749,400	-	-	749,400
Artwork	247,975	-	-	247,975
Construction work in progress	223,621	214,781	-	438,402
<b>Total</b>	<u>7,630,758</u>	<u>217,632</u>	<u>-</u>	<u>7,848,390</u>
<b>Capital assets being depreciated:</b>				
Buildings-general government	24,603,604	-	-	24,603,604
Buildings-schools	47,955,334	-	-	47,955,334
Vehicles, trucks and trailers	5,291,665	761,316	465,158	5,587,843
Assets other than buildings	973,456	-	-	973,456
Machinery and equipment	643,468	107,910	-	751,378
Office machinery and equipment	556,008	91,305	-	647,313
<b>Total</b>	<u>80,023,555</u>	<u>960,531</u>	<u>465,158</u>	<u>80,518,928</u>
<b>Less accumulated depreciation:</b>				
Buildings-general government	10,352,832	273,901	-	10,626,733
Buildings-schools	25,980,611	1,412,861	-	27,393,472
Vehicles, trucks and trailers	3,820,497	534,007	465,158	3,889,346
Assets other than buildings	821,213	19,756	-	840,969
Machinery and equipment	494,331	48,176	-	542,507
Office machinery and equipment	419,266	59,847	-	479,113
<b>Total</b>	<u>41,888,750</u>	<u>2,348,548</u>	<u>465,158</u>	<u>43,772,140</u>
<b>Total capital assets,</b>				
being depreciated, net	<u>38,134,805</u>	<u>(1,388,017)</u>	<u>-</u>	<u>36,746,788</u>
<b>Governmental activities</b>	<u>\$ 45,765,563</u>	<u>(1,170,385)</u>	<u>-</u>	<u>44,595,178</u>

City of Nome, Alaska

Notes to the Financial Statements, Continued

	Balance at <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance at <u>June 30, 2013</u>
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 3,973,474	1,527,649	347,740	5,153,383
Tideland patent	736,400	-	-	736,400
Construction in progress	1,094,092	1,212,175	1,361,124	945,143
<b>Total</b>	<u>5,803,966</u>	<u>2,739,824</u>	<u>1,708,864</u>	<u>6,834,926</u>
<b>Capital assets being depreciated:</b>				
Small boat harbor	5,380,529	-	-	5,380,529
Causeway	28,582,663	-	-	28,582,663
Buildings	522,036	10,000	-	532,036
Machinery and equipment	324,441	35,428	29,073	330,796
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	3,032,942	1,381,124	-	4,394,066
<b>Total</b>	<u>45,092,151</u>	<u>1,406,552</u>	<u>29,073</u>	<u>46,469,630</u>
<b>Less accumulated depreciation:</b>				
Small boat harbor	1,123,221	180,958	-	1,284,179
Causeway	17,715,298	714,567	-	18,429,865
Buildings	399,746	12,622	-	412,368
Machinery and equipment	140,875	43,619	29,073	155,421
Quarry Jetty	649,854	196,136	-	845,990
C-Cell dock-North	813,998	81,833	-	875,831
C-Cell dock-South	945,772	51,098	-	996,870
Other	1,466,578	114,089	-	1,580,667
<b>Total</b>	<u>23,255,342</u>	<u>1,354,922</u>	<u>29,073</u>	<u>24,581,191</u>
<b>Total capital assets, being depreciated, net</b>	<u>21,836,809</u>	<u>51,630</u>	<u>-</u>	<u>21,888,439</u>
<b>Business-type activities</b>	<u>\$ 27,640,775</u>	<u>2,791,454</u>	<u>1,708,864</u>	<u>28,723,365</u>

City of Nome, Alaska

Notes to the Financial Statements, Continued

Adjustments were made to the capital assets listing for assets deleted in prior years which continued to be depreciated.

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

Governmental activities:

Depreciation:

Legislative	\$ 6,301
Administrative	34,618
City Clerk	2,034
Police	231,495
Animal Control	6,574
Fire	150,669
Ambulance	214,891
Public works	88,256
Recreation center	195,771
Swimming pool	2,041
Museum	1,155
Library	1,883
Education	<u>1,412,860</u>
Total depreciation	<u>2,348,548</u>

Business-type activities

Port	\$ <u>1,354,922</u>
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**(7) Long-Term Debt**

Changes in long-term debt follows:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Due within one year
Governmental activities:					
Compensated absences	\$ 272,807	372,806	325,531	319,882	-
General obligation bonds	6,073,000		305,000	5,768,000	305,000
Premium on general obligation bonds	201,256		16,772	184,484	-
Landfill loan	994,362		145,028	849,334	147,205
Landfill closure and postclosure costs	704,465	40,850	-	745,315	-
	<u>9,245,890</u>	<u>413,656</u>	<u>792,331</u>	<u>7,867,015</u>	<u>452,205</u>
Business-type activities:					
Revenue bonds	\$ 4,676,649		101,032	4,575,617	106,165

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, 2013 follows:

Year ending June 30	1986 Series A Port Revenue Bonds	
	Principal	interest
2014	\$ 106,165	143,835
2015	109,468	165,532
2016	113,946	161,054
2017	122,459	156,393
2018	123,460	151,535
2019-2023	692,469	735,379
2024-2028	852,115	675,773
2029-2033	1,041,273	495,589
2034-2038	1,272,422	264,442
2039	141,840	11,847
	<u>\$ 4,575,617</u>	<u>2,961,379</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 the Financial Statements, Continued

A summary of long-term bonded debt serviced directly by the City general government fund at June 30, 2013 follows:

Year ending June 30	2004 Series B School G.O. Bonds		2004 QZAB School G.O. Bonds		2006 A School G.O. Bonds		2007 A School G.O. Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	100,000	3,750	-	-	55,000	38,600	125,000	52,488
2015	-	-	-	-	60,000	36,401	135,000	46,397
2016	-	-	-	-	60,000	34,001	140,000	39,894
2017	-	-	-	-	60,000	31,601	145,000	32,419
2018	-	-	-	-	65,000	29,201	155,000	25,247
2019-2023	-	-	1,798,000	-	370,000	103,807	510,000	32,087
2024-2027	-	-	-	-	260,000	22,838	-	-
	\$ 100,000	3,750	1,798,000	-	930,000	296,449	1,210,000	228,532

Year ending June 30	2009 School G.O. Bonds		2012 School G.O. Bonds		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	25,000	29,263	-	52,150	305,000	176,251	481,251
2015	25,000	28,263	95,000	50,725	315,000	161,786	476,786
2016	25,000	27,138	100,000	47,300	325,000	148,333	473,333
2017	25,000	26,075	105,000	43,200	335,000	133,295	468,295
2018	30,000	23,694	110,000	38,900	310,000	117,042	477,042
2019-2023	165,000	104,281	630,000	109,700	3,473,000	349,875	3,822,875
2024-2028	215,000	53,450	130,000	3,250	605,000	79,538	684,538
2029-2031	50,000	2,875	-	-	100,000	2,875	102,875
	\$ 560,000	295,039	1,170,000	345,225	5,768,000	1,188,995	6,936,995

In December 2003, the City issued \$1,798,000 of Qualified Zone Academy Bonds (QZAB) for the purpose of paying the cost of financing the acquisition, construction, installation and major renovation and renewal of school and capital related improvements in the City. The bonds provide for a single payment of principal at maturity date of approximately December 18, 2018. The bonds are supported by a sinking fund, whereby the City is obligated to make annual deposits of \$96,526 until maturity with deposits earning an annual interest rate of 3%. Total deposit payments required to the sinking fund are \$1,447,695, with interest earning of \$350,305.

In April 2004, The City issued \$2,112,000 of Series B School General Obligation Bonds for the purpose of financing the acquisition, construction, installation and major renovation and renewal of school and related capital improvements in the City.

In February 2006, the City issued \$1,260,000 of Series A General Obligation School Bonds for the purpose of financing the acquisition, construction, installation and major renovation and renewal of school related projects.

City of Nome, Alaska

Notes to the Financial Statements, Continued

In January 2007, the City issued \$1,465,000 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.

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, 2013, the City amortized \$16,772, leaving \$184,484 in unamortized premiums.

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

In 2009, the City issued a note payable to the State of Alaska, Department of Environmental Conservation (ADEC) in the amount of \$750,000 for the purpose of financing a landfill project. The loan requires annual principal and interest payments of \$43,684 and bears interest at 1.5%. In addition to the annual payment, the City is making extra payments towards principal.

A summary of long-term debt payable to the ADEC serviced directly by the City general government fund at June 30, 2013 follows:

Year ending June 30	ADEC Loan		Total
	Principal	Interest	
2014	147,205	12,738	159,943
2015	149,416	10,527	159,943
2016	151,657	8,286	159,943
2017	153,927	6,016	159,943
2018	156,236	3,707	159,943
2019	90,893	1,359	92,252
	<u>\$ 849,334</u>	<u>42,633</u>	<u>891,967</u>

**Utility System Bond Ordinance Requirements**

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

City of Nome, Alaska

Notes to the Financial Statements, Continued

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

**(a) Interfund Receivables and Payables**

A summary of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major governmental funds:		
General Fund	Port Enterprise Fund	\$ 1,183,506
	Other Governmental Funds	311,015
Other Governmental Funds	General Fund	1,312,667
Total primary government		<u>\$ 2,807,188</u>

**(b) Interfund Transfers**

A summary of interfund transfers in and out of June 30, 2013 is as follows:

<u>Transfer In:</u>	<u>Transfer out:</u>
	<u>General Fund</u>
ARRA - Energy Efficiency Upgrades	\$ 61,723
Debt Service Fund	578,170
Total	<u>\$ 639,893</u>

There was a transfer from the General Fund to the Debt Service fund to cover scheduled bond payments and a transfer to the ARRA – Energy Efficiency Upgrades fund to cover the excess of expenditures over revenues.

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

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

*Retirement Plans.* All full-time employees and certain permanent part-time employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan the system also administers a post-employment healthcare benefit plan.

City of Nome, Alaska

Notes to the Financial Statements, Continued

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

*Termination Costs.* If the government 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 governmental function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The government must pay to have a termination study completed. The purpose of the study is to calculate the government'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 government must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator.

*Plan Description.* The City contributes to the Alaska Public Employees Retirement System (PERS), which includes both a cost-sharing multiple employer defined benefit pension and a post-employment healthcare plans administered by the Commissioner of Administration and the Alaska Retirement Management Board (ARMB). There are currently 160 employers participating in PERS, including the State of Alaska and 159 political subdivisions and public organizations. PERS provides (1) retirement benefits including disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The authority to establish and amend benefit provisions is assigned to the ARMB. 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.

Benefits vest with five years of credited service. 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 employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

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%.

City of Nome, Alaska

Notes to the Financial Statements, Continued

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

Pension benefits are adjusted each year based upon increases in the Consumer Price Index (CPI) for the prior year. The increase in the benefits is 75% of the CPI increase up to a 9% maximum for recipients who are at least age 65 or on disability or 50% of the increase up to a 6% maximum for recipients who are at least age 60 but under age 65 or who have been receiving benefits for at least five years. Starting at age 65, or at any age for those employed before July 1, 1986, a retired employee who remains in Alaska is eligible for an additional allowance equal to 10% of the base benefit or \$50 a month, whichever is greater.

*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.* Active PERS members are required to contribute 6.75% (2.97% pension cost and 3.78% post-employment health care cost) of their annual covered salary and the City is required to contribute at an actuarial determined rate; the current rate is 35.84%. The legislature capped the employer rate at 22% (9.67% pension cost and 12.33% post-employment health care cost), with the State of Alaska contributing an on behalf payment for the difference between actuarial required contribution and the cap. The contribution requirements of plan members and the City are established and may be amended by the ARMB.

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.

*Annual Pension, OPEB and Behalf Payment Cost.* The City's annual pension cost for the years ended June 30, 2013, 2012, and 2011 were \$317,612, \$335,214, and \$387,564 respectively and was equal to the City's actual contributions. The State of Alaska contributed \$425,181, \$345,092, and \$219,211 respectively on behalf of the City.

City of Nome, Alaska

Notes to the Financial Statements, Continued

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

*Plan Description and Funding Requirements.* City's and Public Employers in the State of Alaska have a defined contribution retirement plan for new hires first enrolled on or after July 1, 2006. Plan members make mandatory contributions of 8% of gross eligible compensation. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute 0.48% for the retiree medical plan, 0.14% for occupational and death and disability benefits and 3% of employers average annual employee compensation of the health reimbursement arrangement (HRA). The employer effective contribution rate is 22%. Plan members are 100% vested with their contributions. Members become vested in employers' contributions as follows:

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

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2013 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution	\$ 73,369	117,390
Retiree medical plan	7,043	-
Occupational health and disability benefits	4,449	-
Health reimbursement agreement (HRA)	50,528	-
Define benefit unfunded liability (DBUL)	187,469	-

Actual contributions were equal to the annual required contributions.

**(10) Landfill Closure and Post Closure Costs**

State and Federal laws and regulations require the City to place a final cover on its landfill sites when they stop accepting waste to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and post closure costs as a long-term liability at June 30, 2013, based on the landfill capacities used as of that date. The \$745,315 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.

City of Nome, Alaska

Notes to the Financial Statements, Continued

As of June 30, 2013, there are no state laws or regulations that require the City to provide financial assurances for the closure and post closure costs of the landfill. Federal regulations, which went into effect in April 1997, do require the City to provide financial assurances for future closure and post closure costs. There are a number of allowable mechanisms available. The City has decided to use the local government's financial test financial assurance mechanism to be in compliance with the April 1997 regulations. Future inflation costs and additional costs that might arise from changes in closure and post closure requirements are covered by charges to future landfill users, taxpayers, or both.

**(11) Litigation**

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

**(12) Contingent Liabilities**

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

**(13) Budget and Budgetary Accounting**

The Nome Common Council (Council) is required to review or enact through the passage of a resolution or ordinance the budgets for the City, School District and Utility System prior to each entity's fiscal year-end, June 30 for the City and School District and December 31 for the Utility System. The City's operating budget is prepared by the City's 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.

City of Nome, Alaska

Notes to the Financial Statements, Continued

**(14) Implementation of GASB 63 and early implementation of GASB 65**

In 2013, the City implemented the Government Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the Statement of Financial Position.

The effect of the implementation of GASB 63 and 65 on the financial statements changed the format presentation of the *Statement of Net Position* previously referred to as the *Statement of Net Assets* and additionally refers to *unearned grant revenue* previously referred to as *deferred revenue*. All unavailable revenues which were previously identified as deferred revenues are now reported as deferred inflows of resources. A retroactive restatement of net position is required in the year of adoption. The government-wide financial statements opening balance of Net Position has been restated to reflect the removal of unamortized bond issue costs in the amount of \$36,866.

**(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 66 – *Technical Correction – 2012 –an Amendment of GASB Statement No. 10 and 62.* Effective for periods beginning after December 15, 2012.
- GASB 67 – *Financial Reporting for Pension Plans – an Amendment of GASB Statements No. 10 and No. 62.* Effective for periods beginning after June 15, 2013.
- GASB 68 – *Accounting and Reporting for Pensions – an Amendment of GASB Statement No.27.* Effective for fiscal years beginning after June 15, 2014.
- GASB 69 – *Government Combinations and Disposals of Government Operations.* Effective for fiscal years beginning after December 15, 2013.
- GASB 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* Effective for fiscal years beginning after June 15, 2013.
- GASB 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.*

Statements 66-67 and 69-70 are not expected to have any significant impact on the financial statements of the City.

GASB Statements No. 68 and 71, objectives are to improve accounting and reporting for pensions. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. These Statements establish methods and assumptions used to project benefit payments to their actuarial present value and attribute that present value to the periods of employee service. Note disclosures and required supplementary information are addressed in these Statements. .

These Statements are effective for fiscal years beginning after June 15, 2014.



**ADDITIONAL SUPPLEMENTARY  
INFORMATION**

CITY OF NOME, ALASKA  
Other Governmental Funds  
Combining Balance Sheet

June 30, 2013

	Special Revenue Funds											Total	
	E-911 SurchARGE	FEMA Emergency Management Performance	Local Emergency Planning Committee	Public Library Assistance	DOT Law Enforcement	NPD SART Grant	NPD MSHC SART IHS Grant	NSEDC Community Benefits Share	NSEDC Community Employment Program	NSFDC Rural Fire Protection	Institute of Museum and Library Services Grant		Debt Service
<b>Assets</b>													
Cash and short-term investments													
Restricted cash													
Receivables:													
Federal													
State of Alaska		1,351	5,579	1,801	3,792	3,096							
Other					3,817								
Due from other funds	226,585								2,573	31,444	1,024	226,730	996,526
Total assets	226,585	1,351	5,579	1,801	7,609	3,096	6,152	123,064	2,573	31,444	1,024	1,223,256	1,633,534
<b>Liabilities and Fund Balances</b>													
Liabilities:													
Accounts payable								5,183		408			6,615
Unearned revenue							6,152	117,881					124,033
Due to other funds		1,351	5,579	1,801	7,609	3,096			2,573	31,036			53,045
Total liabilities		1,351	5,579	1,801	7,609	3,096	6,152	123,064	2,573	31,444	1,024		183,698
Fund balances:													
Restricted:													
Debt service												1,223,256	1,223,256
E-911 SurchARGE	226,585												226,585
Assigned:													
Bond reimbursement for capital projects													
Landfill													
Total fund balances	226,585	1,351	5,579	1,801	7,609	3,096	6,152	123,064	2,573	31,444	1,024	1,223,256	1,449,841
	226,585	1,351	5,579	1,801	7,609	3,096	6,152	123,064	2,573	31,444	1,024	1,223,256	1,633,534

(Continued)

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

	Capital Projects Funds						Total Other Governmental Funds
	Landfill	Public School Sprinkler and Fire Alarm System	Museum Construction and Development	PWKS Loader/ Snowblower Grant	School Renovation and Repairs	Total	
<b>Assets</b>							
Cash and short-term investments					954,928	954,928	954,928
Restricted cash							996,526
Receivables:							
Federal							10,040
State		1,406	28,258	2,616	2,265	34,545	43,941
Other							34,017
Due from other funds	704,667				24,445	729,112	1,312,667
Total assets	<u>704,667</u>	<u>1,406</u>	<u>28,258</u>	<u>2,616</u>	<u>981,638</u>	<u>1,718,585</u>	<u>3,352,119</u>
	\$						
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable		15	1,025		1,011	2,051	8,666
Unearned revenue							124,033
Due to other funds		1,391	27,233	2,616	226,730	257,970	311,015
Total liabilities		<u>1,406</u>	<u>28,258</u>	<u>2,616</u>	<u>227,741</u>	<u>260,021</u>	<u>443,714</u>
Fund balances:							
Restricted:							
Debt service							1,223,256
E-911 Surchage							226,585
Assigned:							
Bond reimbursement for capital projects					753,897	753,897	753,897
Landfill	704,667					704,667	704,667
Total fund balances	<u>704,667</u>		<u>28,258</u>	<u>2,616</u>	<u>981,638</u>	<u>1,718,585</u>	<u>3,352,119</u>
	\$						

CITY OF NOME, ALASKA  
Other Governmental Funds

Exhibit H-2

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances

Year Ended June 30, 2013

	Special Revenue Funds									
	E-911 Surcharge	FEMA Emergency Management Performance	Bullet Proof Vest Partnership	Emergency Planning Committee	Public Library Assistance	DOT Law Enforcement	Technical Assistance Museum	NPD SART Grant		
Revenues:										
Local sources:										
Investment										
Other	111,670	-	-	-	-	-	-	-	-	-
Intergovernmental:										
State of Alaska	-	-	-	13,442	6,500	9,534	1,730	-	-	-
Federal sources	-	5,181	3,483	-	5,779	9,470	-	-	-	9,316
Total revenues	111,670	5,181	3,483	13,442	12,279	19,004	1,730	-	-	9,316
Expenditures:										
Current:										
Administrative	35,252	-	-	13,442	-	-	-	-	-	-
Police	-	-	3,483	-	-	19,004	-	-	-	9,316
Public works	-	5,181	-	-	-	-	1,730	-	-	-
Library	-	-	-	-	12,279	-	-	-	-	-
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total expenditures	35,252	5,181	3,483	13,442	12,279	19,004	1,730	-	-	9,316
Excess (deficiency) of revenues over expenditures	76,418	-	-	-	-	-	-	-	-	-
Other financing sources:										
Transfers in	-	-	-	-	-	-	-	-	-	-
Net other financing sources	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	76,418	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year	150,167	-	-	-	-	-	-	-	-	-
Fund balances, end of year	226,585	-	-	-	-	-	-	-	-	-

(Continued)

CITY OF NOME, ALASKA  
Other Governmental Funds

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

	Special Revenue Funds							Total
	NPD NSHC SART IHS Grant	NSEDC Community Benefits Share	NSEDC Community Employment Program	NSEDC CSO	NSEDC Rural Fire Protection	Institute of Museum and Library Services Grant	Debt Service	
Revenues:								
Local sources:								
Investment	-	-	-	-	-	-	28,007	28,007
Other	-	182,119	2,573	12,228	56,250	-	-	364,840
Intergovernmental:								
State of Alaska	28,848	-	-	-	-	7,000	226,506	257,712
Federal sources	28,848	182,119	2,573	12,228	56,250	7,000	254,513	69,077
Total revenues	28,848	182,119	2,573	12,228	56,250	7,000	254,513	719,636
Expenditures:								
Current:								
Administrative	28,848	-	2,573	-	-	-	-	16,015
Police	-	-	-	-	-	-	-	95,903
Public works	-	182,119	-	12,228	75,000	-	-	276,256
Library	-	-	-	-	-	7,000	-	19,279
Debt service:								
Principal	-	-	-	-	-	-	305,000	305,000
Interest	-	-	-	-	-	-	176,644	176,644
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	28,848	182,119	2,573	12,228	75,000	7,000	481,644	889,099
Excess (deficiency) of revenues over expenditures	-	-	-	-	(18,750)	-	(227,131)	(169,463)
Other financing sources:								
Transfers in	-	-	-	-	-	-	578,170	578,170
Net other financing sources	-	-	-	-	-	-	578,170	578,170
Net change in fund balances	-	-	-	-	(18,750)	-	351,039	408,707
Fund balances, beginning of year	-	-	-	-	18,750	-	872,217	1,041,134
Fund balances, end of year	-	-	-	-	-	-	1,223,256	1,449,841

(Continued)

CITY OF NOME, ALASKA  
Other Governmental Funds

Exhibit H-2, Continued

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

	Capital Project Funds										Total Other Governmental Funds	
	Landfill	Public School Sprinkler and Fire Alarm System	Nome Eskimo Roads	ARRA Energy Efficiency Upgrades	Museum Construction and Development	PWKS Loader/ Snowblower Grant	School Renovation and Repairs	Total				
<b>Revenues:</b>												
Local sources:												
Investment income												
Other				1,445								1,445
Intergovernmental:												
State of Alaska		39,809	68,700	67,868	43,936	600,000		683,745				941,457
Federal sources			68,700	69,313	43,936	600,000		136,568				205,645
Total revenues		39,809	68,700	69,313	43,936	600,000		821,758				1,541,394
<b>Expenditures:</b>												
Current:												
Administrative												16,594
Police										579		95,903
Public works												276,258
Library												19,279
Debt service:												
Principal												305,000
Interest												176,644
Capital outlay		39,809	68,700	131,036	43,936	600,000		151,725		1,035,206		1,035,206
Total expenditures		39,809	68,700	131,036	43,936	600,000		152,304		1,035,785		1,924,884
Excess (deficiency) of revenues over expenditures				(61,723)				(152,304)		(214,027)		(383,490)
Other financing sources:												
Transfers in				61,723								61,723
Net other financing sources				61,723								61,723
Net change in fund balances								(152,304)		(152,304)		256,403
Fund balances, beginning of year	704,667							906,201		1,610,868		2,652,002
Fund balances, end of year	704,667							753,897		1,458,564		2,908,405

CITY OF NOME, ALASKA  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2013

Federal Grant Title	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Expenditures
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	\$ 448,949	448,949
Passed through Nome Eskimo Community:				
Indian Reservation Road Fund	None	15.033	68,700	68,700
Total U.S. Department of Interior			<u>517,649</u>	<u>517,649</u>
U.S. Department of Homeland Security, Division of Homeland Security and Emergency Management:				
Passed through State of Alaska, Department of Homeland Security and Emergency Management:				
Emergency Management Performance Grant	12EMPG-GR35585	97.042	5,181	5,181
U.S. Department of Justice:				
Direct				
Bullet Proof Vest Partnership	None	16.807	3,483	3,483
Passed through State of Alaska, Department of Public Safety:				
SART	None	16.558	9,316	9,316
Total U.S. Department of Justice			<u>12,799</u>	<u>12,799</u>
U.S. Department of Commerce:				
Passed through the State of Alaska, Department of Education and Early Development:				
ARRA - Online With Libraries (OWL) Training	OWL-13-746-01	11.557	4,103	4,103
U.S. Department of Museum and Library Services:				
Passed through the State of Alaska, Department of Education and Early Development:				
Continuing Education	CED-13-746-170	45.310	1,676	1,676
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>8,676</u>	<u>8,676</u>
U.S. Department of Transportation:				
Passed through the State of Alaska, Department of Transportation:				
DOT Law Enforcement	MOA	20.106	10,912	9,470
Denali Commission:				
Direct:				
Port of Nome Causeway High Mast Light Foundations and Towers	01376-00	90.100	666,508	549,668
U.S. Department of Education:				
Passed through the Alaska Energy Authority				
ARRA Energy Efficiency Upgrades	7510036	81.127	154,300	67,888
U.S. Department of Health and Human Services:				
Passed through Norton Sound Health Corporation-				
Indian Health Service	None	95.210	35,000	28,848
Total expenditures of federal awards			\$ <u>1,415,128</u>	<u>1,204,262</u>
Reconciliation from Federal Expenditures to Federal sources, Exhibit D-1				
Above expenditures, per schedule			\$ 1,204,262	
less: Capital contributed, Port Facility Enterprise Fund			(549,668)	
Total Federal sources, Exhibit D-1			<u>\$ 654,594</u>	

CITY OF NOME, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

**(1) General**

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

**(2) Basis of Accounting**

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

**(3) Reporting Entity**

The City, for purpose of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government as defined by GASB Codification, Section 2100, *The Financial Reporting Entity*. It does not include the component units of the City: The Nome Public Schools and the Nome Joint Utility System. These component units also receive Federal assistance, but separately satisfy the audit requirements of the OMB A-133, if applicable.

**(4) Subrecipients**

No federal funds were passed through to subrecipients.



CITY OF NOME, ALASKA  
 Schedule of State Financial Assistance  
 Year Ended June 30, 2013

<u>Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>Expenditures</u>
<b>Department of Commerce, Community and Economic Development:</b>			
* Debt Reimbursement	DR-03-147	\$ 226,506	226,506
* Community Revenue Sharing	None	391,410	391,410
Museum Construction and Development	11-DC-312	2,000,000	43,936
Public School Sprinkler and Fire Alarm System	12-DC-405	90,000	39,809
* Multi-Purpose Loader and Snow Blower	13-DC-499	600,000	600,000
* Port Design and Construction	13-GO-012	10,000,000	375,957
		<u>13,307,916</u>	<u>1,677,618</u>
<b>Department of Military and Veterans Affairs:</b>			
Division of Homeland Security and Emergency Management- Local Emergency Planning Committee	13LEPC-GR35602	13,442	13,442
<b>Department of Education and Early Development:</b>			
Public Library Assistance	PLA-13-74654	6,500	6,500
Technical Assistance Museum Grant Aid	None	1,730	1,730
		<u>8,230</u>	<u>8,230</u>
<b>Department of Public Safety-</b>			
Motor Vehicle License Tax	None	31,002	31,002
<b>Department of Revenue:</b>			
Liquor Licenses	None	11,650	11,650
Raw Fish	None	892	892
		<u>12,542</u>	<u>12,542</u>
<b>Department of Transportation:</b>			
DOT Law Enforcement	MOA	10,988	9,534
<b>Department of Administration</b>			
* HB81PERS Supplement Employer Relief Fund	None	425,181	425,181
<b>Total State Financial Assistance</b>		<b>\$ <u>13,809,301</u></b>	<b><u>2,177,549</u></b>
<b>Reconciliation from State Financial Assistance</b>			
<b>to State of Alaska revenues, Exhibit D-1:</b>			
Above expenditures, per schedule		\$ 2,177,549	
Less: Intergovernmental, Port Facility Enterprise Fund		<u>(404,877)</u>	
<b>Total State of Alaska revenue Exhibit D-1</b>		<b>\$ <u>1,772,672</u></b>	

CITY OF NOME, ALASKA

Notes to Schedule of State Financial Assistance

Year ended June 30, 2013

**(1) General**

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

**(2) Basis of Accounting**

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

**(3) Reporting Entity**

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

**(4) Subrecipients**

No State funds were passed through to subrecipients

**(5) \* Denotes a Major Program**

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# **COMPLIANCE REPORTS**

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

**Independent Auditor's Report**

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

Ladies and Gentlemen:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Nome, Alaska, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City of Nome, Alaska's basic financial statements, and have issued our report thereon dated March 25, 2014

**Internal Control over Financial Reporting**

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

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

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.

Members of the City Council  
City of Nome, Alaska

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Anchorage, Alaska  
March 25, 2014

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

**Independent Auditor's Report**

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

Ladies and Gentlemen:

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

We have audited City of Nome, Alaska's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Nome, Alaska's major federal programs for the year ended June 30, 2013. 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.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Nome, Alaska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Nome, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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, 2013.

**Report on Internal Control Over Compliance**

Management of City of Nome, Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Nome, Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Nome, Alaska's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Altman, Rogers & Co.*

Anchorage, Alaska  
March 25, 2014



CITY OF NOME, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

**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  No  
Significant deficiency(ies) identified?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal Control over major programs:  
Material weakness(es) identified  
(Section .510 (a)(1))?  Yes  No  
Significant deficiency(ies) identified  
(Section .510 (a)(1))?  Yes  No

Any material noncompliance with provisions of laws,  
regulations, contracts, or grant agreements related  
to a major program (Section .510 (a)(2))?  Yes  No

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

Any audit findings disclosed that are required to  
be reported in accordance with Circular A-133,  
Section .510(a) (3) or (4)?  Yes  No

Identification of major programs:

CFDA Number(s)/Cluster  
90.100

Name of Federal Program or Cluster  
Port of Nome Causeway High Mast Light  
Foundations and Towers

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

Auditee qualified as low-risk auditee?  Yes  No

CITY OF NOME, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

***Section II - Financial Statement Findings***

No matters to report.

***Section III - Federal Award Findings and Questioned Costs***

No matters to report.

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

No matters to report.

**Report on Compliance for Each Major State Program and Report 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

Ladies and Gentlemen:

**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, 2013. The City of Nome, Alaska's major state programs are identified in the accompanying Schedule of State Financial Assistance.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

Members of the City Council  
City of Nome, Alaska

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

In our opinion, the City of Nome, Alaska, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

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

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

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

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

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



Anchorage, Alaska  
March 25, 2014

CITY OF NOME, ALASKA

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

**Section I – Summary of Auditors' Results**

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ Yes X No

Significant deficiency(ies) identified?

\_\_\_ Yes X No

Noncompliance material to financial statements noted?

\_\_\_ Yes X No

State Awards

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_ Yes X No

Significant deficiency(ies) identified?

\_\_\_ Yes X No

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

Unmodified

Dollar threshold used to distinguish a state major program:

\$ 75,000

**Section II – Financial Statement Findings**

No matters to report.

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

No matters to report.

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

No matters to report.