Nome Joint Utility System
(A Component Unit of the City of Nome, Alaska)

Government Auditing Standards
Year Ended December 31, 2021

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



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Independent Auditor's 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*

Members of the Nome Joint Utility Board
Nome Joint Utility System
Nome, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Nome Joint Utility System, a component unit of the City of Nome, Alaska, which comprise the statements of net position as of December 31, 2021, and the related statements of revenue, expense and change in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Nome Joint Utility System's basic financial statements, and have issued our report thereon dated May 6, 2026.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-001 to be a material weakness.

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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. We consider the deficiency described in the in the accompanying schedule of findings and results as item 2021-002 to be a significant deficiency.

Compliance and Other Matters

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

Nome Joint Utility System's Response to Findings

The Utility's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Utility's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

BDO USA, P.C.

Anchorage, Alaska
May 6, 2026

Nome Joint Utility System

Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	X yes	___ no
Significant deficiency(ies) identified?	X yes	___ (none reported)
Noncompliance material to financial statements noted?	___ yes	X no

Section II - Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards

Finding 2021-001 — **Timeliness of Financial Reporting - Internal Control Over Financial Reporting - Material Weakness**

Criteria

Government Accounting Standards states management is responsible for establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; using resources efficiently; economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that financial information is reliable and properly reported. Internal controls over financial reporting should allow management to prevent or detect and correct misstatements on a timely basis.

Specifically, GASB Concepts Statement No. 1 states "If financial reports are to be useful, they must be issued soon enough after the reported events to affect decisions. Timeliness alone does not make information useful, but the passage of time usually diminishes the usefulness that the information otherwise would have had."

Condition

There were significant delays in the closing of the books and records, resulting in late issuance of the financial statements.

Cause

Turnover and a significant storm event occurred that impacted availability of staff to complete reconciliations and account closures.

Effect or potential effect

Users of the financial statements did not have timely financial information.

Recommendation

The Utility should consider additional accounting resources and develop an end-of-the-year checklist to ensure closing adjustments are made in a timely manner.

Views of Responsible Official and Planned Corrective Action	Management concurs with the finding. Management has hired a CFO and an accounting contractor and is working to get caught up on financial reporting.
Finding 2021-002	**Review of Cash Balances - Internal Control over Financial Reporting - Significant Deficiency**
Criteria	Government Accounting Standards states management is responsible for establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; using resources efficiently; economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that financial information is reliable and properly reported. Internal controls over financial reporting should allow management to prevent or detect and correct misstatements on a timely basis.
Condition	Two bank accounts closed prior to the fiscal year were not adjusted properly in the Utility's trial balance. Despite the closure of these reserve accounts, related balances continued to be reflected in the Utility's general ledger.
Cause	Bank reconciliations did not account for the closed accounts, and there was not a complete reconciliation of all cash balances on the trial balance with reconciliations.
Effect or potential effect	The total cash balance was initially misstated.
Recommendation	The Utility should create a formal bank reconciliation process that includes a full reconciliation of all accounts to general ledger balances.
Views of Responsible Official and Planned Corrective Action	Management concurs with the finding. Management will revise internal processes and procedures to require bank to be reconciled to the general ledger.

NOME JOINT UTILITY SYSTEM
a component unit of CITY OF NOME
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Corrective Action Plan
Year Ended December 31, 2021

Name of Primary Contact Person:
Christine Coffman, CFO
(907) 443-6306

Name of Alternate Contact Person:
John K. Handeland, GM/COO
(907) 443-6302

Finding 2021-001 Timeliness of Financial Reporting
Internal Control Over Financial Reporting

Corrective Action Implementation:
Recruiting skilled staff has always been a challenge in our area, with significant competition for the local talent pool. Many employers receive other government assistance (grants), many of whom offer more wages and liberal leave and other fringe benefits. COVID and Typhoon Murbok added additional challenges, significantly affecting the labor market and utility-related demands.

After no success during extended recruiting, the Utility made an internal reassignment to fill the accounting technician position, primary responsible for accounts payable, as well as review and reconciliation of cash receipts. Very shortly thereafter, the CFO position became vacant (a casualty of Tier IV PERS), which also remained vacant for an extended period, until the perfect candidate was identified and signed a contract.

Refilling critical accounting positions had essentially been addressed by the end of calendar year 2024. With familiarity in the information generation-flow, the CFO has worked to streamline processes. In addition, we contracted with an Alaska CPA, to provide additional dedicated effort to restore timely standard monthly reporting.

Expected Completion: December 31, 2026

Finding 2021-002 Review of Cash Balances
Internal Control over Financial Reporting

Corrective Action Implementation:
In 2005, the Utility participated in an Alaska Municipal Bond Bank (AMBB) funding opportunity for a project to construct a new power generation facility, to be repaid over 20 years. In 2014, the remaining principal as refinanced to capture more favorable (reduction) interest expense on the outstanding balance.

A bond reserve for funds in the general fund account was "restricted" by book entry and was carried as a bank statement reconciling item. It was later moved to a savings reserve. During refinancing, the bond reserve entry was not addressed. A corrective entry was made in 2026.

The Utility has made substantial progress in bringing its accounting records to current status. The CFO continues her "deep dive" at reconciliation of all accounts. Additional dedicated supplemental CPA services support have been secured on an open-ended basis.

Expected Completion: December 31, 2026