

City of Seward, Alaska



Comprehensive Annual Financial Report

For the Year Ended December 31, 2018

Prepared by City of Seward Finance Department

Comprehensive Annual Financial Report
of the
City of Seward, Alaska

For the Fiscal Year Ended
December 31, 2018

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MAYOR

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Prepared by the Finance Department

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City of Seward, Alaska

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LETTER OF TRANSMITTAL

City of Seward

Address: 410 Adams Street, P.O. Box 167, Seward, Alaska 99664

Phone: 907.224.4050; Fax: 907.224.4038

August 10, 2019

Honorable Members of the Seward City Council
Citizens of the City of Seward:

The City of Seward (City) **Comprehensive Annual Financial Report** (CAFR) for the year ended December 31, 2018 is hereby submitted in accordance with Alaska Statutes 29.35.120 and the Seward City Code. This report satisfies the requirement that the City issue an annual report on its financial position and activities audited by an independent firm of certified public accountants.

Management is responsible to ensure the accuracy, completeness, and fairness of the presentation of this information, including all disclosures. To provide a reasonable basis for making these representations, management has established a comprehensive framework of internal controls designed to protect the government's assets from loss, theft, or misuse and to provide sufficiently reliable information upon which to prepare the City's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh the benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management we assert that, to the best of our knowledge, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by BDO USA, LLP, a firm of independent certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall presentation of the financial statements. The independent auditor concluded, based on the audit, that there was a reasonable basis upon which to render an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented in the financial section of this report.

Generally accepted accounting principles require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements, in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A, which is found immediately following the report of the independent auditors.

As a recipient of federal grant awards, the City is required to undergo an audit in accordance with the provisions of the Federal Single Audit Act Requirements of 1996, the related OMB 2 CFR Part 200 (formerly OMB Circular A-133). A schedule of expenditures of federal awards, the independent auditor's report on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs (if any) are prepared as part of the audit.

As a recipient of state grant awards, the City is required to undergo an audit in accordance with the provisions of Alaska State Regulation 2 AAC 45.010 and *Audit Guide and Compliance Supplement for State Single Audits*. A state financial assistance schedule, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs (if any)

are prepared as part of the audit in accordance with the State of Alaska *Audit Guide and Compliance Supplement for State Single Audits*.

PROFILE OF THE GOVERNMENT

The City was incorporated on June 1, 1912, and became a first-class City under Alaska Statute's home rule provisions (AS 29.04.010) upon adoption of the City Charter by a referendum vote on January 5, 1960. The community is located on the eastern side of the Kenai Peninsula in Southcentral Alaska, 125 highway miles south of Anchorage. Year-round access is available by road, rail, water and two small-aircraft runways. The City has an area of 22 square miles and a population of 2,584. The form of government established by the Charter is the Council-Manager plan. The Council exercises legislative power and determines all matters of policy for the City. The Council is composed of a Mayor and six council members who are elected at-large on a non-partisan basis. At the October 2017 election, voters agreed to change the term of Council members and the Mayor from two-year to three-year terms. The City is mid-way through the process of phasing in the change in Council member terms.

The City Manager is the administrative head of the City government, is appointed by the Council, and is responsible to the Council for the proper handling of all City affairs. The City Clerk is also appointed by the Council. The Clerk's primary responsibilities involve the safekeeping of public records and the administration of City elections. The City Attorney is appointed by the Council. All other officers and employees of the City are appointed by the City Manager. Appointments to the following positions are made by the City Manager with approval of the Council: Manager of Electric Utility; Chief of Police; Finance Director; and Fire Chief.

The City is empowered to levy a property tax on both real and personal property located within its boundaries. The property tax is an ad valorem tax. Funding for the General Fund, by order of significance, is provided by sales tax, payments in lieu of tax and administrative charges assessed to enterprise funds, intergovernmental revenues, property tax, recreation and camping fees, hotel/motel tax and land rent and leases. The City provides the following services to its citizens: police, fire, public works, motor vehicle testing and licensing, jail, animal control, building inspection, community development, library and museum, parks and recreation, electric, water, wastewater, port and harbor, library, healthcare (primary care clinic, hospital, emergency room, long-term care facility), road maintenance, parking, and general administrative services.

BUDGETARY CONTROL

The City's budget serves as the foundation for financial planning and control. The City Council approves a Biennial (two-year) budget. All departments submit budget requests to the City Manager on or before September 1 every odd-numbered year. The City Manager utilizes these requests to formulate a proposed budget and submits the proposed budget to the City Council at a regular meeting in October. The Council holds public hearings on the proposed budget and generally adopts the two-year budget in November. Adjustments to the budget are made throughout the year, as authorized by the City Council. In the second year of the biennial budget, an interim review is conducted and modifications may be recommended to the City Council. The City Manager is authorized to make transfers between departments and line items within a Fund for amounts up to \$30,000. Council action is required for transfers between funds, for all single-item purchases exceeding \$30,000 (and all purchases of new motor vehicles regardless of cost) and for all new appropriations. These limits were downward-adjusted by the City Council from \$50,000 to \$30,000 in 2019. Budget-to-actual comparisons are provided in this report for the General Fund.

LOCAL ECONOMY

The natural beauty of Seward, its year-around deep-water port, access by road system and rail, and its relatively mild climate combine to make Seward attractive to marine and tourism-related businesses, and a destination of choice for tens of thousands of visitors. The cost of living in Seward is relatively low for Alaska, and taxes are low and stable. The cost of utilities is relatively high in Seward as in most of Alaska, and the

City Council has implemented seasonal energy rates for residential and small business customers to provide winter energy rate relief to residents and businesses. The City continues to investigate renewable energy opportunities following the Alaska Sealife Center's successful project converting abundant seawater for heating. Recent temperature studies on bore holes along the waterfront demonstrate the feasibility of geothermal technology to heat City-owned buildings in the downtown corridor and as a result of a recent grant award of \$750,000, the City has initiated an alternative energy pilot project.

Seward has a fairly diversified economy, although it remains dependent on the visitor industry for jobs and tax revenues, both of which peak during the months of May through August. Strong tourism, commercial and recreational fishing, boat tours and recreational opportunities bring outside money into Seward resulting in strong visitor-related sales.

Seward has a statewide reputation as a maritime powerhouse due to quality port and harbor infrastructure and growth in marine-related business. The City's recent \$25 million investment in Seward Marine Industrial Center (SMIC) expansion resulted in enclosing the basin by constructing a new breakwater, a new fishing pier, lineal moorage, dock upgrades, fencing, marine washdown pad, 10-ton crane, expansion of the 330-ton lift dock and pit, upgrades to electrical infrastructure, conversion of high-mast lights to LED, and other improvements. These investments are encouraging growth in marine transportation, ship repair, commercial fishing, land development and related business activity, and are attracting commercial fishing interests, transportation companies, marine scientists, the US Coast Guard and other large marine vessel operators with interest in expanded commercial facilities. Seward was the Kenai Peninsula's top commercial fishing port in 2016 and in that year, ranked as the 28th top U.S. port for pounds of commercial fish landed and 25th for value of fish crossing its docks. In 2016, 27 million pounds of commercial fish crossed the docks in Seward, valued at \$42 million. The Alaska Railroad has future plans to expand dock facilities in Seward, demonstrating a positive and growing economic climate for transportation and freight handling. Reductions in state funding may impact the degree and pace at which expansion occurs, although federal infrastructure spending may offer federal funding opportunities for marine-related projects.

The sale of the shipyard facility from Vigor to JAG Alaska has led to increased marine repair activity and increased employment opportunities for local tradespeople. This transaction could help offset the adverse electrical cost impacts the reduced operations of Vigor recently had on other electric rate payers, since as a large consumer of energy, JAG's operations will share energy-related fuel costs.

Seward's downtown corridor is experiencing revitalization on a scale not seen in years, as previously shuttered businesses are purchased, improved and opened to new ventures, reflecting optimism in the local business climate. Increased economic activity has created challenges related to affordable summer housing spurring local development projects to construct middle-income housing, micro-apartments, duplexes and at least two new hotels in the surrounding area. The City Council recently adopted Code changes to support smaller-size housing units and is considering development incentive options to promote expansion of affordable housing. These options include creation of assessment districts and possible development cost-sharing scenarios where the City may front the costs of utilities to encourage more housing construction.

A recent near-doubling of housing units operating as nightly rentals and beds-and-breakfast, necessitates enhanced compliance efforts. An external review indicates a larger number of operators utilizing online booking agents and many owners not registering with the City to collect and remit bed tax. Failure to properly register circumvents the City's ability to ensure that operators comply with required safety inspections and proper zoning requirements. Staff is tackling these and other issues to address market saturation, housing shortages, neighborhood impacts, non-compliance with bed tax collection and safety inspections, etc.

In 2018, Seward saw 20 commercial construction permits issued at a value of \$4.0 million, representing a 43% increase in the number of permits and a 72% increase in the value of commercial construction permits from the prior year. At the same time, 23 residential building permits were issued at a value of \$1.4 million, the second highest value of residential permit activity over the past ten years.

SHORT-TERM FINANCIAL PICTURE

While the economic outlook is positive, local businesses are sensitive to high costs of utilities and heating fuel as determining factors in whether businesses close in the winter to avoid higher operating costs. To address that challenge the City implemented seasonal electric rates for residential and small business customers, reducing rates in the winter and increasing them in the summer. This allows residential customers to more easily control consumption when rates are higher in the summer, offering some degree of rate relief. Due to public and Council concerns over high energy costs, as well as recent changes in the electric industry, it is prudent to consider whether the City should remain in the business of operating an electric utility or seek economies of scale that may prove more beneficial to rate payers. The City has received multiple expressions of interest from railbelt electric utilities interested in purchasing the Seward Electric Utility and the City will begin addressing with the community, whether it is prudent to consider a sale of the utility in order to provide reliable and more affordable energy to the community.

In 2018, Seward's sales tax revenues came in at \$5.3 million, or 3.2% higher than the prior year's \$5.1 million. Over the past ten years, sales tax revenues have increased 48.6%, and represent 72% of the City's overall tax revenues, and 43% of the overall General Fund revenues. The bulk of Seward's sales tax (approx. 49%) is generated during the period June, July and August, with the influx of summer visitors. Given the consistent growth in visitors to Seward, combined with low fuel costs, it is likely Seward can continue to maintain robust sales tax revenues in the near future. However, significant budgetary challenges at the State level threaten to reduce state funding in nearly every area of the State budget, pushing costs on to local governments, and reducing revenues previously shared with municipalities. As a result, it is prudent to remain cautious of the overall potential impact of State budget cuts to the City, and its ability to maintain current service levels.

The City's top ten property taxpayers have become more diverse over the past few years, but continue to lean toward an over-dependence on tourism-related businesses and the visitor industry. The top-ten taxpayers represent various industries including tourism, seafood processing, grocery, hotel/motel, communications, petroleum products, and marine businesses, and account for approximately 19% of all taxable property in the community, down from 25% in the prior year. With the bulk of these entities being visitor-related, the City is vulnerable to changes that affect the tourism industry, since sales tax, bed tax and camping fees are largely tourism-related and combined account for 55% of all General Fund revenue.

FACTORS AFFECTING FINANCIAL CONDITION

LONG-TERM FINANCIAL PLANNING

The City of Seward prepares a biennial (two-year) budget. In the off-budget year, more attention is given to longer-term financial planning initiatives such as utility rate reviews, capital budgeting and policy reviews. In 2017, the City conducted an Electric rate review to assess the success of seasonal utility rates for residential and small businesses, with the end result being retention of seasonal utility rates aimed at providing rate relief to winter customers. In 2018, the City spent significant time and resources replacing all electrical meters in the utility service area with remote-read meters, improving the accuracy and reliability of meter readings and electric utility bills. In 2019, a Water and Wastewater Classification and Rate Study is being performed in preparation for the upcoming 2020/2021 biennial budget process.

An improved focus on long-term financial planning has resulted in tangible financial improvements in the short-term. General Fund reserves have risen to within the policy band of between three and six months' expenditures and transfers-out, with Reserve levels rising to 5 months of expenditures and transfers-out; the Capital Acquisition Fund receives periodic contributions toward general government infrastructure needs; and State revenue sharing funds are used for one-time, non-recurring capital needs.

A more recent challenge which affects the City into the future is operational shortfalls at the hospital and long-term care facility, which encourages a larger portion of healthcare-related sales tax proceeds be set aside to ensure stable funding for future long-term care facility bond payments. Operational shortfalls at Providence Seward Medical Center (PSMC) result from a perfect storm of factors, including 1) a Medicaid reimbursement rebase year in which census was lower than required to maintain 100% cost-based reimbursement, significantly reducing Medicaid revenues for a three-year period; 2) increased costs related to staffing Seward Mountain Haven when census levels have recently reached their highest levels since the facility opened, combined with significantly reduced reimbursement rates; and 3) the failure of cost-based reimbursement rates to keep pace with medical inflation, as Medicaid reimbursement rates post-rebase are capped at the rate of consumer price-indexed inflation which is substantially lower than medical cost inflation. These operational shortfalls are the responsibility of the City to cover, and will likely require the use of funds previously expected to be available for facility expansion purposes, to avoid impacts to the General Fund. This issue requires the City to set aside future proceeds from the 1% sales tax to meet legally mandated bond covenants.

In recent years, Alaskan cities have received financial assistance from the State of Alaska in the form of community assistance and pension rate relief, mitigating the need to further reduce services or increase property taxes or draw down reserves. The State continues to play a dominant role in local economies; less so in Seward than in many communities. The significant budgetary pressure resulting from the State's reliance on a single revenue source (oil royalties and taxes) has resulted in historic budget cuts at the State level, threatening every level of State services. As the state struggles to balance a multi-billion-dollar budget gap, cities will be increasingly impacted by the downstream budgetary effects. State funding formerly relied on by the City (revenue sharing, PERS relief, community jail, capital grants) is at high risk of elimination or extreme reduction, likely requiring greater cuts to the General Fund budget, including reductions in force. While the City has reduced its dependence on grants to replace business-type infrastructure through higher rates and has made cuts to absorb impacts to the General Fund, the full impact of the State's budget challenges will continue to affect the City well into the future.

FINANCIAL CONDITION

A primary measure of the City's financial strength is its fund balance (i.e. the accumulation of revenues and transfers-in exceeding expenditures and transfers-out). The City has worked hard to bring its General Fund *unassigned fund balance* to within the policy band of between three and six months' reserves. Unassigned fund balance increased in 2018 by \$1.0 million to \$5.6 million representing 5 months' reserves, up from 4.1 months' in 2017. The primary reason for the increase in *unassigned fund balance* is a net increase in interfund transfers of \$1.2 million compared with the prior year. In the prior year, surplus funds were transferred to the Capital Acquisition Fund to pay for infrastructure repairs, plus a transfer of \$500,000 to the hospital to cover cash flow requirements. Maintaining fund balance levels within the policy band remains a priority, since the City has frequent calls on reserves to address unanticipated emergencies, unbudgeted needs, capital repairs and replacement, frequent flood events, growing healthcare-related deficits, Alaska Sealife Center funding uncertainty, enterprise fund critical needs, and potential enterprise fund shortfalls. The City has no identified revenue source to replace major Governmental Fund infrastructure. The General Fund reserves, while on the mid-to-high point of the target range, have reached this level largely due to \$2.0 million in one-time EXXON Valdez oil spill settlement proceeds received in 2009/2010, a transfer of old hospital PERS liabilities (\$1.3 million) out of the General Fund in 2012, and

consistent effort by staff to eliminate all unnecessary spending. There remain significant unmet capital needs and insufficient resources to address them. These risks have the potential to have significant adverse impacts on the City's financial condition, enhancing the need for a healthy level of unassigned reserves.

Infrastructure Condition

The City continues to refine the assessment of capital infrastructure condition and address the most critical and high-risk repair and replacement projects as funding allows. Major improvements in infrastructure condition have resulted from enterprise fund incremental rate increases over the past eight years and aggressive pursuit of grants. The Water and Wastewater Funds have insufficient resources to meet ongoing capital needs, although some of their most crucial capital infrastructure needs were addressed over the past few years. Significant recent infrastructure improvements and corresponding demand for land leases at Seward Marine Industrial Center, have significantly improved the prospects for eliminating annual deficits that have persisted in the SMIC Enterprise Fund for many years.

The City has made significant improvements to enterprise fund capital assets based largely on categorizing and prioritizing capital needs as "critical", "high risk" or "moderate risk" and targeting resources to the most critical needs. More than \$87 million in capital grants have been deployed over the past eight years, allowing external funds to pay the lion's share of capital improvements, including: \$26 million SMIC expansion; \$6 million electrical upgrades including a new warehouse, automated controls and backup generators; \$2 million Snow River flood mitigation; \$5.5 million new water tank construction and old tank refurbishments; new harbor floats, docks, restrooms, fish cleaning stations, sewer pump-out station, launch ramps and improvements; Wastewater utility dredging of Lowell Point and SMIC sewage lagoons. These improvements came at little cost to the local taxpayers, but will have lasting benefits to residents of Seward for decades to come. With reductions in state and federal grant opportunities, enterprise funds must be more vigilant in seeking ways to operate more efficiently to be self-sustaining in order to mitigate risks to their financial and capital asset condition.

Major Projects

The City completed a number of major projects this year including 1) completion of the Seward Marine Industrial Center expansion project in the SMIC basin, and related upland improvements, including completion of the new breakwater, the installation of a new cargo crane, fencing, adding heat to the wash down pad, construction of a fishing pier, repairs to North Dock, upgraded electric transformers, transition to LED high-mast lighting, upland paving, etc; 2) refurbishment of Lowell Canyon water storage tank; 3) purchase of a new CT scanner at the hospital, including building modifications to the lab and x-ray facilities; 4) mass exchange of all electric utility meters in the utility service area to facilitate automated meter reading; 5) partial erosion repairs to the waterfront; 6) replacement of fire rings and picnic tables in the waterfront campgrounds; 7) repairs and upgrades to fencing at City ballfields and parks; and other similar public improvement projects.

Other major capital projects in the works, include: 1) South harbor launch ramp replacement in 2019 followed by the Northeast launch ramp and paving of the Northeast parking lot in 2020; 2) repairs to City Hall and Annex roof and boiler; 3) replacement of fire department air packs; 4) underground heat loop system to use sea water to heat City facilities in the downtown corridor; 5) FEMA-funded erosion repairs to waterfront and Lowell Point Road; 6) installation of additional utility sites in the campgrounds; and 7) construction of a new waterfront shower house and restroom.

Future capital initiatives which require funding and attention include: replacement of the city shop, parks warehouse and animal shelter; transmission line upgrades; completion of a Lowell Canyon Tunnel Mitigation alternative to prevent catastrophic flooding of the tunnel; development of the former Air Force Recreation Camp lots for residential and commercial lease; and a number of other major capital initiatives.

Pension and Other Post-employment Benefits

The City provides pension and other post-employment (OPEB) benefits to all eligible employees through the State of Alaska Public Employees Retirement System (PERS) which consists of three defined benefit (DB) Tiers and one defined contribution (DC) Tier. The City has always paid its annual required contributions on time and anticipates near-term contribution rates to be capped at 22% based on State statutes requiring the State to cover costs in excess of 22%. Proposed legislation may eliminate or reduce the State's contributions in excess of 22%, shifting more costs to cities, which could significantly impact the City's budget. When the FY2015 State Legislature enacted HB385 and SB119, it changed the amortization term and method, shifting billions of future retirement contributions from the State to municipalities. These changes reduce annually required payments but push required employer contributions into the future, shifting the lion's share of on-behalf contributions historically made by the State, onto local governments. These changes result in a substantial increase in overall pension and OPEB costs to employers, as investment earnings are lost as a means to reduce future required employer contributions. The practical result of this legislation is that lower annual employer contributions are required (but over a longer period) significantly reducing the State's payment of costs on-behalf of local governments, while increasing costs to local governments. Recent changes in governmental accounting standards require that entities report within their financial statements, their pro-rata share of net pension and OPEB liabilities of the PERS system. The total net pension and OPEB liability attributed to the City is \$11.2 million in 2018, with \$8.0 million related to governmental activities and \$3.2 million associated with business-type activities.

Financial and Budget Reporting Awards

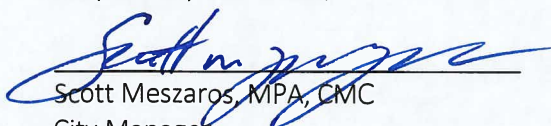
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Seward for its comprehensive annual financial report (CAFR) for the year ended December 31, 2017. This is the 24th consecutive year that the City of Seward has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

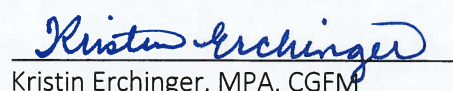
In 2018, the City also received from the GFOA, the Distinguished Budget Presentation Award for the 2018/2019 Biennial Budget, for publishing a budget document that meets the program criteria as a policy document, an operations guide, a financial plan and a communications device. This was the first year the City has applied for and received this award, and staff expects to apply to the award program in the upcoming biennial budget period.

Acknowledgments

We would like to take this opportunity to thank the staff and the City Council for their proactive efforts to protect and enhance the physical and financial assets of the City, for promoting Seward as a world-class destination, for promoting a business-friendly climate and encouraging entrepreneurship, and for setting Seward on a path of positive and sustainable economic growth.

Respectfully submitted,


Scott Meszaros, MPA, CMC
City Manager


Kristin Erchinger, MPA, CGFM
Finance Director

City of Seward, Alaska

GFOA Certificate



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Seward
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

City of Seward, Alaska

List of Principal Officials

CITY OF SEWARD

LIST OF PRINCIPAL OFFICIALS

COUNCIL MEMBERS

		Term Expires
David Squires	Mayor	2019
Sue McClure	Vice Mayor	2019
Jeremy Horn	Council Member	2019
John Osenga	Council Member	2021
Kelley Lane	Council Member	2020
Sharyl Seese	Council Member	2021
Suzanne Towsley	Council Member	2019

ADMINISTRATION

Scott Meszaros	City Manager
Brennan Hickok	Assistant City Manager
Kristin Erchinger	Finance Director
John Foutz	Manager of Electric Utility
Doug Schoessler	Public Works Director
Norm Regis	Harbormaster
Tom Clemons	Chief of Police
Eddie Athey	Fire Chief
Karin Sturdy	Parks & Recreation Director
Valarie Kingsland	Library Director

CITY CLERK

Brenda Ballou	City Clerk
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ATTORNEY

Will Earnhart	City Attorney, Birch, Horton, Bittner
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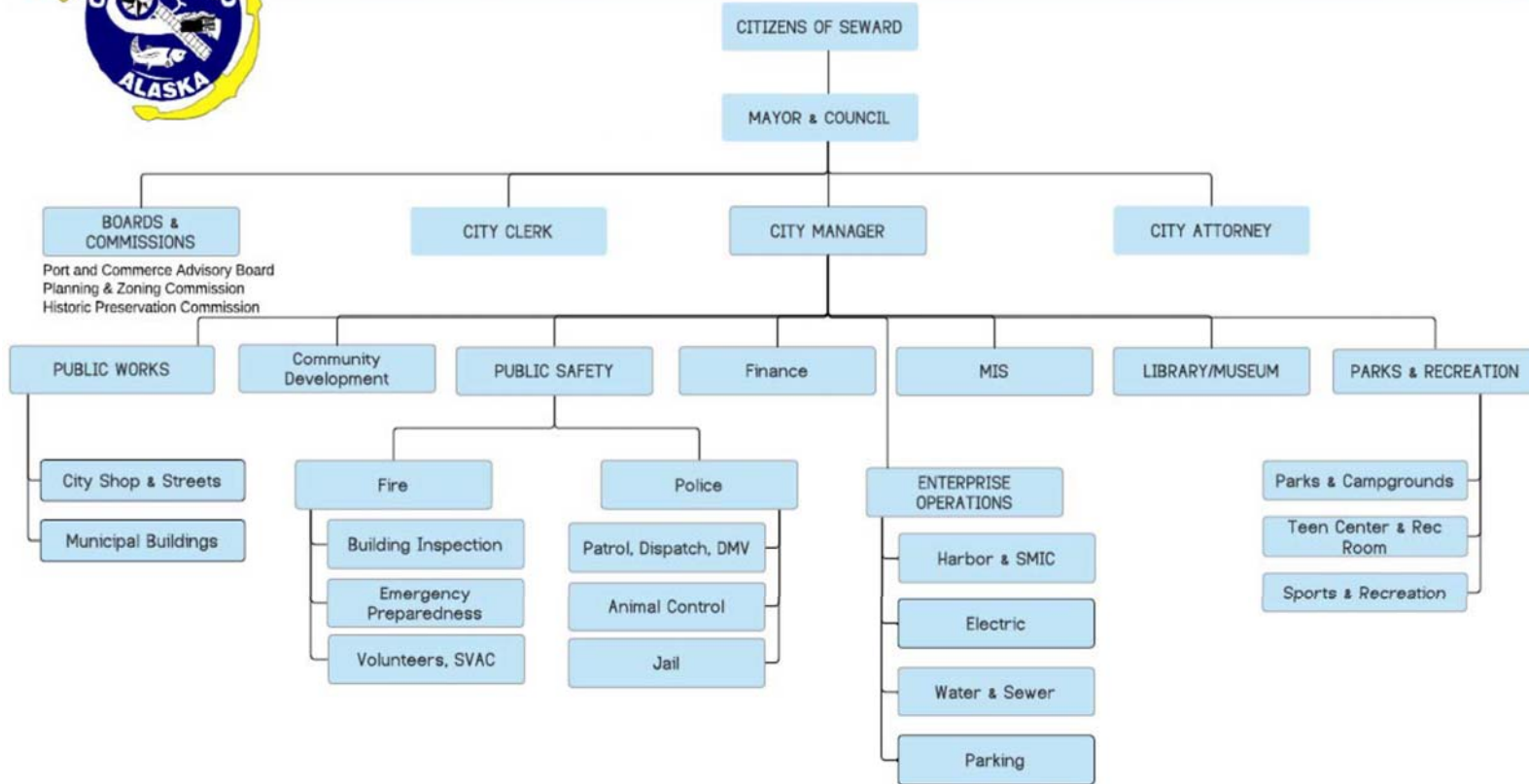
The City of Seward is a home-rule city with a council-manager form of government. Legislative powers of the City of Seward are vested in a council consisting of a mayor and six council members. The mayor and each council member are elected from the city at large. The term of office is changed from two to three years beginning in 2018. The appointed officers of the city include the city manager, city clerk, and the city attorney. The city council generally meets on the second and fourth Mondays of each month in the City Council Chambers located in the City Hall Building at 410 Adams Street in Seward, Alaska.

City of Seward, Alaska

Organizational Chart



CITY OF SEWARD ORGANIZATION CHART





Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Honorable Mayor and City Council
City of Seward, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seward, Alaska, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Seward'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 did not audit the financial statements of the Providence Seward Medical and Care Center (PSMCC) which represent 23%, 218% and 99% respectively, of the assets and deferred outflows of resources, net position and revenues of the Healthcare Facilities Enterprise Fund, and 4%, (2%) and 45% respectively, of the assets and deferred outflows of resources, net position and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the financial statements of the PSMCC, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the PSMCC were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seward, Alaska as of December 31, 2018, 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 discussed in Note 13 to the financial statements, in 2018 the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 5-19 and the Schedules of Net Pension and OPEB Liability and City Contributions to the Public Employees' Retirement System Pension and OPEB Plans and International Brotherhood of Electrical Workers Plan on pages 80-90 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.

Supplementary and Other Information

Our audit for the year ended December 31, 2018 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seward's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, the Schedule of State Financial Assistance, the combining and individual fund financial statements and schedules, and the introductory and statistical sections for the year ended December 31, 2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance are required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, respectively.

The accompanying Schedule of Expenditures of Federal Awards, the Schedule of State Financial Assistance and the combining and individual fund financial statements and schedules 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 for the year ended December 31, 2018 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Seward, Alaska as of and for the year ended December 31, 2017 (not presented herein) and have issued our report thereon dated September 14, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended December 31, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2017.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2019 on our consideration of the City of Seward's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Seward's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Seward's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
August 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

City of Seward

This section of the Comprehensive Annual Financial Report provides a narrative overview and analysis of the financial activities of the City of Seward for the fiscal year ended December 31, 2018. It is designed to focus on significant financial issues, provide an overview of the City's financial activities, highlight changes in the City's financial position, identify material changes from the original budget and explain any specific issues or concerns. In addition to this discussion and analysis (MD&A), readers are encouraged to read the Letter of Transmittal found on pages VI-XII of this report, which provides additional summary information.

FINANCIAL HIGHLIGHTS

- At December 31, 2018, the City of Seward's assets and deferred outflows exceeded liabilities and deferred inflows by \$192.5 million (net position). Of this amount, \$168.6 million represents net investment in capital assets, \$1.76 million is restricted for commercial passenger vessel tax, and the remaining \$22.1 million represents unrestricted net position. Unrestricted net position does not necessarily reflect a surplus of resources, since a portion of net position can be designated for capital grants, capital replacement, or other purposes determined by the City Council.
- Excluding business-type activities, the assets of the primary government exceeded liabilities by \$61 million. Of this amount, \$5.9 million in unrestricted net position is legally unreserved and available to meet the government's ongoing financial obligations, although the Council has earmarked a portion of these funds for specific purposes.
- Implementation of Governmental Accounting Standards Board Statement No 68 (GASB 68) results in recording net pension liabilities totaling \$9.3 million (\$6.6 million related to governmental activities and \$2.7 million related to business type activities), \$1.1 million in pension-related deferred outflows (\$841 thousand related to governmental activities and \$305 thousand related to business type activities), and pension-related deferred inflows totaling \$233 thousand (\$88 thousand related to governmental activities and \$145 thousand related to business type activities).
- Implementation of Governmental Accounting Standards Board Statement No 75, in 2018, results in recording net OPEB liabilities totaling \$1.9 million (\$1.5 million related to governmental activities and \$441 thousand related to business type activities), \$664 thousand in OPEB-related deferred outflows (\$510 thousand related to governmental activities and \$154 thousand related to business type activities), and OPEB-related deferred inflows totaling \$772 thousand (\$593 thousand related to governmental activities and \$179 thousand related to business type activities).
- The City's total net position increased by \$4.5 million, prior to restatement to beginning net position of \$1.2 million for the implementation of GASB Statement No. 75. Governmental activities decreased by \$1.0 million and business-type activities increased by \$5.5 million. The bulk of the increase in business-type activity net position is due to \$5.9 million in capital grants and contributions with \$5.1 million related to reimbursable grants expended on expansion of the Seward Marine Industrial Center.
- The City's governmental funds reported combined ending fund balances of \$11.4 million representing an increase of \$1.1 million compared to the prior year. While \$11.0 million of the fund balance is legally available for spending, only \$5.6 million has not already been earmarked for specific purposes (*unassigned fund balance*). This reflects an increase in available unassigned fund balance from the prior year of \$985 thousand.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

City of Seward

- The total debt of governmental activities decreased by \$201 thousand or 3.14% excluding the effect on net pension and OPEB liability. This was comprised of \$105 thousand payments toward the library/museum bond, \$95 thousand payments toward the new road improvement bond, and a reduction in the value of accrued compensated absences of \$1 thousand.
- The total debt of business-type activities (excluding pension and OPEB-related debt) decreased by \$1.8 million or 6.21% as a result of bond and notes payments.
- Debt associated with net pension liability is recently required to be reported in the financial statements and beginning in this 2018 financial statement, OPEB liability must also be reported. As a result, net pension and OPEB liability of governmental activities increased by \$2.4 million, from \$5.6 million (net pension liability only) to \$8.0 million (\$6.5 million net pension liability and \$1.5 million net OPEB liability). For business type activities, debt associated with net pension and OPEB liabilities increased by \$716 thousand, from \$2.4 million (net pension liability only) to \$3.2 million (\$2.7 million net pension liability and \$441 thousand net OPEB liability). Combined liability for both pension and OPEB for all activities of the City, total \$11.2 million (\$8.0 million governmental activities and \$3.2 million business type activities).

OVERVIEW OF FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the City's basic financial statements, which include 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other required supplementary information. The basic financial statements include two types of statements reflecting different views of the City's financial activities; the government-wide financial statements, and the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements are intended to provide a comprehensive look at all financial activities of the City. These statements summarize the City's overall financial condition and contain both short-term and long-term information about the City's entity-wide finances, similar to a private-sector business. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

The **Statement of Net Position** examines, on an entity-wide basis, the difference between the City's assets and deferred outflows, and its liabilities and deferred inflows, resulting in net position. Over time, increases or decreases in net position may indicate whether the City's financial position is improving or deteriorating. The purpose of this statement is to present the overall financial position of the City. There are other non-financial factors, such as the condition of public facilities, the timely investment in roads and infrastructure, and the level of maintenance funding that should be considered in evaluating the City's overall financial condition.

The **Statement of Activities** demonstrates how the City's net position changed as a result of the current year's activities. This statement reflects expenses for various programs and functions of the City, as offset by program revenue. Program revenues include fees, fines and charges for services, as well as operating grants, capital grants, and contributions. Revenues and expenses are reported when incurred, regardless of the timing of the related cash flows. Therefore, revenues and expenses may be reported in this statement for items that will result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the City of Seward that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Seward include general government, public safety, public works, parks and recreation, library/museum, the Seward Community Health Center (clinic) and the Alaska Sealife Center. The business-type activities of the City include the hospital and long-term care facilities (healthcare facilities for Providence Seward Medical and Care Center), harbor enterprise, Seward Marine Industrial Center enterprise, electric utility, water utility, wastewater utility, and parking operations. The government-wide financial statements can be found on pages 22-24 of this report.

Fund Financial Statements

Fund financial statements focus on specific areas of City operations and provide more detail than the government-wide statements. A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or purposes. The City of Seward, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements. The funds of the City of Seward are divided into three categories: governmental funds, proprietary funds, and fiduciary funds, each of which is further described below.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements -- which provide a broad overview and include short-term and long-term information -- the governmental funds' financial statements focus on near-term inflows and outflows of resources, and on the balance of spendable resources available at the end of the year. Such information is useful in evaluating a government's near-term financing requirements.

Since 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. Such a comparison enables the reader to better understand the long-term impact of a government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City of Seward maintains thirteen (13) individual governmental funds. The General Fund is the only Major Governmental Fund presented as a distinct column on the Governmental Funds Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances, with the other twelve governmental funds aggregated and shown in the Non-major Funds column on these same two statements. Individual fund information for the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report (see pages 114-115 and 118-119).

The City of Seward adopts a 2-year budget for the General Fund. A budgetary comparison statement (page 29) demonstrates compliance with the budget, and a list of budgetary highlights is found later in this document. The basic governmental fund financial statements are found on pages 25-28 of this report.

Proprietary Funds

The City of Seward maintains two types of proprietary funds; enterprise funds and internal service funds. Enterprise funds are used to report the same functions identified as business-type activities in the government-wide financial statements. The financial statements present distinct columns for each of the major enterprise funds (Electric, Harbor, Seward Marine Industrial Center, and Healthcare Facilities (Providence Seward Medical and Care Center), and then the non-major enterprise funds (including Water, Wastewater and Parking) are aggregated into a single Nonmajor Funds column. Information for each Major and Non-Major fund is shown in the individual fund statements found on pages 122-161 of this report.

Internal service funds accumulate and allocate costs internally among the various functions of the City. The City utilizes two internal service funds to account for its motor pool equipment replacement program and compensated annual leave resources; these funds are aggregated into a single Internal Service Funds column in the proprietary fund financial statements. The motor pool benefits both the governmental and business-type functions. As a result, its activities have been allocated among both the governmental and business-type activities in the government-wide financial statements. Accrued leave that is earned in the governmental funds is accounted for in the Compensated Annual Leave Internal Service Fund. Individual fund data for the internal service funds can be found on pages 164-170 of this report.

Fiduciary Funds

Fiduciary funds account for resources held by the City in a trustee capacity, for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support programs of the City. The accounting used for fiduciary funds is similar to proprietary funds and the City's single fiduciary fund, the Teen Council Agency Fund, and data for that fund can be found on page 171 of this report.

Notes to the Basic Financial Statements

The notes provide additional information essential to a complete understanding of the data in the government-wide and fund financial statements. The notes can be found on pages 36-77 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* on the City's retirement and other postemployment (OPEB) plans on pages 80-90 of this report, including notes to required supplementary information. The Supplementary Information section provides combining statements for nonmajor funds, as well as individual fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

City of Seward

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Over time, net position may serve as a useful indicator of a government's financial position. At December 31, 2018, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$192.5 million. A significant portion of the City's net position (87.6%) reflects its investment in capital assets, less any outstanding debt used to acquire those assets. Capital assets are not liquid and are not available for future spending. Since the investment in 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. The following table provides a summary of the City's net position:

Table 1
Statement of Net Position
As of December 31, 2018 and 2017

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 14,559,829	13,382,077	36,150,094	32,555,756	50,709,923	45,937,833
Deferred outflows	1,351,798	422,010	2,501,830	2,363,732	3,853,628	2,785,742
Capital assets	<u>61,290,084</u>	<u>63,440,404</u>	<u>138,476,077</u>	<u>138,626,892</u>	<u>199,766,161</u>	<u>202,067,296</u>
Total assets & deferred outflows	<u>\$ 77,201,711</u>	<u>77,244,491</u>	<u>177,128,001</u>	<u>173,546,380</u>	<u>254,329,712</u>	<u>250,790,871</u>
Long-term liabilities						
outstanding	14,506,524	12,352,313	33,015,501	34,360,432	47,522,025	46,712,745
Other liabilities	945,442	895,036	12,390,913	12,649,217	13,336,355	13,544,253
Deferred inflows	<u>680,850</u>	<u>940,942</u>	<u>323,747</u>	<u>402,281</u>	<u>1,004,597</u>	<u>1,343,223</u>
Total liabilities & deferred inflows	<u>16,132,816</u>	<u>14,188,291</u>	<u>45,730,161</u>	<u>47,411,930</u>	<u>61,862,977</u>	<u>61,600,221</u>
Net position:						
Net investment in capital						
assets,	55,207,271	57,141,278	113,424,083	110,842,789	168,631,354	167,984,067
Restricted	-	-	1,760,686	1,402,847	1,760,686	1,402,847
Unrestricted	<u>5,861,624</u>	<u>5,914,922</u>	<u>16,213,071</u>	<u>13,888,814</u>	<u>22,074,695</u>	<u>19,803,736</u>
Total net position	<u>\$ 61,068,895</u>	<u>63,056,200</u>	<u>131,397,840</u>	<u>126,134,450</u>	<u>192,466,735</u>	<u>189,190,650</u>

At the end of 2018, the City of Seward is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

City of Seward

Statement of Activities

The City's total revenues and expenses for governmental and business-type activities are reflected in the following table.

**Table 2
Change in Net Position
For the Years Ended December 31, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,076,012	1,825,917	40,271,223	39,181,030	42,347,235	41,006,947
Operating grants / contributions	1,418,770	1,100,497	341,960	85,831	1,760,730	1,186,328
Capital grants / contributions	584,688	3,101,498	5,950,880	7,254,741	6,535,568	10,356,239
General revenues:						
Sales taxes	5,326,437	5,160,344	-	-	5,326,437	5,160,344
Property taxes	1,473,199	1,208,090	-	-	1,473,199	1,208,090
Payments in lieu of tax	73,207	107,157	-	-	73,207	107,157
Other	<u>1,394,356</u>	<u>1,412,642</u>	<u>1,372,370</u>	<u>1,154,848</u>	<u>2,766,726</u>	<u>2,567,490</u>
Total revenues	<u>12,346,669</u>	<u>13,916,145</u>	<u>47,936,433</u>	<u>47,676,450</u>	<u>60,283,102</u>	<u>61,592,595</u>
Expenses:						
General government	2,571,120	1,909,713	-	-	2,571,120	1,909,713
Public safety	3,939,768	3,642,114	-	-	3,939,768	3,642,114
Public works	1,973,267	2,174,105	-	-	1,973,267	2,174,105
Parks and recreation	1,581,736	1,511,469	-	-	1,581,736	1,511,469
Library	808,835	794,077	-	-	808,835	794,077
Clinic	1,637,780	1,660,050	-	-	1,637,780	1,660,050
Unallocated interest	251,372	232,290	-	-	251,372	232,290
Alaska Sealife Center	1,556,943	1,465,285	-	-	1,556,943	1,465,285
Electric	-	-	11,390,325	12,120,052	11,390,325	12,120,052
Water	-	-	1,499,502	1,373,707	1,499,502	1,373,707
Wastewater	-	-	1,093,784	1,086,821	1,093,784	1,086,821
Harbor	-	-	4,065,082	4,093,848	4,065,082	4,093,848
SMIC	-	-	1,389,912	1,161,489	1,389,912	1,161,489
Healthcare Facilities	-	-	21,845,021	21,153,694	21,845,021	21,153,694
Parking	-	-	<u>214,637</u>	<u>227,174</u>	<u>214,637</u>	<u>227,174</u>
Total expenses	<u>14,320,821</u>	<u>13,389,103</u>	<u>41,498,263</u>	<u>41,216,785</u>	<u>55,819,084</u>	<u>54,605,888</u>
Increase (decrease) in net						
assets before transfers	(1,974,152)	527,042	6,438,170	6,459,665	4,464,018	6,986,707
Transfers	<u>899,264</u>	<u>89,589</u>	<u>(899,264)</u>	<u>(89,589)</u>	<u>-</u>	<u>-</u>
Change in net position	(1,074,888)	616,631	5,538,906	6,370,076	4,464,018	6,986,707
Beginning net position, restated	<u>62,143,783</u>	<u>62,439,569</u>	<u>125,858,934</u>	<u>119,764,374</u>	<u>188,002,717</u>	<u>182,203,943</u>
Ending net position	\$ <u>61,068,895</u>	<u>63,056,200</u>	<u>131,397,840</u>	<u>126,134,450</u>	<u>192,466,735</u>	<u>189,190,650</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

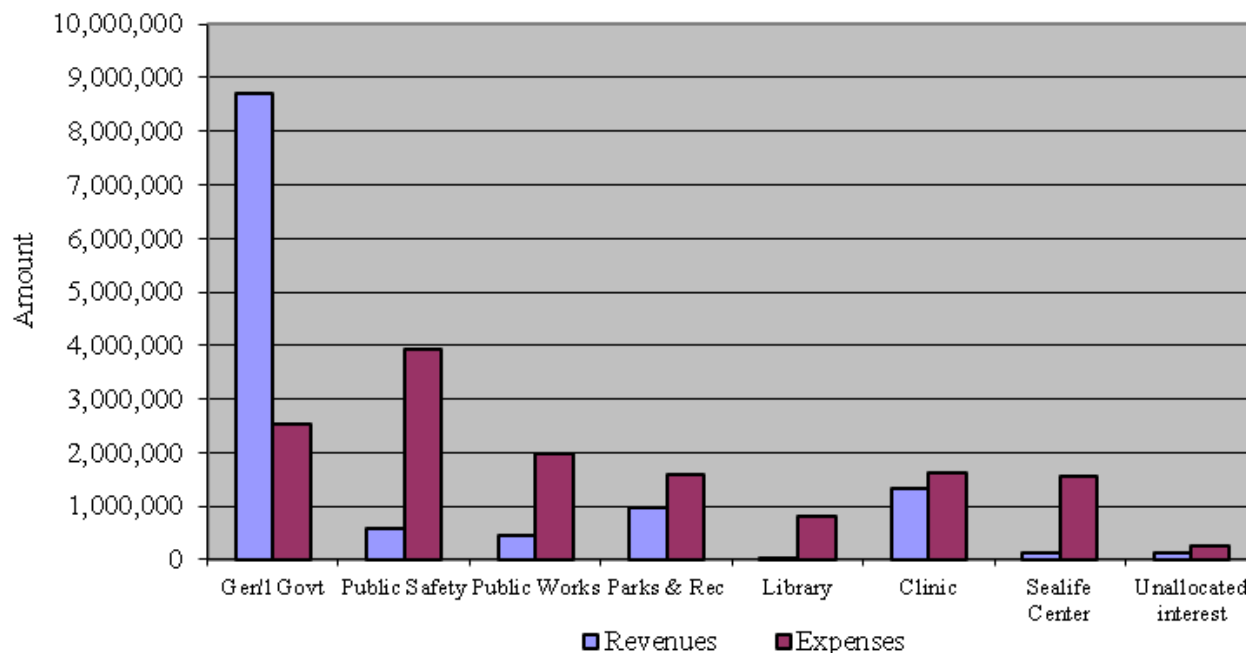
City of Seward

Governmental Activities

The City of Seward's net position in Governmental activities decreased by \$1.07 million. The following items are of particular note:

- Overall revenues for governmental activities were down by \$1.6 million or 11.3% compared with the prior year, due to reduced operating and capital grants related to completion of the Street Improvements Project.
- Overall expenditures were up by \$932 thousand million or 6.9% due entirely to completion of the Street Improvements Project in the prior year.
- Capital and operating grants brought in \$2.0 million with more than one-half related to the receipt of federal funding in support of the City's community health center.
- Governmental funds experienced net transfers-in of \$899 thousand in 2018 versus net transfers-in of \$90 thousand in 2017.
- The amount by which depreciation exceeds capital outlay and loss on disposal of equipment is \$2.2 million, accounting for the bulk of the reduction in net position of governmental activities.
- The impact of certain changes related to the booking of net OPEB liability beginning in 2018, restated net position by \$912 thousand.
- The City does not generate sufficient tax revenues to cover depreciation on general government assets. To replace capital assets in the future, the City will need to rely on external financing sources such as grants, or incurring debt to finance construction.

The following graph reflects the revenues and expenses associated with each of the general government's primary programs:



Business-type Activities

Business-type activities increased the net position of the City by \$5.5 million, including adjustments for Motor Pool Internal Service Fund activities. As is the case with governmental activities, a substantial portion (86.3%) of the \$113.4 million in net position is invested in capital assets. The increase in net position is comprised of the following:

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

City of Seward

Net position from current year activities increased in three enterprise funds: Seward Marine Industrial Center by \$5.2 million (\$5.1 million in capital contributions); Healthcare Facilities by \$1.3 million (\$207 thousand in capital contributions); and Non-Major Enterprise Funds, by \$592 thousand (\$554 thousand in capital contributions). All Non-Major Enterprise Funds included increases in net position from current year activities, including Water Enterprise Fund increase of \$350 thousand (with \$554 thousand in capital contributions); Wastewater Enterprise Fund increase in net position of \$117 thousand (with no capital contributions); and an increase in Parking Enterprise Fund net position of \$125 thousand (with no capital contributions). Net position decreased from current year activities in two enterprise funds, as follows: Electric Enterprise Fund by \$1.4 million (\$87 thousand in capital contributions); and Harbor Enterprise Fund by \$70 thousand (\$32 thousand in capital contributions).

Business-type Activities' Operating Revenue Analysis

Proprietary Fund operating revenues increased by \$1.7 million from 2017 (\$38.5 million) to 2018 (\$40.2 million), comprised of the following changes by Fund:

- Electric Enterprise Fund operating revenue declined \$1.2 million (from \$12.2 million to \$11 million) with the largest drops seen in large general service (\$640 thousand), residential (\$361 thousand) and small general service (\$117 thousand). Recent trends have seen declines in consumption across the entire utility which is consistent with utilities throughout Alaska.
- Water Enterprise Fund operating revenue declined \$55 thousand (from \$1.41 million to \$1.36 million). The largest decline was due to a \$84 thousand reduction in industrial sales from 2017 to 2018.
- Wastewater Enterprise Fund operating revenue rose \$7 thousand (from \$1.193 million in 2017 to \$1.20 million in 2018) with \$15 thousand related to higher residential sales.
- Harbor Enterprise Fund operating revenue rose a modest \$70 thousand (from \$3.43 million to \$3.50 million) with the primary changes including moorage up by \$63 thousand, wharfage up by \$43 thousand, boat lift revenues up by \$6 thousand, power sales down by \$51 thousand, and rents and leases up by \$27 thousand.
- Seward Marine Industrial Center operating revenues were up by a significant \$545 thousand, or 102% from 2017, to \$1.1 million. The bulk of the increase is related to grant administrative fees of \$440 thousand, associated with \$25 million in grant funds used to expand the SMIC basin and upland infrastructure. An additional \$28 thousand relates to higher boat lift fees associated with the newly upsized 330-ton boatlift as well as the expanded width of the travelift pit to accommodate wider vessels. Power sales are up \$88 thousand due primarily to an oil rig temporarily moored in the SMIC basin and drawing significant on-shore power.
- Parking Enterprise Fund operating revenues were up \$22 thousand due to increased visitor traffic.
- Healthcare Facilities Enterprise Fund operating revenues were up \$2.4 million (from \$19.3 million in 2017 to \$21.7 million in 2018) due largely to improved census at the Seward Mountain Haven long-term care facility, generating higher patient revenues.

Business-type Activities' Operating Expense Analysis

Proprietary Fund operating expenses rose by \$554 thousand from 2017 (\$39.8 million) to 2018 (\$40.3 million), comprised of the following changes by Fund:

- Electric Enterprise Fund operating expenses declined \$497 thousand, from \$11.6 million in 2017 to \$11.1 million in 2018 with the largest decline due to reduced costs of power (down \$674 thousand).
- Water Enterprise Fund operating expenses rose by \$127 thousand (from \$1.35 million to \$1.48 million). Salary and benefit costs were higher by \$50 thousand and bad debt write-offs accounted for \$98 thousand related to a single industrial user failing to pay a disputed claim for ship's water.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

City of Seward

- Wastewater Enterprise Fund operating expenses were up \$2 thousand (0.1%) due to reduced purchased services and supplies.
- Harbor Enterprise Fund operating expenses were down by a nominal \$20 thousand (0.5%) due to lower power costs (lower by \$64 thousand) and offsetting higher salary and benefit costs (higher by \$95 thousand).
- Seward Marine Industrial Center Enterprise Fund operating expenses rose \$227 thousand (19.6%) from \$1.16 million in 2017 to \$1.39 million in 2018 with most categories of expense higher than in 2017. Salary and benefits were up by \$42 thousand to account for an increase in boat lifts, new washdown pad and crane services, and general costs associated with the SMIC expansion project. Purchased service costs were up by \$50 thousand and contracted services up by \$43 thousand largely as a result of costs associated with the basin and upland expansion project which came in over the available grant funds. The largest increase in expenses came from costs associated with purchased electrical power (\$65 thousand) to service the oil rig.
- Parking Enterprise Fund operating expenses came in lower than the prior year by \$14 thousand (6%) due entirely to lower salary and benefit costs associated with the difficulties in hiring seasonal parking staff.
- Healthcare Facilities Enterprise Fund costs came in higher by \$729 thousand (3.6%) due to higher salary and benefit costs (accounted for \$489 thousand increase) and purchased services (higher by \$345 thousand). The higher costs were largely the result of staffing shortages which caused the need to hire traveling healthcare workers at much higher cost.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The City of Seward's governmental funds focus on near-term inflows, outflows, and balances of spendable resources; long-term capital assets and long-term debt are not displayed on the governmental funds' individual fund financial statements. This focus on near-term inflows and outflows assesses whether the City is generating sufficient revenues in the current year to pay current-year obligations. However, it does not indicate whether there are sufficient funds available to cover long-term operations. The level of *unassigned fund balance* is an important indicator of net resources available for spending at the end of the year.

At the end of the year, the City of Seward's governmental funds reported combined ending fund balances of \$11.4 million. Of this amount: \$392 thousand is *nonspendable* (prepaid items); \$2.1 million has been *committed* by the City Council for working capital, hospital line of credit, and insurance reserves; \$3.3 million has been *assigned* for capital projects, public works, other assignments and insurance; and \$5.6 million is *unassigned*, and legally available for spending. Fund balances in the governmental funds increased by \$1.1 million representing a net increase in the General Fund of \$1.1 million, increase in Capital Project Funds of \$59 thousand and decrease in Special Revenue Funds of \$40 thousand.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

City of Seward

The overall net increase in fund balance is due to the following:

General Fund

General Fund revenues came in \$910 thousand or 7.9% higher than in 2017. The largest increases were in sales tax (up \$166 thousand or 3.2%), property tax (up \$251 thousand or 20.6% due to an increase in the mill rate to pay for new road improvement bonds), hotel/motel room tax (up \$35 thousand or 6.8%), PERS and other state and federal grants (up \$144 thousand), administrative fees (up \$75 thousand or 4%), rents and leases (up \$52 thousand, primarily due to one-time State reimbursement for City Hall remodel), parks and recreation revenues (up \$46 thousand or 5% due to increased camping revenues), \$90 thousand related to reimbursement from the clinic for costs paid by the City for health insurance, and \$22 thousand (34%) higher investment income.

General Fund expenditures came in \$567 thousand or 5.2% higher than in 2017. Legal fees were higher by \$166 thousand (or an increase of 193%). Debt service costs were up by \$109 thousand due to the new road improvements bond. Police department costs were up by \$104 thousand due primarily to overtime resulting from staffing shortages. Fire department costs were up \$79 thousand largely due to filling staffing vacancies from the prior year. Parks and recreation costs were up by \$56 thousand due to the purchase of new campground pay stations and associated purchased services.

Overall, General Fund revenues were \$838 thousand higher than expenditures, and after adding net transfers of \$225 thousand, fund balance increased by \$1.1 million. The General Fund's fund balance must be able to meet unforeseen needs and emergencies as well as future spending needs. The City's fund balance policy is to maintain *unassigned fund balance* equal to between three and six months' expenditures and routine transfers-out to other funds. The General Fund unassigned fund balance at the end of 2018 is \$5.6 million, equal to approximately 5 months' reserves, up from 4.1 months at the end of 2017, and at its highest level in many years. In the past ten years, fund balance increases have resulted from the transfer of the hospital PERS liability from the General Fund to the Healthcare Facilities Enterprise Fund, and more than \$2.0 million in Exxon Valdez oil spill settlement proceeds in 2009 and 2010. In the City's case, an adequate level of fund balance is between \$3.4 million and \$6.7 million (based on 2018 actuals), which results in the General Fund currently being on the mid-range of the desired level of unassigned fund balance.

General Fund Budget-to-Actual Highlights

There were a number of modifications to the budget during the year, as described below:

- Overall, projected revenues were upward adjusted \$1 million from \$10.8 million to \$11.8 million. The primary budget changes included: increased sales tax revenue (\$300 thousand); raw fish tax (\$175 thousand); state revenue sharing (\$123 thousand); project management fees (\$27 thousand); State payments on behalf of the City for PERS (\$180 thousand); camping and recreation fees (\$66 thousand); hotel/motel room tax (\$25 thousand); general government grants (\$43 thousand); and various other items totaling \$61 thousand.
- Expenditure budgets were increased \$449 thousand in 2018, from \$11.5 million to \$12 million. Since the City's Biennial budget is formulated two years in advance, periodic budget amendments reflect unanticipated items in the second year of the cycle. Major budget amendments included the following: \$10 thousand for capital equipment; \$199 thousand to add back positions eliminated or delayed during the initial budget formulation; \$192 thousand for PERS costs largely paid on behalf of the City by the State; \$23 thousand for additional rents and leases; and \$25 thousand related to various travel and education grants.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

City of Seward

On a budgetary basis, General Fund revenues were \$580 thousand (4.9%) higher than budget due to: taxes exceeding budget by \$220 thousand, intergovernmental revenues by \$111 thousand, investment income by \$56 thousand, and "other" revenue by \$181 thousand related to State PERS contributions.

General Fund expenditures came in \$454 thousand lower than budget due to: public safety cost savings of \$181 thousand due to staff shortages; principal lower by \$111 thousand due to a delayed first payment on road improvement bonds; library costs under budget by \$93 thousand and parks and recreation by \$50 thousand; and overall retirement costs under budget by \$72 thousand.

Special Revenue Funds

Special Revenue Funds experienced an overall decrease in fund balance of \$40 thousand to a negative \$38 thousand, with the Beachfront Erosion Fund having a positive \$2 thousand and the Bus Transportation Fund having a negative \$40 thousand fund balance. In 2018 the Seward Community Health Center Fund was largely reduced due to accounting solely for the federal HRSA grant and local City contributions to the City's community health center, ending the year with no fund balance, as any remaining funds at year-end are held for payment to the clinic.

Non-Major Capital Project Funds

All governmental Capital Project Funds combined experienced a net increase in fund balance of \$59 thousand to \$2.9 million with all Funds maintaining a positive fund balance, as follows: Capital Acquisition Fund \$1.7 million; Street and Sidewalks Fund \$660 thousand; Animal Shelter Fund \$168 thousand; Energy Efficiency Fund (heat pump project) \$157 thousand, and Flood Mitigation Fund \$250 thousand.

Proprietary Funds

The City of Seward maintains two types of proprietary funds; enterprise funds and internal service funds. The City's seven enterprise funds (Healthcare Facilities, Harbor, Electric, Water, Wastewater, Parking, and Seward Marine Industrial Center) report the same functions presented as business-type activities in the government-wide financial statements, but individual fund statements are presented in more detail. Enterprise funds reported total net position of \$131 million with \$113 million invested in capital assets net of related debt, leaving unrestricted net position of approximately \$14.9 million and restricted net position of \$1.8 million. The most material current liability is \$7.3 million due from the Healthcare Enterprise Fund to Providence Health and Services who serves to manage and operate the hospital, emergency room and long-term care facility on behalf of the City. More specific factors influencing net position of the enterprise funds are addressed above in the discussion of the City's business-type activities.

Business-type Activities' Cash Analysis

- The Electric Enterprise Fund (excluding associated capital projects) experienced an increase in cash during the year of \$428 thousand from a prior cash balance of \$6.1 million to \$6.6 million. Including related capital projects, the ending electric utility-related cash balance is \$8.1 million with \$350 thousand restricted by bond covenants. The restoration of cash in the enterprise fund is the result of targeted efforts to address significant critical-risk and high-risk infrastructure needs of the Fund. It also results in no contribution to the depreciation reserve fund for the future replacement of capital assets, which is not consistent with the City's budget policy of setting aside 100% of annual depreciation costs for replacement of capital assets. To continue to address these concerns, rate increases are anticipated at 1.6% in 2019.
- The SMIC Enterprise Fund cash balance (excluding associated capital projects) is \$615 thousand and represents an increase over the prior year of \$659 thousand. When combined with the SMIC Expansion Project however, there are amounts due to other funds totaling \$783 thousand due to reimbursable grant project expenses, and a corresponding receivable from the State of \$1.28 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

City of Seward

- The Water Enterprise Fund ends the year with \$1.46 million in cash (excluding water-related capital projects) representing a slight decrease of \$106 thousand (6.8%) from 2017. Including related capital projects, the ending Water Fund cash balance is \$2.5 million.
- The Harbor Enterprise Fund (excluding capital projects) ended the year with a cash balance of \$3.1 million with the amount legally set aside for debt service reserves of \$690 thousand, leaving the Harbor with an available cash balance of \$2.4 million at year-end. Including capital project funds and bond reserves, the ending Harbor Fund cash balance is \$5.0 million, with \$2.6 million restricted entirely for bond and capital project covenants.
- The Wastewater Enterprise Fund (excluding capital projects) ended the year with a cash balance of \$1.6 million, up \$384 thousand (31%) from 2017. There are no outstanding bonds related to the Wastewater Enterprise Fund but there are outstanding sewer lagoon dredging loans. When combined with related capital projects, the total cash and investments is \$2.4 million.

Internal Service Funds

The City maintains two internal service funds; the motor pool and compensated annual leave funds. The Motor Pool Internal Service Fund accumulates cash for replacement of City vehicles and heavy equipment. Departments contribute to the motor pool to purchase vehicles and pay into the motor pool to forward-fund vehicle replacement. This funding mechanism spreads the vehicle costs over the life of the vehicle in each program's annual budget, rather than incur one-time expenses in the year of vehicle/equipment purchases. The cash balance in the motor pool is \$1.9 million, reflecting an increase of \$166 thousand. However, the Motor Pool Fund maintains an outstanding loan receivable of \$1.22 million from the Healthcare Facilities Enterprise Fund related to the payoff of prior hospital PERS liabilities. A previous loan to the SMIC Enterprise Fund for to the purchase of a 330-ton Travelift was paid in full in 2018. The Compensated Annual Leave Fund accumulates cash reserves to pay annual leave cash-outs for governmental funds. The balance of cash in this fund at the end of 2018 is \$406 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018, the City had \$200 million invested in capital assets net of accumulated depreciation, representing an overall decrease of \$2 million from the previous year.

Table 3
City of Seward Capital Assets
(in thousands, net of depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 5,510	5,510	30,703	30,703	36,213	36,213
Buildings	40,347	42,098	17,458	18,717	57,805	60,815
Improvements other than buildings	12,390	12,546	60,509	64,295	72,899	76,841
Machinery and equipment	3,040	3,230	4,851	5,056	7,891	8,286
Construction in progress	<u>4</u>	<u>56</u>	<u>24,956</u>	<u>19,855</u>	<u>24,960</u>	<u>19,911</u>
Total net capital assets	<u>\$ 61,291</u>	<u>63,440</u>	<u>138,476</u>	<u>138,626</u>	<u>199,768</u>	<u>202,066</u>

Additional information regarding the City's capital assets can be found in Footnote 4 on pages 41-42.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

City of Seward

Long-term Debt

As of December 31, 2018, the City had total debt outstanding of \$45 million. Of this amount, \$5.8 million represents outstanding general obligation bonds backed by the full faith and credit of the City for construction of the library/museum and a road improvement bond. An additional \$25.2 million represents: revenue bonds backed by operating revenues from the harbor enterprise fund (\$3.4 million), the electric enterprise fund (\$4.9 million), and long-term care facility (\$16.9 million). The remaining debt represents water and wastewater loans (\$2.4 million), compensated absences (\$556 thousand) and net pension and OPEB liabilities of \$11.2 million. There were no new bonds or loans added in 2018, but the City implemented GASB 75 which requires the City to recognize its proportionate share of the Net OPEB liabilities. As a result, the City has recorded Net OPEB liabilities of \$1.46 million related to governmental activities and \$441 thousand related to business-type activities, and has recorded additional Net pension liabilities over 2017, of \$913 thousand related to governmental activities and \$276 thousand related to business-type activities.

Table 4
City of Seward Outstanding Debt
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General obligation bonds	\$ 5,800	6,000	-	-	5,800	6,000
Revenue bonds	-	-	25,235	26,830	25,235	26,830
Capital leases	-	-	-	-	-	-
Loans	-	-	<u>2,392</u>	<u>2,630</u>	<u>2,392</u>	<u>2,630</u>
Total outstanding debt	\$ 5,800	6,000	27,627	29,460	33,427	35,460

Further detail regarding the City's long-term outstanding debt can be found on pages 45-49.

Economic Factors and Next Year's Budget and Rates

The past few years have seen strong economic growth in Seward, driven largely by additional cruise ship landings in Seward, increased visitors, expansion of marine repair-related business, and growth in housing construction. Growth has positively impacted nightly lodging businesses, charter and tour boat operators and local retailers, and has driven up the cost of residential homes. The downtown business district has seen a revitalization of retail activity and aesthetic improvements to a number of store fronts. New business owners are investing in upgrades, and a number of new shops and restaurants have opened. The harbor is bustling, and there is increased demand for land leases at the Seward Marine Industrial Center on the east side of Resurrection Bay. On the downside, local housing options are more constrained as an increasing number of homeowners elect to leave homes vacant in the winter and snowbird.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

City of Seward

At the same time, the State of Alaska's fiscal uncertainty and extreme budgetary pressures are passing costs on to local governments in the form of reduced support for community jails, revenue sharing, and state leases of City property, to name a few. For the first time, the State is considering not funding school debt reimbursement, which equates to higher local taxes to pay for school construction previously funded 50% by the State. Sustained low oil prices and lack of large-scale economic diversity in Alaska's economy, continue to drive down state revenues resulting in the need for unprecedented spending cuts. The lack of a sustainable State budget combined with structural budget deficits have resulted in legislative spending down of the State's budgetary reserves to the lowest level in decades. More recently, the Governor and the legislature struggle to find a compromise in how best to use the Alaska Permanent Fund earnings to fund State government services and provide a Permanent Fund Dividend. It remains highly likely that State budget cuts will flow downstream and adversely impact local governments. The State's credit rating continues to fall as rating agencies express growing concern for the state of Alaska's financial condition.

On the bright side, Seward is well positioned to address the current expected round of state budget cuts without serious adverse budgetary impacts. The City has been preparing for reduced federal and state spending for many years, not building revenue sharing, grant administrative fees and other funding into the operating budget, opting to use those funds instead for one-time capital needs. Enterprise Funds which have historically relied heavily on State grants for capital repairs and expansion (e.g. water storage tanks, sewer lagoons, harbor facilities, electric generators) have employed automatic annual rate increases tied to the consumer price index to restore the health of business operations and strengthen their ability to withstand reduced federal and state funding. Seward is better off than most cities in the state in its ability to weather Alaska's fiscal storm.

The City operates on a Biennial Budget passed in November 2017 for the 2018/2019 calendar years. The budget was prepared in anticipation of the City continuing to absorb significant impacts from reduced State funding for community jails, police dispatching, and lease payments in City Hall. The City took on added debt service of \$206,956 for new roads and recommended the elimination of several positions which have since been added back to the budget. Efforts have been made to minimize cuts to services, maintain current tax rates, and protect jobs. Staff have limited capital improvements to areas of significant need such as road and sidewalk repairs and asbestos mitigation, and continue to seek operational efficiencies (i.e. increased automated pay stations in campgrounds and parking; heat-loop system to reduce costs of heating municipal buildings using seawater; automation of controls in electric, water, and sewer utility infrastructure, etc. Future budgets however, are very likely to require reductions in force to create a sustainable budget. Focus must remain on shoring up the health of enterprise funds so they are self-sustaining and able to maintain and replace their capital assets and infrastructure.

Tax rates are maintained at 2018 levels, where property tax rates rose from 3.12 to 3.84 mills to cover a general obligation bond for community-wide road improvements. The City sales tax rate remains at 4% and the hotel/motel bed tax rate remains at 4%. The harbor tariffs include a 1.6% rate increase in 2019, equal to the consumer price index for Anchorage averaged over the five previous full years. The Harbor will not generate sufficient income to contribute to the Major Repair and Replacement Fund (MRRF) to replace infrastructure. SMIC will not contribute toward replacement of infrastructure, however, the Fund was able to pay off the 330-Ton Travelift loan in 2018, freeing up nearly \$98 thousand per year. Given the recent increase in economic activity at SMIC, the near-term goal is for the Enterprise Fund to become financially self-sufficient, no longer relying on annual funding subsidies from the General Fund. This goal has been more than three decades in the making.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

City of Seward

The electric tariff rates will increase 1.6% in 2019 primarily to address significant capital infrastructure needs, including utility pole replacement, underground line replacement, etc. A seasonal rate was implemented to provide rate relief to year-round residents by increasing rates in the summer when residential consumption tends to be lower, and reducing rates in the winter. Special contracts were renegotiated with Icicle Seafoods and the Alaska Sealife Center, implementing a glide path to reduce electric subsidies to those users. The Electric Fund will make no contributions toward replacement of aging infrastructure, in order to shore up operating reserves.

The water tariff will increase rates 1.6% in 2019 as funds are needed to repay \$159K annual debt on the Third Avenue Water Main upgrade. The Fund is undergoing a Classification and Rate Study which will assist with developing a fair distribution of water charges between the various customer classes, and address relatively new demographic changes such as nightly lodging, seasonal housing operations which see homes shuttered in the winter, etc. Although the Water Fund is not setting aside funds to replace aging infrastructure, it has recently completed construction of a new 600,000-gallon water storage tank and refurbishment of a water storage tank in Lowell Canyon, substantially increasing the reliability and capacity of water storage in the community. In the future, it will be important to focus on an infrastructure replacement plan to systematically replace miles of water lines at the end of their useful lives.

The wastewater tariff will increase rates 1.6% in 2019. This rate increase is critical to the financial solvency of the Wastewater Enterprise Fund due to newly-incurred (2017) debt related to the replacement of the two sewage lagoons, at an annual payment of more than \$75,000 per year. These rate levels do not address critical or high-risk wastewater capital infrastructure needs. The new Classification and Rate Study is likely to demonstrate that sewer rates will need to rise, at least for certain rate classes, to generate revenues sufficient to replace aging infrastructure, especially aging sewer lines at the end of their useful lives.

In the future, enterprise fund tariffs are expected to provide annual incremental rate increases equal to the CPI, enabling them to keep pace with the increased cost of goods and services, preventing further erosion of financial stability of those Funds.

Requests for Information

The City of Seward's financial statements and the accompanying information are designed to present users (citizens, taxpayers, elected officials, customers, investors, and creditors) with a general overview of the City's finances, and to demonstrate accountability to taxpayers and ratepayers. Questions concerning information in this report, or requests for additional information, can be addressed to the City of Seward, Attention: Finance Director, P.O. Box 167, Seward, Alaska 99664.

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Basic Financial Statements - Overview

These financial statements provide a summary overview of the financial position and results of operations of all funds of the City, aggregated at the government-wide and the major fund level. The following statements are included in this section:

Government-wide - Statement of Net Position

Government-wide - Statement of Activities

Governmental Funds - Balance Sheet

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

Governmental Funds - Statement of Revenues, Expenditures and Change in Fund Balances

Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities

General Fund - Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual

Proprietary Funds - Statement of Net Position

Proprietary Funds - Statement of Revenues, Expenses and Change in Net Position

Proprietary Funds - Statement of Cash Flows

Statement of Fiduciary Assets and Liabilities

Notes to Basic Financial Statements

City of Seward, Alaska
Statement of Net Position

<i>December 31, 2018</i>	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 12,494,244	\$ 20,629,127	\$ 33,123,371
Receivables, net of allowance for doubtful accounts:			
Taxes	567,691	-	567,691
Accounts	184,093	4,548,973	4,733,066
Grants, shared revenues, and loans	141,639	2,356,174	2,497,813
Accrued interest	87,524	-	87,524
Other	-	1,367,736	1,367,736
Prepaid items	392,169	4,251	396,420
Inventories	-	1,280,546	1,280,546
Restricted cash and investments	-	4,581,696	4,581,696
Other assets	-	2,074,060	2,074,060
Internal balances	692,469	(692,469)	-
Capital assets not being depreciated	5,513,729	55,659,148	61,172,877
Capital assets being depreciated, net of depreciation	55,776,355	82,816,929	138,593,284
Total Assets	75,849,913	174,626,171	250,476,084
Deferred Outflows of Resources			
Pension related	841,608	305,188	1,146,796
OPEB related	510,190	154,062	664,252
Unamortized deferred loss on refunding	-	2,042,580	2,042,580
Total Deferred Outflows of Resources	1,351,798	2,501,830	3,853,628
Total Assets and Deferred Outflows of Resources	\$ 77,201,711	\$ 177,128,001	\$ 254,329,712

City of Seward, Alaska
Statement of Net Position, continued

<i>December 31, 2018</i>	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 438,296	\$ 2,639,483	\$ 3,077,779
Payable to Providence Health and Services - Washington	-	7,267,000	7,267,000
Due to contractual agencies	-	17,000	17,000
Accrued payroll and related liabilities	323,021	1,111,433	1,434,454
Accrued interest	63,859	433,943	497,802
Other accrued liabilities	42,118	-	42,118
Customer deposits	76,063	382,215	458,278
Unearned revenue	2,085	539,839	541,924
Noncurrent liabilities:			
Due within one year:			
Accrued compensated absences	100,143	46,058	146,201
Notes payable	-	193,598	193,598
Bonds payable	210,000	1,505,000	1,715,000
Due in more than one year:			
Accrued compensated absences	305,633	104,558	410,191
Notes payable	-	2,198,303	2,198,303
Bonds payable, including bond premium	5,872,813	25,809,418	31,682,231
Net pension liability	6,558,674	2,717,921	9,276,595
Net OPEB liability	1,459,261	440,645	1,899,906
Total Liabilities	15,451,966	45,406,414	60,858,380
Deferred Inflows of Resources			
Pension related	88,074	144,750	232,824
OPEB related	592,776	178,997	771,773
Total Deferred Inflows of Resources	680,850	323,747	1,004,597
Net Position			
Net investment in capital assets	55,207,271	113,424,083	168,631,354
Restricted for commercial passenger vessel tax	-	1,760,686	1,760,686
Unrestricted	5,861,624	16,213,071	22,074,695
Total Net Position	61,068,895	131,397,840	192,466,735
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 77,201,711	\$ 177,128,001	\$ 254,329,712

See accompanying notes to basic financial statements.

City of Seward, Alaska
Statement of Activities
Year Ended December 31, 2018

Functions/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 2,571,120	\$ 411,980	\$ 127,586	\$ 38,000	\$ (1,993,554)	\$ -	\$ (1,993,554)
Public safety	3,939,768	589,388	-	-	(3,350,380)	-	(3,350,380)
Public works	1,973,267	25,814	-	431,393	(1,516,060)	-	(1,516,060)
Parks and recreation	1,581,736	960,186	3,000	-	(618,550)	-	(618,550)
Library	808,835	28,644	10,404	-	(769,787)	-	(769,787)
Clinic	1,637,780	60,000	1,277,780	-	(300,000)	-	(300,000)
SeaLife Center	1,556,943	-	-	115,295	(1,441,648)	-	(1,441,648)
Interest expense	251,372	-	-	-	(251,372)	-	(251,372)
Total Governmental Activities	14,320,821	2,076,012	1,418,770	584,688	(10,241,351)	-	(10,241,351)
Business-type Activities							
Electric	11,390,325	11,054,343	14,228	87,297	-	(234,457)	(234,457)
Water	1,499,502	1,356,104	8,468	554,317	-	419,387	419,387
Wastewater	1,093,784	1,199,992	48,618	15,693	-	170,519	170,519
Harbor	4,065,082	3,495,592	22,753	32,161	-	(514,576)	(514,576)
SMIC	1,389,912	1,076,575	242,893	5,053,932	-	4,983,488	4,983,488
Healthcare Facilities	21,845,021	21,736,000	5,000	207,480	-	103,459	103,459
Parking	214,637	352,617	-	-	-	137,980	137,980
Total Business-type Activities	41,498,263	40,271,223	341,960	5,950,880	-	5,065,800	5,065,800
Total Primary Government	\$ 55,819,084	\$ 42,347,235	\$ 1,760,730	\$ 6,535,568	(10,241,351)	5,065,800	(5,175,551)
General Revenues							
Taxes:							
Sales taxes					5,326,437	-	5,326,437
Property taxes					1,473,199	-	1,473,199
Other taxes					556,065	-	556,065
Payment in lieu of taxes					73,207	-	73,207
Grants and entitlements not restricted to a specific purpose							
					695,043	1,044,510	1,739,553
Investment income					143,248	327,860	471,108
Transfers					899,264	(899,264)	-
Total General Revenues and Transfers					9,166,463	473,106	9,639,569
Change in Net Position					(1,074,888)	5,538,906	4,464,018
Net Position, beginning as restated (See Note 13)					62,143,783	125,858,934	188,002,717
Net Position, ending					\$ 61,068,895	\$ 131,397,840	\$ 192,466,735

See accompanying notes to basic financial statements.

City of Seward, Alaska
Governmental Funds
Balance Sheet

<i>December 31, 2018</i>	<u>Major Fund</u>	Nonmajor	Total
	General	Funds	Governmental Funds
Assets			
Cash and investments	\$ 7,174,587	\$ 2,996,462	\$ 10,171,049
Receivables, net of allowance for doubtful accounts:			
Taxes	567,691	-	567,691
Accounts	184,093	-	184,093
Grants and shared revenues	89,782	51,857	141,639
Accrued interest	54,411	-	54,411
Prepaid items	392,169	-	392,169
Due from other funds	838,727	-	838,727
Total Assets	\$ 9,301,460	\$ 3,048,319	\$ 12,349,779
Liabilities			
Accounts payable	\$ 299,395	\$ 136,401	\$ 435,796
Accrued payroll and related liabilities	323,021	-	323,021
Accrued liabilities	42,118	-	42,118
Deposits	76,063	-	76,063
Due to other funds	-	55,664	55,664
Unearned revenue	2,085	-	2,085
Total Liabilities	742,682	192,065	934,747
Deferred Inflows of Resources			
Delinquent property taxes	18,489	-	18,489
Total Liabilities and Deferred Inflows of Resources	761,171	192,065	953,236
Fund Balances			
Nonspendable:			
Prepaid items	392,169	-	392,169
Committed:			
Working capital	1,500,000	-	1,500,000
Insurance	126,418	-	126,418
Hospital line of credit	500,000	-	500,000
Assigned:			
Public works	-	2,150	2,150
Capital projects	-	2,894,635	2,894,635
Insurance	307,976	-	307,976
Other assignments	100,000	-	100,000
Unassigned (deficit)	5,613,726	(40,531)	5,573,195
Total Fund Balances	8,540,289	2,856,254	11,396,543
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,301,460	\$ 3,048,319	\$ 12,349,779

See accompanying notes to basic financial statements.

City of Seward, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
December 31, 2018

Total fund balances for governmental funds \$ 11,396,543

Total net position reported for governmental activities in the
Statement of Net Position is different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds. These assets, net of accumulated
depreciation consist of:

	Governmental	Internal Service	
Land	\$ 5,509,589	\$ -	
Construction in progress	4,140	-	
Buildings	71,531,835	-	
Improvements other than buildings	28,763,800	-	
Machinery and equipment	9,654,149	7,170,698	
Accumulated depreciation	(55,858,613)	(5,485,514)	
Total capital assets	\$ 59,604,900	\$ 1,685,184	61,290,084

Other long-term assets are not available to pay for current
period expenditures and therefore are deferred in the funds. 18,489

An internal service fund is used by the City to charge the cost
of vehicles and heavy equipment to individual funds and the cost
for accrued compensated absences for the governmental funds. The
net position of the internal service fund attributable to
governmental activities is included in the governmental
column on the Statement of Net Position.

Net position related to governmental activities	\$ 3,542,622	
Less amount reported with capital assets	(1,685,184)	
Plus amount reported with long-term liabilities	405,776	2,263,214

Long-term liabilities, are not due and payable in the
current period and are therefore not reported as
fund liabilities. These liabilities consist of:

	Governmental	Internal Service	
General obligation bonds payable	\$ (5,800,000)	\$ -	
Accrued interest on bonds	(63,859)	-	
Accrued compensated absences	-	(405,776)	
Unamortized bond premium	(282,813)	-	
Net pension liability	(6,558,674)	-	
Net OPEB liability	(1,459,261)	-	
Total long-term liabilities	\$ (14,164,607)	\$ (405,776)	(14,570,383)

Certain changes connected with the net pension liability and net OPEB
liability are deferred rather than recognized immediately. These
items are amortized over time:

Deferred outflows of resources - pension related	\$ 841,608	
Deferred outflows of resources - OPEB related	510,190	
Deferred inflows of resources - pension related	(88,074)	
Deferred inflows of resources - OPEB related	(592,776)	
Total deferred pension and OPEB items		670,948

Total Net Position of Governmental Activities \$ 61,068,895

See accompanying notes to basic financial statements.

City of Seward, Alaska
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year Ended December 31, 2018</i>	<u>Major Fund</u>	Nonmajor	Total
	General	Funds	Govern- mental Funds
Revenues			
Taxes	\$ 7,421,769	\$ -	\$ 7,421,769
Licenses and permits	144,462	-	144,462
Intergovernmental	1,374,253	1,709,173	3,083,426
Charges for services	3,124,918	-	3,124,918
Fines and bails	14,317	-	14,317
Investment income	87,248	-	87,248
Other	215,581	101,000	316,581
Total Revenues	12,382,548	1,810,173	14,192,721
Expenditures			
Current:			
General government	3,384,108	242,282	3,626,390
Public safety	3,677,579	-	3,677,579
Public works	1,400,688	-	1,400,688
Parks and recreation	1,477,877	10,821	1,488,698
Library	573,595	-	573,595
Clinic	-	1,637,780	1,637,780
Debt service:			
Principal payments	200,000	-	200,000
Retirement benefits	576,741	-	576,741
Interest and other costs	253,756	-	253,756
Capital outlay:			
General government	-	97,281	97,281
Public works	-	477,727	477,727
Total Expenditures	11,544,344	2,465,891	14,010,235
Excess of Revenues Over (Under) Expenditures	838,204	(655,718)	182,486
Other Financing Sources (Uses)			
Transfers in	2,203,438	943,920	3,147,358
Transfers out	(1,978,641)	(269,453)	(2,248,094)
Total Other Financing Sources (Uses)	224,797	674,467	899,264
Change in Fund Balances	1,063,001	18,749	1,081,750
Fund Balances, beginning	7,477,288	2,837,505	10,314,793
Fund Balances, ending	\$ 8,540,289	\$ 2,856,254	\$ 11,396,543

See accompanying notes to basic financial statements.

City of Seward, Alaska
Reconciliation of the Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended December 31, 2018

Net change in fund balances - total governmental funds \$ 1,081,750

The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation of \$2,861,357 and loss on disposal of equipment of \$93,498 exceeded capital outlay of \$785,849. (2,169,006)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase in other long-term assets. 7,139

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes financial resources in governmental funds. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net change in these balances:

Amortization of bond premium	\$ 16,313	
Principal payments on long-term debt	<u>200,000</u>	
		216,313

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	2,384	
Net decrease in net pension liability and related deferred amounts	359,962	
Net increase in net OPEB liability and related deferred amounts	<u>(629,430)</u>	
		(267,084)

An internal service fund is used by the City to charge the cost of vehicles and heavy equipment to individual funds. A portion of the net revenue of these activities is reported with governmental activities. 56,000

Change in Net Position of Governmental Activities \$ (1,074,888)

See accompanying notes to basic financial statements.

City of Seward, Alaska
General Fund
Statement of Revenues, Expenditures
and Change in Fund Balance - Budget and Actual

<i>Year Ended December 31, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	\$ 6,871,300	\$ 7,200,900	\$ 7,421,769	\$ 220,869
Licenses and permits	148,450	138,450	144,462	6,012
Intergovernmental	741,560	1,262,852	1,374,253	111,401
Charges for services	2,972,437	3,117,437	3,124,918	7,481
Fines and bails	17,000	17,000	14,317	(2,683)
Investment income	31,000	31,000	87,248	56,248
Other	17,300	34,700	215,581	180,881
Total Revenues	10,799,047	11,802,339	12,382,548	580,209
Expenditures				
Current:				
General government	3,129,957	3,306,086	3,384,108	(78,022)
Public safety	3,788,563	3,858,649	3,677,579	181,070
Public works	1,405,438	1,425,158	1,400,688	24,470
Parks and recreation	1,480,092	1,528,406	1,477,877	50,529
Library	641,685	666,817	573,595	93,222
Debt service:				
Principal payments	310,784	310,784	200,000	110,784
Retirement benefits	539,525	648,737	576,741	71,996
Interest and other costs	253,756	253,756	253,756	-
Total Expenditures	11,549,800	11,998,393	11,544,344	454,049
Excess of Revenues Over (Under) Expenditures	(750,753)	(196,054)	838,204	1,034,258
Other Financing Sources (Uses)				
Transfers in	2,086,723	2,086,723	2,203,438	116,715
Transfers out	(1,586,439)	(1,868,748)	(1,978,641)	(109,893)
Total Other Financing Sources (Uses)	500,284	217,975	224,797	6,822
Change in Fund Balance	\$ (250,469)	\$ 21,921	1,063,001	\$ 1,041,080
Fund Balance, beginning			<u>7,477,288</u>	
Fund Balance, ending			<u>\$ 8,540,289</u>	

See accompanying notes to basic financial statements.

City of Seward, Alaska
Proprietary Funds
Statement of Net Position

	Enterprise Funds						Total Enterprise Funds	Internal Service Funds
	Major Funds				Nonmajor Funds	Total Enterprise Funds		
	Electric	Harbor	SMIC	Healthcare Facilities				
<i>December 31, 2018</i>								
Assets								
Current Assets								
Cash and investments	\$ 7,763,291	\$ 2,436,931	\$ -	\$ 4,497,936	\$ 5,930,969	\$ 20,629,127	\$ 2,323,195	
Receivables, net of allowance for doubtful accounts:								
Accounts	804,894	104,592	32,179	3,396,000	211,308	4,548,973	-	
Accrued interest	-	-	-	-	-	-	33,113	
Interfund loans	-	-	-	-	-	-	163,471	
Grants and loans	-	1,076,671	1,279,503	-	-	2,356,174	-	
Other	55,819	472	467	1,297,000	13,978	1,367,736	-	
Prepaid expenses	4,251	-	-	-	-	4,251	-	
Inventory	1,187,395	-	-	-	93,151	1,280,546	-	
Other assets	-	-	-	727,060	-	727,060	-	
Total Current Assets	9,815,650	3,618,666	1,312,149	9,917,996	6,249,406	30,913,867	2,519,779	
Noncurrent Assets								
Restricted cash and investments	349,739	2,616,951	-	1,615,006	-	4,581,696	-	
Other assets	-	-	-	1,347,000	-	1,347,000	-	
Interfund loans, net of current portion	-	-	-	-	-	-	1,055,310	
Property, plant and equipment:								
Capital assets not being depreciated	230,951	18,302,103	36,914,663	-	211,431	55,659,148	-	
Capital assets being depreciated, net of depreciation	24,153,935	18,411,904	11,096,806	13,530,803	15,623,481	82,816,929	1,685,184	
Total Noncurrent Assets	24,734,625	39,330,958	48,011,469	16,492,809	15,834,912	144,404,773	2,740,494	
Total Assets	34,550,275	42,949,624	49,323,618	26,410,805	22,084,318	175,318,640	5,260,273	
Deferred Outflows of Resources								
Pension related	113,501	117,211	-	-	74,476	305,188	-	
OPEB related	34,125	74,547	-	-	45,390	154,062	-	
Unamortized deferred loss on refunding	418,068	151,580	-	1,472,932	-	2,042,580	-	
Total Deferred Outflows of Resources	565,694	343,338	-	1,472,932	119,866	2,501,830	-	
Total Assets and Deferred Outflows of Resources	\$ 35,115,969	\$ 43,292,962	\$ 49,323,618	\$ 27,883,737	\$ 22,204,184	\$ 177,820,470	\$ 5,260,273	

City of Seward, Alaska
Proprietary Funds
Statement of Net Position, continued

<i>December 31, 2018</i>	Enterprise Funds						Internal Service Funds
	Major Funds				Nonmajor Funds	Total Enterprise Funds	
	Electric	Harbor	SMIC	Healthcare Facilities			
Liabilities							
Current Liabilities							
Accounts payable	\$ 802,296	\$ 74,990	\$ 72,658	\$ 1,671,000	\$ 18,539	\$ 2,639,483	\$ 2,500
Payable to Providence Health and Services - Washington	-	-	-	7,267,000	-	7,267,000	-
Due to contractual agencies	-	-	-	17,000	-	17,000	-
Accrued payroll and related liabilities	35,459	27,492	-	1,031,000	17,482	1,111,433	-
Accrued interest	75,042	35,522	-	303,384	19,995	433,943	-
Current portion:							
Accrued compensated absences	19,919	16,960	-	-	9,179	46,058	100,143
Bonds payable	165,000	510,000	-	830,000	-	1,505,000	-
Notes payable	-	-	-	-	193,598	193,598	-
Interfund loans	-	-	98,008	65,463	-	163,471	-
Deposits	249,925	72,009	16,000	44,281	-	382,215	-
Unearned revenue	-	535,455	4,384	-	-	539,839	-
Due to other funds	-	-	783,063	-	-	783,063	-
Total Current Liabilities	1,347,641	1,272,428	974,113	11,229,128	258,793	15,082,103	102,643
Noncurrent Liabilities, net of current portion							
Accrued compensated absences	21,544	51,370	-	-	31,644	104,558	305,633
Bonds payable, including unamortized premium	5,011,686	3,305,629	-	17,492,103	-	25,809,418	-
Notes payable	-	-	-	-	2,198,303	2,198,303	-
Net pension liability	1,221,227	903,629	-	-	593,065	2,717,921	-
Net OPEB liability	97,603	213,220	-	-	129,822	440,645	-
Interfund loans	-	-	490,042	565,268	-	1,055,310	-
Total Noncurrent Liabilities	6,352,060	4,473,848	490,042	18,057,371	2,952,834	32,326,155	305,633
Total Liabilities	7,699,701	5,746,276	1,464,155	29,286,499	3,211,627	47,408,258	408,276
Deferred Inflows of Resources							
Pension related	131,871	3,197	-	-	9,682	144,750	-
OPEB related	39,648	86,613	-	-	52,736	178,997	-
Total Deferred Inflows of Resources	171,519	89,810	-	-	62,418	323,747	-
Net Position							
Net investment in capital assets	19,976,007	33,740,156	47,969,036	(1,703,362)	13,442,246	113,424,083	1,685,184
Restricted for commercial passenger vessel tax	-	1,760,686	-	-	-	1,760,686	-
Unrestricted (deficit)	7,268,742	1,956,034	(109,573)	300,600	5,487,893	14,903,696	3,166,813
Total Net Position	27,244,749	37,456,876	47,859,463	(1,402,762)	18,930,139	130,088,465	4,851,997
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 35,115,969	\$ 43,292,962	\$ 49,323,618	\$ 27,883,737	\$ 22,204,184	\$ 131,397,840	\$ 5,260,273
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						1,309,375	
Net Position of Business-type Activities						\$ 131,397,840	

See accompanying notes to basic financial statements.

City of Seward, Alaska
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2018	Enterprise Funds						Total Enterprise Funds	Internal Service Funds
	Major Funds				Nonmajor Funds			
	Electric	Harbor	SMIC	Healthcare Facilities				
Operating Revenues								
Charges for services	\$ 10,970,043	\$ 3,495,592	\$ 1,076,575	\$ 21,736,000	\$ 2,908,713	\$ 40,186,923	\$ -	
Vehicle rental and interfund charges	-	-	-	-	-	-	740,283	
Total Operating Revenues	10,970,043	3,495,592	1,076,575	21,736,000	2,908,713	40,186,923	740,283	
Operating Expenses								
Salaries and employee benefits	1,690,189	1,105,638	116,207	14,149,000	764,142	17,825,176	383,283	
Services and supplies	6,861,921	708,485	263,197	3,810,000	624,592	12,268,195	8,855	
Administration	938,293	314,244	225,749	1,359,300	582,497	3,420,083	-	
Depreciation	1,631,726	1,790,077	783,463	1,828,177	796,118	6,829,561	392,366	
Total Operating Expenses	11,122,129	3,918,444	1,388,616	21,146,477	2,767,349	40,343,015	784,504	
Income (Loss) from Operations	(152,086)	(422,852)	(312,041)	589,523	141,364	(156,092)	(44,221)	
Nonoperating Revenues (Expenses)								
Intergovernmental - PERS on-behalf	14,228	22,753	686	-	12,536	50,203	-	
Investment income	113,956	69,292	4,008	51,154	89,450	327,860	56,000	
Salary credits - work orders	47,340	-	-	-	-	47,340	-	
Supply credits - work orders	36,960	-	-	-	-	36,960	-	
Gain (loss) on sale of capital assets	-	-	-	(3,068)	-	(3,068)	6,954	
Interest expense	(184,242)	(139,957)	(1,296)	(695,476)	(38,173)	(1,059,144)	-	
Commercial passenger vessel tax	-	1,044,510	-	-	-	1,044,510	-	
Nonoperating grant revenue	-	-	242,207	5,000	44,550	291,757	-	
Other revenue (expenses)	(55,769)	-	-	-	15,693	(40,076)	-	
Total Nonoperating Revenues (Expenses)	(27,527)	996,598	245,605	(642,390)	124,056	696,342	62,954	
Income (Loss) Before Contributions and Transfers	(179,613)	573,746	(66,436)	(52,867)	265,420	540,250	18,733	
Capital contributions	87,297	32,161	5,053,932	207,480	554,317	5,935,187	-	
Transfers in	-	-	322,439	1,426,345	17,000	1,765,784	-	
Transfers out	(1,317,770)	(676,302)	(126,337)	(300,000)	(244,639)	(2,665,048)	-	
Change in Net Position	(1,410,086)	(70,395)	5,183,598	1,280,958	592,098	5,576,173	18,733	
Net Position, beginning as restated (See Note 13)	28,654,835	37,527,271	42,675,865	(2,683,720)	18,338,041		4,833,264	
Net Position, ending	\$ 27,244,749	\$ 37,456,876	\$ 47,859,463	\$ (1,402,762)	\$ 18,930,139		\$ 4,851,997	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(37,267)		
Change in Net Position of Business-type Activities						\$ 5,538,906		

See accompanying notes to basic financial statements.

City of Seward, Alaska
Proprietary Funds
Statement of Cash Flows

Year Ended December 31, 2018	Enterprise Funds						Total Enterprise Funds	Internal Service Funds
	Major Funds				Nonmajor Funds	Total Enterprise Funds		
	Electric	Harbor	SMIC	Healthcare Facilities				
Cash Flows from (for) Operating Activities								
Receipts from customers and users	\$ 11,106,110	\$ 3,523,646	\$ 1,069,282	\$ 19,768,000	\$ 2,985,765	\$ 38,452,803	\$ -	
Payments to suppliers	(6,336,773)	(710,102)	(246,392)	(3,592,442)	(638,978)	(11,524,687)	(6,355)	
Payments to employees	(1,618,632)	(1,037,723)	(116,149)	(14,024,000)	(720,289)	(17,516,793)	(384,524)	
Payments for interfund services used	(938,293)	(314,244)	(225,749)	(1,359,300)	(582,497)	(3,420,083)	-	
Receipts from vehicle rentals and interfund charges	-	-	-	-	-	-	740,283	
Net cash flows from (for) operating activities	2,212,412	1,461,577	480,992	792,258	1,044,001	5,991,240	349,404	
Cash Flows from (for) Noncapital Financing Activities								
Transfers in	-	-	322,439	1,426,345	17,000	1,765,784	-	
Transfers out	(1,317,770)	(676,302)	(126,337)	(300,000)	(244,639)	(2,665,048)	-	
Other nonoperating receipts	84,300	-	242,207	-	44,550	371,057	-	
Interfund loan payments	-	-	-	-	-	-	160,206	
Net cash flows from (for) noncapital financing activities	(1,233,470)	(676,302)	438,309	1,126,345	(183,089)	(528,207)	160,206	
Cash Flows from (for) Capital and Related Financing Activities								
Principal payments on long-term debt	(160,000)	(490,000)	-	(945,000)	(237,465)	(1,832,465)	-	
Interest payments on long-term debt	(178,331)	(177,900)	(1,296)	(704,285)	(39,440)	(1,101,252)	-	
Acquisition of property, plant and equipment	(470,263)	(46,325)	(5,865,732)	(207,480)	(952,399)	(7,542,199)	(411,052)	
Capital contributions received	87,297	32,161	5,351,602	212,480	567,380	6,250,920	-	
Proceeds from sale of capital assets	-	-	-	-	-	-	6,954	
Increase (Decrease) in due to other funds	-	-	(309,875)	-	-	(309,875)	-	
Interfund loan payments	-	-	(98,008)	(62,198)	-	(160,206)	-	
Commercial passenger vessel tax receipts	-	884,169	-	-	-	884,169	-	
Net cash flows from (for) capital and related financing activities	(721,297)	202,105	(923,309)	(1,706,483)	(661,924)	(3,810,908)	(404,098)	
Cash Flows from (for) Investing Activities								
Investment income received	113,956	69,292	4,008	51,154	89,450	327,860	59,266	
Net Increase (Decrease) in Cash and Investments	371,601	1,056,672	-	263,274	288,438	1,979,985	164,778	
Cash and Investments, beginning	7,741,429	3,997,210	-	5,849,668	5,642,531	23,230,838	2,158,417	
Cash and Investments, ending	\$ 8,113,030	\$ 5,053,882	\$ -	\$ 6,112,942	\$ 5,930,969	\$ 25,210,823	\$ 2,323,195	
Reconciliation of Cash and Investments to Statement of Net Position								
Current assets	\$ 7,763,291	\$ 2,436,931	\$ -	\$ 4,497,936	\$ 5,930,969	\$ 20,629,127	\$ 2,323,195	
Restricted assets	349,739	2,616,951	-	1,615,006	-	4,581,696	-	
Total Cash and Investments	\$ 8,113,030	\$ 5,053,882	\$ -	\$ 6,112,942	\$ 5,930,969	\$ 25,210,823	\$ 2,323,195	

City of Seward, Alaska
Proprietary Funds
Statement of Cash Flows, continued

<i>Year Ended December 31, 2018</i>	Enterprise Funds						Internal Service Funds
	Major Funds				Nonmajor Funds	Total Enterprise Funds	
	Electric	Harbor	SMIC	Healthcare Facilities			
Reconciliation of Income (Loss) from Operations							
to Net Cash Flows from (for) Operating Activities							
Income (loss) from operations	\$ (152,086)	\$ (422,852)	\$ (312,041)	\$ 589,523	\$ 141,364	\$ (156,092)	\$ (44,221)
Adjustments to reconcile income (loss)							
from operations to net cash flows from (for)							
operating activities:							
Depreciation	1,631,726	1,790,077	783,463	1,828,177	796,118	6,829,561	392,366
Other nonoperating revenues (expenses)	(55,769)	-	-	-	-	(55,769)	-
Noncash expense - PERS on-behalf	14,228	22,753	686	-	12,536	50,203	-
Increase (decrease) in allowance for doubtful accounts	43,646	3,800	-	(470,000)	103,977	(318,577)	-
(Increase) decrease in assets and deferred							
outflows of resources:							
Receivables	237,615	(1,429)	(10,390)	(763,000)	(26,925)	(564,129)	-
Prepaid expenses	94,845	-	391	-	-	95,236	-
Inventory	199,361	-	-	-	1,238	200,599	-
Other assets	-	-	-	(745,060)	-	(745,060)	-
Deferred outflows of resources - pension related	(28,064)	(61,309)	-	-	(37,329)	(126,702)	-
Deferred outflows of resources - OPEB related	(28,298)	(61,818)	-	-	(37,639)	(127,755)	-
Increase (decrease) in liabilities and deferred							
inflows of resources:							
Accounts payable	193,982	(1,617)	16,414	1,482,000	(15,624)	1,675,155	2,500
Other payables	-	-	-	(519,382)	-	(519,382)	-
Accrued payroll and related liabilities	2,499	4,160	(628)	125,000	4,217	135,248	-
Accrued compensated absences	(10,533)	1,629	-	-	3,127	(5,777)	(1,241)
Customer deposits	(5,125)	30,289	1,400	-	-	26,564	-
Unearned revenue	-	(4,606)	1,697	(735,000)	-	(737,909)	-
Net pension liability	61,030	133,329	-	-	81,179	275,538	-
Net OPEB liability	30,749	67,173	-	-	40,900	138,822	-
Deferred inflows of resources - pension related	(57,042)	(124,615)	-	-	(75,874)	(257,531)	-
Deferred inflows of resources - OPEB related	39,648	86,613	-	-	52,736	178,997	-
Net Cash Flows from (for) Operating Activities	\$ 2,212,412	\$ 1,461,577	\$ 480,992	\$ 792,258	\$ 1,044,001	\$ 5,991,240	\$ 349,404
Noncash Capital and Related Financing Activities							
Purchase of capital assets included in accounts payable	\$ -	\$ -	\$ 42,433	\$ -	\$ 765	\$ 43,198	\$ -
Capital contributions	\$ -	\$ -	\$ 1,279,503	\$ -	\$ -	\$ 1,279,503	\$ -

See accompanying notes to basic financial statements.

City of Seward, Alaska
Fiduciary Fund
Statement of Fiduciary Assets and Liabilities

<i>December 31, 2018</i>	Teen Council Agency Fund
Assets	
Cash and investments	\$ 35,324
Other assets	150
<hr/>	
Total Assets	\$ 35,474
<hr/>	
Liabilities	
Accounts payable	\$ 964
Other accrued liabilities	16,765
Due to Teen Council	17,745
<hr/>	
Total Liabilities	\$ 35,474

See accompanying notes to basic financial statements.

City of Seward, Alaska

Notes to Basic Financial Statements December 31, 2018

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Seward, Alaska (the City) was incorporated June 1, 1912 as a home-rule city and operates under a Council-Manager form of government. The City provides the full range of municipal services as provided for by Alaska Statute. This includes police and fire protection, electric, water and wastewater services, library, parks and recreation, public improvements, planning and zoning, port and harbor, hospital and long-term care, and general administrative services.

The City reports the Providence Seward Medical Care Center (PSMCC) as an enterprise fund in accordance with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. In 2013, the City entered into a contractual agreement with a nonprofit organization as co-signees to a federally funded health clinic program. The nonprofit organization is legally separate and does not meet the criteria under GASB 61 for inclusion as a component unit. However, many activities associated with the clinic are reported in the SCHC Special Revenue Fund as the City is the named grantee on the primary operating grant.

The hospital and long-term care facilities (the PSMCC) are owned by the City of Seward. The facilities are managed by Providence Health & Services - Washington, a nonprofit corporation (the Corporation), under a management and operating agreement. Under the operating agreement, the Corporation is responsible for day to day management of the hospital and long-term care facilities in exchange for a management fee. All financial risks and rewards from the operations of the hospital and long-term care facilities accrue to the City. The City is responsible for debt obligations, including payment of revenue bonds through revenues generated at the PSMCC. The City pays for all capital costs of the healthcare facilities and is legally obligated to finance potential deficits.

Government-Wide and Fund Financial Statements

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are only reported in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise funds and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Seward, Alaska

Notes to Basic Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, 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, investment income and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The remaining governmental and enterprise funds are being aggregated and reported as nonmajor funds. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Fiduciary Fund has no measurement focus but uses the accrual basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days after year end. Reimbursement grants are considered available if they are collected within one year 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, pensions and other postemployment benefits are recorded only to the extent they have matured.

Property taxes, sales taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue in the current period. Most other revenue items are considered to be measurable and available only when received by the government.

City of Seward, Alaska

Notes to Basic Financial Statements

The City reports the following major funds based on the required quantitative criteria:

Major Governmental Funds:

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

Major Proprietary Funds:

The *Electric Enterprise Fund* accounts for all activities related to the operation of the City's electric utility.

The *Harbor Enterprise Fund* accounts for the marine-related activities of the City's harbor.

The *Seward Marine Industrial Center (SMIC) Enterprise Fund* accounts for marine-related services on the east side of Resurrection Bay.

The *Healthcare Facilities Enterprise Fund* accounts for the healthcare facilities, local hospital and long-term care facilities.

The City also reports two Internal Service Funds which account for the activities relating to the City's motor pool activities and compensated absences of the governmental funds. The Motor Pool Internal Service Fund reports revenues charged to the other funds based on rental fees and capital lease payments designed to cover the cost of the lease payments and to fund depreciation. The Compensated Absences Internal Service Fund accounts for the accrual and payment of compensated absences of the governmental activities.

In addition, the City maintains and reports on a single fiduciary fund. This fund records cash held in a fiduciary capacity on behalf of the local teen council.

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. In addition, general revenues include all taxes, investment income, and State of Alaska entitlement revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures / expenses during the reporting period. Actual results could differ from those estimates.

City of Seward, Alaska

Notes to Basic Financial Statements

Cash and Investments

A central treasury is used to account for the City's cash and investments to maximize investment income. Investment income is allocated among the funds based on their respective cash balances. Investments are stated at fair value. For purposes of the statement of cash flows, the City has defined cash as demand deposits and all investments maintained in the cash management pool, regardless of maturity period, since various funds use the cash management pool essentially as a demand deposit account.

Inventory

Inventories are valued at cost in governmental funds and at the lower of cost or market in the proprietary funds. Cost is determined by the first-in, first-out method. The cost is recorded as an expenditure or expense at the time individual inventory items are consumed (consumption method).

Restricted Assets

Restricted cash and investments are held in capital project and debt service funds, and are restricted because their use is limited by bond covenant or grant agreements for the construction of capital assets.

Accounts Receivable

All trade and tax receivables are shown net of an allowance for uncollectible accounts, determined by historical experience. Ambulance receivable allowance is recorded at 30 percent, based on historical recoveries.

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. Cost is recorded as an expenditure or expense as the prepayment is applied (consumption method).

Interfund Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City of Seward, Alaska

Notes to Basic Financial Statements

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 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. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. In the case of the initial capitalization of infrastructure assets, the City chose to include all such items, regardless of their acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets reimbursed by outside entities, including granting agencies, are recorded as capital contributions in the enterprise funds.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings and improvements	20-40 years
Infrastructure	10-50 years
System infrastructure	20-50 years
Machinery and equipment	3-8 years
Improvements other than buildings	3-40 years

Accrued Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick leave benefits. All accrued compensated absences is accrued when incurred in the government-wide, proprietary fund, and governmental fund financial statements. Accrued compensated absences that is earned in the governmental funds is accounted for in the Compensated Absences Internal Service Fund.

Long-term Debt

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds on a straight-line basis, which approximates the effective interest rate method. Bonds payable as reported include amounts of unamortized bond premiums or discounts.

City of Seward, Alaska

Notes to Basic Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issues are 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. Principal payments on debt are reported as debt service expenditures.

Fund Balance and Fund Balance Flow Assumptions

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use, also through resolution. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. City Resolution 2009-131 delegates authority to assign fund balance to the City Manager and the Finance Director. Assigned fund balances, by default, include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

City of Seward, Alaska

Notes to Basic Financial Statements

Net Position and Net Position Flow Assumptions

Net position represents the residual interest in the City's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of three components: net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets includes capital assets, net of accumulated depreciation, reduced by outstanding debt incurred to acquire, construct, or improve those capital assets, excluding unexpended proceeds. The restricted category represents the balance of assets restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Sometimes the City will fund outlays for a purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund during the year. However, it is the City's policy to stop issuing purchase orders in early December. As a result, there are no outstanding encumbrances at December 31, 2018. Outstanding purchase orders, if any, at December 31, are cancelled and new ones are issued in the subsequent year.

Unearned Grant Revenue

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use, are shown as unearned revenue.

Grant and Other Intergovernmental Revenues

In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered "earned"; therefore, revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

City of Seward, Alaska

Notes to Basic Financial Statements

Pension Plans

With the exception of certain Electric Fund employees, substantially all other employees of the City participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska. Certain electric employees participate in the International Brotherhood of Electrical Workers (IBEW) Plan.

Pension and Other Postemployment Benefits (OPEB)

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Generally, the City reports deferred charges on bond refunding and pension and OPEB related items as deferred outflows of resources. These items are amortized to expense over time.

In addition to the liabilities, the financial statements may also present deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until later. The City reports certain pension and OPEB related items as deferred inflows of resources. These items are amortized as a reduction of expense over varying periods of time based on their nature.

Property Taxes

Property taxes are liens on the assessed value of taxable property as of January 1. Pursuant to Alaska Statutes, the City establishes the mill rate and tax levy on or before June 15. The City is located within the Kenai Peninsula Borough, which acts as the City's agent in the billing and collection of property taxes. Tax bills for one-half of the taxes are mailed prior to July 1 and are payable on August 15; tax bills for the second-half of the taxes are mailed by October 1 and are payable on November 15. City property tax revenues are recognized in the fiscal year in which they are collectible and available (collected within sixty days after year-end) to finance expenditures of the fiscal year.

At December 31, the delinquent real and personal property taxes not currently available are reflected as deferred inflows of the General Fund.

City of Seward, Alaska

Notes to Basic Financial Statements

2. Stewardship, Compliance, and Accountability

Budgetary Information

An operating budget is adopted biennial for the General Fund on the same modified accrual basis used to reflect actual revenues and expenditures. Appropriations for this fund lapse at year-end to the extent that they have not been expended. Budgetary control is exercised at the department level. The City Manager is authorized to transfer budget amounts between departments within a fund or between line items within departments, but City Council approval is required to transfer budget amounts between funds.

Excess of Expenditures over Appropriations

The Council approves operating budgets and appropriations of direct costs at the department level. For the year ended December 31, 2018, expenditures exceeded appropriations in the following departments:

Mayor and council	\$ 145,647
General services	145,549
Emergency preparedness	5,444
Roads and streets	9,516
City shop	15,564

Transfers out in the general fund exceeded the budget by \$109,893.

Fund Deficit

The bus transportation special revenue fund has a deficit of \$40,531 as of December 31, 2018. The City plans to eliminate the deficit in subsequent years.

Allocation of Sales Tax Revenues

When the City transferred the operations of the Hospital to Providence Seward Medical and Care Center on July 1, 1996, the City agreed to allocate 1% of the sales tax for the benefit of the Hospital. During construction, the allocated sales tax was used to offset losses and transition costs. Subsequent to completion of the construction, the allocated sales tax has been used to fund the debt service on the Hospital general obligation bonds. Upon maturity of hospital bonds, sales tax revenues will be used to fund healthcare capital and operating costs, and debt service on long-term care facility bonds, if necessary. All sales tax revenue is recorded in the General Fund. The allocated portion is then transferred to the Healthcare Facilities Enterprise Fund for debt service.

3. Cash and Investments

The City of Seward maintains a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and investments" or in the case of "negative cash," is included in "due to other funds."

City of Seward, Alaska

Notes to Basic Financial Statements

Investments

City statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper issued by corporations or businesses and having the highest rating of a nationally-recognized rating service and maturing within nine months, certificates of deposit insured by federal depository insurance or secured by eligible collateral held by a third party in the City's name, and investments through the Alaska Municipal League Investment Pool (AMLIP). The City's investment policy does not specify a maximum investment maturity, but the City generally invests funds for less than five years from the date of purchase. The City has complied with its investment policy throughout the year. The City's investments are recorded at fair value.

The AMLIP is an external investment pool. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. On a monthly basis the investments in the Pool are reviewed for fair value by an independent pricing service. The values of investments in the AML Pool are approximately equal to fair value.

Reconciliation of Cash and Investment Balances

The following is a reconciliation of the City's cash and investment balances to the financial statements as of December 31, 2018:

	Government-Wide Statement of Net Position	Fiduciary Fund Statement of Fiduciary Assets and Liabilities	Totals
Cash and investments	\$ 33,123,371	\$ 35,324	\$ 33,158,695
Restricted cash and investments	4,581,696	-	4,581,696
Total Cash and Investments	\$ 37,705,067	\$ 35,324	\$ 37,740,391

Restricted Cash and Investments

The City maintains bond redemption and reserve accounts as required by bond covenants. The balances at December 31, 2018 are as follows:

Harbor Enterprise Fund	\$ 690,198
Healthcare Enterprise Facilities Fund	1,615,006
Electric Enterprise Fund	349,739
Total Restricted for Bond Retirement	\$ 2,654,943

City of Seward, Alaska

Notes to Basic Financial Statements

The City also includes in restricted cash and investments amounts that have been designated for capital projects. The total amount of restricted cash and investments that has been designated for capital projects follows:

Harbor Enterprise Fund	\$ 1,926,753
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Custodial Credit Risk

The fair value of the City's investments at year-end is shown below. GASB Statement 3, as amended by GASB Statement 40, establishes categories as an indication of the level of custodial credit risk involved in the investments. All of the City's remaining investments are in the category of least risk and include investments that are insured or registered in the City's name, or securities that are held by the City or its agent in the City's name. All of the United States treasury bills, treasury notes, and United States agency securities are held in custodial accounts in the U.S. Bank and Bank of New York Trust Departments and are recorded in the City's name, in accordance with safekeeping agreements. U.S. Bank and Bank of New York are not counter parties to security transactions. To limit exposure to custodial credit risk, City policy requires that all deposits and investments be fully insured or collateralized.

Interest Rate Risk

The fair value of the City's fixed-income investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those investments. Fair values of interest rate-sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, and other general market conditions. The City manages interest rate risk by allocating specific percentages of the portfolio over specified time periods, and generally holds investments for less than five years, which minimizes the sensitivity of fair value to changes in market interest rates. The City has no formal policy relating to a specific deposit or interest rate risk.

Investment types and their maturities at December 31, 2018 are as follows:

Investment	Fair Value	Investment Maturities (in Years)		
		Less than 1 year	1 to 5 years	Over 5 years
Certificates of deposit	\$ 6,440,527	\$ 2,161,443	\$ 4,279,084	\$ -
U.S. government agencies	2,718,960	2,718,960	-	-
U.S. treasury securities (SLGS)	248,518	-	248,518	-
U.S. government bonds	6,860,718	1,778,814	5,081,904	-
Total Subject to Interest Rate Risk	16,268,723	\$ 6,659,217	\$ 9,609,506	\$ -
Carried at Amortized Cost				
Pooled investments / AMLIP	8,739,667			
Money market account	318,825			
Total investments	25,377,215			
Cash	12,413,176			
Total Cash and Investments	\$ 37,740,391			

City of Seward, Alaska

Notes to Basic Financial Statements

Option Risk

Option risk is the risk that an investment's counterparty may exercise a right embedded in the investment - an embedded option. The City invests in securities issued by U.S. government agencies that contain call provisions. The exercise of the call option by the counterparty occurs during times of declining interest rates; therefore the City is exposed to the risk of having to reinvest at a lower interest rate. In the table above, securities are categorized according to the final maturity, regardless of call option dates. If call options were exercised at the next possible call date, many of the callable securities would mature in less than one year.

Concentration of Credit Risk

The City's investment policy places no limit on the amount that can be invested in any one issuer. Approximately 35% of the total portfolio is invested in securities issued by federal agencies and approximately 10% is held with the Federal Home Loan Bank. No other individual issuers noted greater than 5%.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All of the U.S. government agencies, U.S. Treasuries (SLGS), and Bond investments are rated AAA by Standard and Poor's. AMLIP investments are rated AAAM.

The City's investment policy specifies the types of investments that can be purchased in order to limit credit risk. The City may invest in obligations of the United States government, its agencies and instrumentalities; insured or collateralized certificates of deposit; savings accounts; collateralized repurchase agreements; commercial paper maturing within nine months issued by corporations having the highest rating of a national rating agency; bankers' acceptances; and the State investment pool. Credit risk is mitigated by limiting the eligible investment options.

Fair Value Measurement

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

The City has the following recurring fair value measurements as of December 31, 2018:

- U.S. government agency and U.S. treasury securities of \$2,967,478 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs).
- U.S. government bonds of \$6,860,718 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs).

City of Seward, Alaska

Notes to Basic Financial Statements

The City has investments in money market funds, certificates of deposit, and pooled investments totaling \$17,904,992 that are valued at amortized cost as of December 31, 2018.

4. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

Governmental Activities	Balance January 1, 2018	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2018
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 5,509,589	\$ -	\$ -	\$ 5,509,589
Construction in progress	55,805	4,140	55,805	4,140
Total assets not being depreciated	5,565,394	4,140	55,805	5,513,729
<i>Capital assets being depreciated:</i>				
Buildings	71,580,262	86,483	134,910	71,531,835
Improvements other than buildings	28,262,644	501,156	-	28,763,800
Machinery and equipment	16,285,177	660,927	121,257	16,824,847
Total assets being depreciated	116,128,083	1,248,566	256,167	117,120,482
Less accumulated depreciation for:				
Buildings	29,481,893	1,744,796	41,412	31,185,277
Improvements other than buildings	15,716,371	657,836	-	16,374,207
Machinery and equipment	13,054,809	851,091	121,257	13,784,643
Total accumulated depreciation	58,253,073	3,253,723	162,669	61,344,127
Total capital assets being depreciated, net	57,875,010	(2,005,157)	93,498	55,776,355
Governmental Activity Capital Assets, net	\$ 63,440,404	\$ (2,001,017)	149,303	\$ 61,290,084

* The ending balances include \$7,170,698 and \$5,485,514 of equipment cost and accumulated depreciation, respectively, related to the Motor Pool Internal Service Fund.

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City of Seward, Alaska

Notes to Basic Financial Statements

Business-type Activities	Balance January 1, 2018	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2018
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 30,703,256	\$ -	\$ -	\$ 30,703,256
Construction in progress	19,854,851	5,101,041	-	24,955,892
Total assets not being depreciated	50,558,107	5,101,041	-	55,659,148
<i>Capital assets being depreciated:</i>				
Buildings	37,189,092	-	-	37,189,092
Infrastructure	970,606	-	-	970,606
Improvements other than buildings	160,839,929	926,209	-	161,766,138
Machinery and equipment	18,910,148	654,564	13,784	19,550,928
Total assets being depreciated	217,909,775	1,580,773	13,784	219,476,764
<i>Less accumulated depreciation for:</i>				
Buildings	18,471,714	1,259,596	-	19,731,309
Infrastructure	609,516	43,581	-	653,097
Improvements other than buildings	96,905,670	4,669,380	-	101,575,050
Machinery and equipment	13,854,090	857,004	10,716	14,700,378
Total accumulated depreciation	129,840,990	6,829,561	10,716	136,659,835
Total capital assets being depreciated, net	88,068,785	(5,248,788)	3,068	82,816,929
Business-type Capital Assets, net	\$ 138,626,892	\$ (147,747)	\$ 3,068	\$ 138,476,077

Depreciation for the year ended December 31, 2018 was charged to the functions as follows:

Governmental Activities	Depreciation Excluding Internal Service Fund	Internal Service Fund Allocation	Total Depreciation
General government	\$ 236,675	\$ 90,698	\$ 327,373
Public safety	228,176	127,286	355,462
Public works	604,071	163,692	767,763
Parks and recreation	86,561	10,690	97,251
Library	242,428	-	242,428
SeaLife Center	1,463,446	-	1,463,446
Total Governmental Activities	\$ 2,861,357	\$ 392,366	\$ 3,253,723

City of Seward, Alaska

Notes to Basic Financial Statements

Business-type Activities	Depreciation
Electric	\$ 1,631,726
Water	393,587
Wastewater	382,985
Harbor	1,790,077
SMIC	783,463
Parking	19,546
Healthcare facilities	1,828,177
Total Business-type Activities	\$ 6,829,561

Contractual Commitments

The SMIC Enterprise Fund has construction commitments to contractors at December 31, 2018 of approximately \$302,000, consisting of two contracts. Those commitments are for contracts related to construction of the SMIC Expansion Project.

5. Interfund Receivables, Payables and Transfers

A schedule of interfund balances and transfers as of and for the year ended December 31, 2018, follows. Interfund balances typically result from short-term operating or capital advances. Transfers typically result from capital matching, operating subsidies, and payment in lieu of taxes.

Due From Other Funds

Due to the General Fund from the SMIC Enterprise Fund	\$ 783,063
Due to the General Fund from nonmajor governmental funds	55,664
Total Due From Other Funds	\$ 838,727

Transfers

<i>From General Fund to:</i>	
SMIC Enterprise Fund	\$ 322,439
Healthcare Facilities Enterprise Fund	1,426,345
Nonmajor enterprise funds	17,000
Nonmajor governmental funds	212,857
Total transfers from General Fund	1,978,641
From Harbor Enterprise Fund to General Fund	495,096
From Harbor Enterprise Fund to nonmajor governmental funds	181,206
From Healthcare Facilities Enterprise Fund to nonmajor governmental funds	300,000
From SMIC Enterprise Fund to General Fund	126,337
From Electric Enterprise Fund to General Fund	1,225,412
From Electric Enterprise Fund to nonmajor governmental funds	92,358
From nonmajor enterprise funds to General Fund	244,639
From nonmajor governmental funds to General Fund	111,954
From nonmajor governmental funds to other nonmajor governmental funds	157,499
Total Transfers to Other Funds	\$ 4,913,142

City of Seward, Alaska

Notes to Basic Financial Statements

The City has two outstanding interfund loans.

In 2006, the Motor Pool Fund and the Electric Fund issued interfund loans in the total amount of \$1,708,125 to the Healthcare Facilities Enterprise Fund for the purpose of paying the Seward General Hospital PERS unfunded liability. Repayment is scheduled over twenty years bearing interest at 5.25%. In 2016, the Electric Fund portion of the loan was retired.

In 2014, the Motor Pool Fund loaned \$1,029,087 to the SMIC Fund for the purpose of purchasing a 330-ton Boat Lift. The loan is to be repaid in seven annual installments of \$147,012 for a total amount of \$1,029,087. However, after the first payment, the annual payments were reduced to be repaid in nine annual installments of \$98,008 for a total amount of \$1,029,087.

Amounts outstanding at December 31, 2018 follow:

Payable from the Healthcare Facilities Enterprise Fund to Motor Pool Internal Service Fund	\$ 630,731
Payable from the SMIC Enterprise Fund to Motor Pool Internal Service Fund	588,050
Total Interfund Loans	\$ 1,218,781

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City of Seward, Alaska

Notes to Basic Financial Statements

6. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended December 31, 2018:

Governmental Activities	Balance at January 1, 2018	Additions	Retirements	Balance at December 31, 2018	Due Within One Year
General obligation bonds - \$3,480,000 2012 General Obligation bonds, due in annual installments of \$110,000 to \$240,000, plus interest at 4.0% to 5.0% through September 1, 2036	\$ 3,110,000	\$ -	\$ 105,000	\$ 3,005,000	\$ 110,000
\$2,890,000 2017 General Obligation bonds, due in annual installments of \$100,000 to \$240,000, plus interest at 3.0% to 5.0% through May 1, 2037	2,890,000	-	95,000	2,795,000	100,000
Accrued compensated absences	407,017	446,132	447,373	405,776	100,143
Total Governmental Activities Long-term Liabilities	\$ 6,407,017	\$ 446,132	\$ 647,373	6,205,776	\$ 310,143
Plus unamortized bond premium				<u>282,813</u>	
				<u>\$ 6,488,589</u>	

Liquidation of governmental accrued compensated absences is made by the Compensated Absences Internal Service Fund. All other debt service payments above are made by the General Fund.

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City of Seward, Alaska

Notes to Basic Financial Statements

Business-type Activities	Balance at January 1, 2018	Additions	Retirements	Balance at December 31, 2018	Due Within One Year
Revenue bonds:					
\$6,000,000 2008 electric revenue bonds, due in final installment of \$140,000, plus interest at 4.0% to 6.0% on June 1, 2018	\$ 140,000	\$ -	\$ 140,000	\$ -	-
\$27,000,000 2008 Series One long-term care facility bonds, due in final installment of \$945,000, plus interest at 4.0% to 5.0% on April 1, 2018	945,000	-	945,000	-	-
\$17,135,000 refunding long-term care facility bonds, due in annual installments of \$830,000 to \$1,405,000, plus interest at 2.0% to 5.0% through August 1, 2038	16,910,000	-	-	16,910,000	830,000
\$5,045,000 refunding electric revenue bonds, due in annual installments of \$165,000 to \$330,000 at 2.0% to 5.0%, through August 1, 2038	4,920,000	-	20,000	4,900,000	165,000
\$1,055,000 refunding harbor revenue bonds, due in annual installments of \$210,000 to 230,000 at 2.0% to 4.0%, through December 1, 2021	855,000	-	200,000	655,000	210,000
\$3,405,000 2014 refunding harbor revenue bonds, due in annual installments of \$300,000 to \$400,000, plus interest at 1.25% to 5.00% through October 1, 2025	3,060,000	-	290,000	2,770,000	300,000
Notes payable:					
\$678,740 sewer note payable to State of Alaska Department of Environmental Conservation, due in annual installment of \$28,517 to \$38,949, plus interest at 1.5% through September 11, 2035	619,594	-	74,824	544,770	28,517

City of Seward, Alaska

Notes to Basic Financial Statements

Business-type Activities	Balance at January 1, 2018	Additions	Retirements	Balance at December 31, 2018	Due Within One Year
Notes payable, continued:					
\$685,232 sewer note payable to State of Alaska Department of Environmental Conservation, due in annual installment of \$27,906 to \$35,413, plus interest at 1.5% through September 11, 2035	\$ 563,326	\$ -	\$ 27,493	\$ 535,833	\$ 27,906
\$2,652,849 water note payable to State of Alaska Department of Environmental Conservation, due in annual installments of \$156,844, including interest at 1.5% through April 1, 2027	1,446,444	\$ -	135,146	1,311,298	137,175
Accrued compensated absences	156,393	219,567	225,344	150,616	46,058
Total Business type Activities					
Long-term Liabilities	\$ 29,615,757	\$ 219,567	\$ 2,057,807	27,777,517	\$1,744,656
Plus unamortized bond premiums				2,079,418	
				\$29,856,935	

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City of Seward, Alaska

Notes to Basic Financial Statements

Annual debt service requirements to maturity on the bonds and notes follow:

<i>General Obligation Bonds</i> <i>Year Ending December 31,</i>	Governmental Activities		
	Principal	Interest	Total
2019	\$ 210,000	\$ 244,106	\$ 454,106
2020	220,000	234,581	454,581
2021	230,000	223,456	453,456
2022	240,000	211,831	451,831
2023	255,000	199,706	454,706
2024-2028	1,435,000	823,794	2,258,794
2029-2033	1,765,000	491,303	2,256,303
2034-2037	1,445,000	117,231	1,562,231
	\$ 5,800,000	\$ 2,546,008	\$ 8,346,008

<i>Revenue Bonds</i> <i>Year Ending December 31,</i>	Business-type Activities		
	Principal	Interest	Total
2019	\$ 1,505,000	\$ 987,506	\$ 2,492,506
2020	1,570,000	914,356	2,484,356
2021	1,650,000	838,006	2,488,006
2022	1,490,000	757,806	2,247,806
2023	1,570,000	683,306	2,253,306
2024-2028	7,915,000	2,303,631	10,218,631
2029-2033	8,000,000	982,906	8,982,906
2034-2038	1,535,000	159,825	1,694,825
	\$ 25,235,000	\$ 7,627,342	\$ 32,862,342

<i>Notes Payable</i> <i>Year Ending December 31,</i>	Business- type Activities		
	Principal	Interest	Total
2019	\$ 193,598	\$ 36,547	\$ 230,145
2020	198,711	33,611	232,322
2021	201,691	30,630	232,321
2022	204,716	27,605	232,321
2023	207,787	24,534	232,321
2024-2028	929,788	74,971	1,004,759
2029-2033	350,392	26,996	377,388
2034-2035	105,218	3,330	108,548
	\$ 2,391,901	\$ 258,224	\$ 2,650,125

City of Seward, Alaska

Notes to Basic Financial Statements

7. Revenue Bond Requirements

Pledged Revenues

The enterprise funds have pledged future customer revenues, net of specified operating expenses, to repay revenue bonds.

Electric Revenue Bonds

The Electric Enterprise Fund has pledged future electric customer revenues, net of specified operating expenses, to repay electric enterprise fund revenue bonds. Proceeds from the bonds provided financing for construction and other capital improvements. The bonds are payable solely from electric customer net revenues and are payable through 2038. The total principal and interest remaining to be paid on the bonds is \$6,833,673. Principal and interest paid for the current year and total customer net revenues were \$345,400 and \$1,437,885, respectively.

Harbor Revenue Bonds

The Harbor Enterprise Fund has pledged future harbor customer revenues, net of specified operating expenses, to repay harbor enterprise fund revenue bonds. Proceeds from the bonds provided financing for construction and other capital improvements. The bonds are payable solely from harbor customer net revenues and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$4,064,200. Principal and interest paid for the current year and total customer net revenues were \$667,900 and \$1,296,560, respectively.

Healthcare Revenue Bonds

The Healthcare Enterprise Fund has pledged future healthcare customer revenues, net of specified operating expenses, to repay healthcare enterprise fund revenue bonds. Proceeds from the bonds provided financing for construction and other capital improvements. The bonds are payable solely from healthcare customer net revenues and are payable through 2038. The total principal and interest remaining to be paid on the bonds is \$21,964,469. Principal and interest paid for the current year and total customer net revenues were \$1,612,906 and \$1,770,310, respectively.

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City of Seward, Alaska

Notes to Basic Financial Statements

Revenue Requirements

The Electric and Harbor revenue bonds also require that rates be maintained at a level that will produce net revenues after certain adjustments, equal to 1.3 and 1.2, respectively, times the amount required each year to pay the principal and interest. The City met these revenue requirements for both bonds in 2018. The bond coverage calculations are as follows:

Electric Revenue Bonds

Total revenues, excluding grants	\$	11,168,299
Total operating expenses, excluding depreciation		(9,490,403)
Available for Debt Service		\$ 1,677,896
Debt service payments:		
Principal	\$	160,000
Interest		185,400
Total Debt Service Payments		\$ 345,400
Debt Coverage		4.86

Harbor Revenue Bonds

Total revenues, excluding grants	\$	3,564,884
Total operating expenses, excluding depreciation		(2,128,367)
Available for Debt Service		\$ 1,296,560
Debt service payments:		
Principal	\$	490,000
Interest		177,900
Total Debt Service Payments		\$ 667,900
Debt Coverage		\$ 2.15

City of Seward, Alaska

Notes to Basic Financial Statements

8. Fund Balances

Fund balances, reported for the major funds and the nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	General Fund	Nonmajor Funds		Totals
Nonspendable:				
Prepaid items	\$ 392,169	\$ -	\$	\$ 392,169
Committed:				
Working capital	1,500,000	-		1,500,000
Insurance	126,418	-		126,418
Hospital line of credit	500,000	-		500,000
Total committed	2,126,418	-		2,126,418
Assigned:				
Public works	-	2,150		2,150
Insurance	307,976	-		307,976
Capital projects	-	2,894,635		2,894,635
Other assignments	100,000	-		100,000
Total assigned	407,976	2,896,785		3,304,761
Unassigned (deficit)	5,613,726	(40,531)		5,573,195
Total Fund Balances	\$ 8,540,289	\$ 2,856,254	\$	\$ 11,396,543

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City of Seward, Alaska

Notes to Basic Financial Statements

9. Pension and OPEB Postemployment Benefits Plans

(a) Defined Benefit (DB) Pension Plan

General Information About the Plan

The City participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and postemployment healthcare benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes.

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

City of Seward, Alaska

Notes to Basic Financial Statements

The City recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary. Police officers and firefighters are required to contribute 7.50% of their annual covered salary.

Employer and Other Contribution Rates

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

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, the amount calculated for the statutory employer effective contribution rate is 22% on eligible wages. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This change results in lower ARM Board Rates than previously adopted.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise funds and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For 2018, the rate uses an 8% pension and healthcare discount rate.

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

City of Seward, Alaska

Notes to Basic Financial Statements

Contribution rates for the year ended June 30, 2017 and June 30, 2018 were determined in the June 30, 2015 and June 30, 2016 actuarial valuations, respectively. The City's contribution rates for the 2018 calendar year were as follows:

<i>January 1, 2018 to June 30, 2018</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01%	29.07%
Other postemployment benefits (ARHCT)	4.88%	3.11%	0.00%	66.85%
Total Contribution Rates	22.00%	25.01%	3.01%	95.92%

<i>July 1, 2018 to December 31, 2018</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	16.17%	23.21%	5.58%	32.11%
Other postemployment benefits (ARHCT)	5.83%	4.37%	0.00%	87.90%
Total Contribution Rates	22.00%	27.58%	5.58%	120.01%

In 2018, the City was credited with the following contributions to the pension plan.

	Measurement Period July 1, 2017 to June 30, 2018	City Fiscal Year January 1, 2018 to December 31, 2018
Employer contributions (including DBUL)	\$ 678,226	\$ 644,586
Nonemployer contributions (on-behalf)	168,927	234,495
Total Contributions	\$ 847,153	\$ 879,081

In addition, employee contributions to the Plan totaled \$166,831 during the City's fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At December 31, 2018, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	2018
City proportionate share of NPL	\$ 9,276,595
State's proportionate share of NPL associated with the City	2,687,289
Total Net Pension Liability	\$ 11,963,884

City of Seward, Alaska

Notes to Basic Financial Statements

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net pension liability as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2018 measurement date, the City's proportion was 0.18669 percent, which was an increase of 0.03022 from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$180,614 and on-behalf revenue of \$168,927 for support provided by the State. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (232,824)
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	204,877	-
Changes in proportion and differences between City contributions and proportionate share of contributions	632,508	-
City contributions subsequent to the measurement date	309,411	-
<hr/>		
Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions	\$ 1,146,796	\$ (232,824)

The \$309,411 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year December 31,

2019	\$	660,259
2020		112,026
2021		(158,742)
2022		(8,982)
<hr/>		
Total Amortization	\$	604,561

City of Seward, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018:

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	For peace officer/firefighter, increases range from 9.66% to 4.92% based on service. For all others, increases range from 8.55% to 4.34% based on age and service.
Allocation methodology	Amounts for 2018 were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the fiscal years 2019 to 2039 to the Plan. The liability is expected to go to zero at 2039.
Investment return / Discount rate	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination - 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.

The actuarial assumptions used in the June 30, 2017 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013. The assumptions used in the June 30, 2017 actuarial valuation report are the same as those used in the June 30, 2016 actuarial valuation.

City of Seward, Alaska

Notes to Basic Financial Statements

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24%	8.90%
Global ex-U.S. equity	22%	7.85%
Fixed income	10%	1.25%
Opportunistic	10%	4.76%
Real assets	17%	6.20%
Absolute return	7%	4.76%
Private equity	9%	12.08%
Cash equivalents	1%	0.66%

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	0.18669%	\$ 12,284,554	\$ 9,276,595	\$ 6,732,227

City of Seward, Alaska

Notes to Basic Financial Statements

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

(b) Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan.

This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/dr/pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the City contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended December 31, 2018, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended December 31, 2018 were \$136,178 and \$217,885, respectively. The City contribution amount was recognized as pension expense/expenditures.

City of Seward, Alaska

Notes to Basic Financial Statements

(c) Defined Benefit Other Postemployment Benefits (OPEB) Plans

As part of its participation in the PERS DB Plan (Tiers I, II, III), which is a cost-sharing multiple employer plan, the City participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the DB Plan. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. Financial statements for the plans are included in the PERS comprehensive annual financial report.

Employer Contribution Rate

Employer contribution rates are actuarially determined and adopted by the Board. Employees do not contribute.

Employer contribution rates for the year ended December 31, 2018 were as follows:

<i>January 1, 2018 to June 30, 2018</i>	Other	Police/Fire
Alaska Retiree Healthcare Trust	4.88%	4.88%
Retiree Medical Plan	1.03%	1.03%
Occupational Death and Disability Benefits	0.16%	0.43%
Total Contribution Rates	6.07%	6.34%
<i>July 1, 2018 to December 31, 2018</i>	Other	Police/Fire
Alaska Retiree Healthcare Trust	5.83%	5.83%
Retiree Medical Plan	0.94%	0.94%
Occupational Death and Disability Benefits	0.26%	0.76%
Total Contribution Rates	7.03%	7.53%

In 2018, the City was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2017 to June 30, 2018	City Fiscal Year January 1, 2018 to December 31, 2018
Employer contributions - ARHCT	\$ 193,325	\$ 207,098
Employer contributions - ODD	5,427	7,742
Employer contributions - RMP	26,323	26,770
Total Contributions	\$ 225,075	\$ 241,610

City of Seward, Alaska

Notes to Basic Financial Statements

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At December 31, 2018, the City reported a liability for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for State OPEB support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	2018
City's proportionate share of NOL - ARHCT	\$ 1,915,028
City's proportionate share of NOL - RMP	28,734
City's proportionate share NOA - ODD	(43,856)
City's Net OPEB Liability	1,899,906
State's proportionate share of the ARHCT NOL associated with the City	556,157
Total Net OPEB Liabilities	\$ 2,456,063

The total OPEB liabilities for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net OPEB liabilities as of that date. The City's proportion of the net OPEB liabilities were based on a projection of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2017 Measurement Date Employer Proportion	June 30, 2018 Measurement Date Employer Proportion	Change
City's proportionate share of the net OPEB liabilities (asset):			
ARHCT	0.15650%	0.18660%	0.03010%
RMP	0.22800%	0.22580%	(0.00220)%
ODD	0.22800%	0.22580%	(0.00220)%

As a result of its requirement to contribute to the plans, the City recognized OPEB expense of \$262,372 and on-behalf revenue of \$73,012 for support provided by the State.

City of Seward, Alaska

Notes to Basic Financial Statements

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (218,589)
Changes in assumptions	303,840	-
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(411,545)
Changes in proportion and differences between City contributions and proportionate share of contributions	231,265	(141,639)
City contributions subsequent to the measurement date	129,147	-
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans	\$ 664,252	\$ (771,773)

The \$129,147 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,

2019		\$ (77,363)
2020		(16,369)
2021		(134,212)
2022		(8,875)
2023		8
Thereafter		143
Total Amortization		\$ (236,668)

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City of Seward, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total OPEB liability for the measurement period ended June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018:

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for Peace Officer/ Firefighter. Graded by service from 8.55% to 4.34% for all others
Allocation methodology	Amounts for 2018 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment return / Discount rate	8.00%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Healthcare cost trend rates	Pre-65 medical: 8.8% grading down to 4.4% Post-65 medical: 5.8% grading down to 4.0% Prescription drug: 5.4% grading down to 4.0% RDS/EGWP: 6.5% grading down to 4.0%
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for all others. Post-termination - 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.
Participation (ARHCT)	100% system paid for members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 10% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

City of Seward, Alaska

Notes to Basic Financial Statements

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013. The assumptions used in the June 30, 2017 actuarial valuation are the same as those used in the June 30, 2016 valuation with the following exceptions:

1. The medical trend rate assumption was updated to reflect anticipated increases in costs based on recent survey data.
2. An obligation for the Cadillac Tax was added to the June 30, 2017 valuation because it was no longer deemed immaterial due to the updated trend rates and the change to use chained Consumer Price Index (which was part of the Tax Cut and Jobs Act passed in December 2017) to project the tax thresholds in future years.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return for each major asset class included in the plans' targeted asset allocation as of June 30, 2018 are summarized in the following table (note that the rates shown below exclude the inflation component):

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Broad domestic equity	24%	8.90%
Global ex-U.S. equity	22%	7.85%
Fixed income	10%	1.25%
Opportunistic	10%	4.76%
Real assets	17%	6.20%
Absolute return	7%	4.76%
Private equity	9%	12.08%
Cash equivalents	1%	0.66%

Discount Rate

The discount rate used to measure the total OPEB liability for each plan was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the fiduciary net position of each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability for each plan.

City of Seward, Alaska

Notes to Basic Financial Statements

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the respective plan's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net OPEB liability (asset):				
ARHCT	0.18660%	\$ 3,876,970	\$ 1,915,028	\$ 270,518
RMP	0.22580%	\$ 85,805	\$ 28,734	\$ (15,781)
ODD	0.22580%	\$ (41,182)	\$ (43,856)	\$ (46,055)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the City's proportionate share of the net OPEB liabilities calculated using the healthcare cost trend rates, as well as what the City's proportionate share of the respective plan's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
City's proportionate share of the net OPEB liability (asset):				
ARHCT	0.18660%	\$ 37,174	\$ 1,915,028	\$ 4,177,084
RMP	0.22580%	\$ (24,430)	\$ 28,734	\$ 99,882
ODD	0.22580%	\$ -	\$ (43,856)	\$ -

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PERS financial report.

(d) Defined Contribution OPEB Plans

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan (RMP). Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and postemployment healthcare benefits.

City of Seward, Alaska

Notes to Basic Financial Statements

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2018, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,103 per year for each full-time employee, and \$1.35 per hour for part-time employees.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended December 31, 2018 were as follows:

<i>January 1, 2018 to June 30, 2018</i>	Other Tier IV	Police/Fire Tier IV
Health Reimbursement Arrangement	3.00%	3.00%
Retiree Medical Plan	1.03%	1.03%
Occupational Death and Disability Benefits	0.16%	0.43%
Total Contribution Rates	4.19%	4.46%

<i>July 1, 2018 to December 31, 2018</i>	Other Tier IV	Police/Fire Tier IV
Health Reimbursement Arrangement	3.00%	3.00%
Retiree Medical Plan	0.94%	0.94%
Occupational Death and Disability Benefits	0.26%	0.76%
Total Contribution Rates	4.20%	4.70%

Annual Postemployment Healthcare Cost

In 2018, the City contributed \$105,088 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

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City of Seward, Alaska

Notes to Basic Financial Statements

10. International Brotherhood of Electrical Workers

Defined Benefit Plan

Certain Electric Fund employees are members of the International Brotherhood of Electrical Workers (IBEW), and participate in a cost-sharing defined benefit plan, *the Alaska Electrical Pension Plan of the Alaska Electrical Pension Fund* (IEBW Plan). The Alaska Electrical Pension Trust (AEPT) Board of Trustees administers the IBEW Plan and has the authority to establish and amend benefit terms and approve changes in employer required contributions. Each year, AEPT issues annual financial reports that can be obtained by writing the plan administrator, Alaska Electrical Pension Trust, 2600 Denali Street, Suite 200, Anchorage, Alaska 99503. The City had six employees covered by the Plan as of December 31, 2018.

The IBEW Plan provides several levels of retirement benefits, including early retirement, normal retirement, late retirement, and disability retirement and includes several options for spouse participation and death benefits. The City contributes to the IBEW Plan for its covered employees according to the terms of its Agreement Covering Terms and Conditions of Employment (Agreement) with the IBEW Local 1547. The Agreement became effective on July 1, 2016 and expires on June 30, 2019. The Agreement automatically renews for a period of one year from its expiration date and for successive periods of one year each thereafter for so long as there is no proper notification of an intent to negotiate a successor Agreement.

Employer contributions are determined from hours of work reported by participating employers and the contractual employer contribution rate in effect. The City's required contribution to the IBEW Plan for each hour for which compensation is paid to the employee for July 1, 2017 to June 30, 2018 was \$6.85 and July 1, 2018 to December 31, 2018 was \$6.99. The City's total employer contributions to the IBEW Plan for 2018 were \$103,547. These amounts are paid during the normal course of business in the month following each year end. The City is not subject to withdrawal penalties, nor are there any future minimum payments to the IBEW Plan required other than the contribution per hour compensated as required by the Agreement.

Defined Contribution Plan - Money Purchase Plan

The Agreement requires employer contributions to be made in an amount of \$225 per month for eligible employees to the Alaska Electrical Workers Money Purchase Plan (Money Purchase Plan). The City's employer and employee contributions to the Money Purchase Plan during 2018 were \$18,900 and \$0, respectively. One hundred percent (100%) of the City's required contributions to the IBEW plans have been made through these contributions to the AETF.

11. Deferred Compensation Plan

The City offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The provisions of the Plan require that all assets and income of the Plan be held in trust for the exclusive benefit of participants and their beneficiaries.

City of Seward, Alaska

Notes to Basic Financial Statements

12. Risk Management

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees.

The City is a member of the Alaska Municipal League Joint Insurance Association (JIA), a governmental insurance pool established by the Alaska Municipal League. The JIA provides the City coverage for property, including building and contents, automobiles, mobile equipment, data processing equipment and boiler and machinery; casualty, including general liability, public officials and employees liability, law enforcement professional liability, auto liability and employee benefit liability; workers' compensation, including employers liability; and commercial blanket bond. The City maintains supplemental marine insurance and firefighters group accident coverage with insurance companies placed through JIA. The City has no coverage for potential losses from environmental damages.

The JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based on each member's deposit contribution in comparison to the aggregate deposit contributions of all members. The Association made no supplemental assessments during the year ended December 31, 2018.

The JIA provides loss control services and conducts periodic inspections to ensure safe operations. The City has utilized an established safety committee to review and recommend safety policies and procedures for all departments. The City Council has committed a portion of the General Fund balance to meet potential losses not covered by insurance and insurance deductibles.

The City also participates in the Alaska Public Utilities Insurance Trust, which provides insurance coverage for employee health benefits. The Plan is a public entity risk pool in which risks are shared among the members. Stop loss insurance limits participants' liability for individual and aggregate claims.

There was no significant reduction in the City's major categories of risk insurance coverage from the prior year, and the amount of settlements for the past three fiscal years did not materially exceed the City's insurance coverage.

City of Seward, Alaska

Notes to Basic Financial Statements

13. Change in Accounting Principle

As discussed in Note 9 to the financial statements, the City participates in the Alaska Public Employees' Retirement System (PERS) plan. In 2018, the City adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net OPEB Liability (and related deferred inflows of resources and deferred outflows of resources), as of the beginning of the City's fiscal year. As a result of the implementation of this statement, the City has recorded an opening balance adjustment to reflect opening balance OPEB liabilities and related accounts and to decrease net position as of January 1, 2018 as follows:

	Opening Net Position, as Originally Presented	Change in Accounting Principle Adjustment	Opening Net Position (Deficit), as Restated
Governmental Activities	\$ 63,056,200	\$ (912,417)	\$ 62,143,783
Business-type Activities	126,134,450	(275,516)	125,858,934
Water Enterprise Fund	10,358,970	(50,058)	10,308,912
Wastewater Enterprise Fund	6,965,661	(31,113)	6,934,548
Harbor Enterprise Fund	37,660,589	(133,318)	37,527,271
Electric Enterprise Fund	28,715,862	(61,027)	28,654,835

14. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including any amount already collected, could become a liability of the applicable funds.

The City of Seward is the owner of the Alaska SeaLife Center ("Center"), which is operated on the City's behalf by the Seward Association for the Advancement of Marine Science ("SAAMS"). The City is obligated to abide by provisions of the Cooperative Agreement ("Agreement") between the City and the State of Alaska Department of Fish and Game, which served as a significant funding source for the construction of the Center. The City has passed most of its obligations for operating the Center on to SAAMS through a management and operating agreement ("Operating Agreement"), but the City ultimately remains responsible to ensure that provisions of the Agreement with the State are met. The Operating Agreement requires, in part, that SAAMS maintain sufficient termination fund reserves to enable the City to operate the facility for up to one full year in the event SAAMS is unable to meet its obligations under the Operating Agreement. The estimated costs of operating the Center for a full year are not easily measured based on imprecise definitions of the requirements, but could approach \$3 million per year. The Operating Agreement does not require SAAMS to maintain that level of reserves, and to the extent their termination fund reserve levels are inadequate, the City would be expected to cover any shortfall. Should the City be required to cover any shortfall, there could be a material adverse impact on the General Fund undesignated reserves.

City of Seward, Alaska

Notes to Basic Financial Statements

Various other claims and lawsuits against the City are pending, but are either covered by insurance or are the types which are normal and reasonable in view of the City's operations. City management believes the total amount of the liability, if any, which may arise from such claims and lawsuits beyond that which is covered by insurance would not have a material effect on the City's financial condition or its ability to carry on its activities as now conducted.

15. New Accounting Pronouncements

The Governmental Accounting Standards Board has issued several new accounting standards.

The following new accounting standards were implemented by the City for 2018 reporting:

GASB 75 - Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions. The provisions of this statement address accounting and financial reporting issues for postemployment benefits other than pensions (other postemployment benefits or OPEB) provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The City applied this statement to the State of Alaska PERS OPEB plans for December 31, 2018.

GASB 85 - Omnibus 2017. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). As of December 31, 2018, the City implemented guidance from this statement as it related to OPEB reporting. We considered the other objectives and were determined to be not applicable.

GASB 86 - Certain Debt Extinguishment Issues. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement was considered and determined to be not applicable at this time. We will consider this guidance in future years.

The following standards are required to be implemented in the future financial reporting periods:

GASB 83 - *Certain Asset Retirement Obligations* - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

City of Seward, Alaska

Notes to Basic Financial Statements

GASB 84 - *Fiduciary Activities* - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses criteria for identifying and reporting fiduciary activities.

GASB 87 - *Leases* - Effective for year-end December 31, 2020, with earlier application encouraged - This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses note disclosures related to debt, clarifies which liabilities to include when disclosing information related to debt, and defines debt for the purpose of disclosure. It requires additional essential information related to debt be disclosed in the notes, as well as information for direct borrowings and direct placements.

GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period* - Effective for year-end December 31, 2020, with earlier application encouraged - This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB 90 - *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61* - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses accounting and financial reporting for a majority equity interest in a legally separate organization. It provides a definition of a majority equity interest and provides guidance for further presentation as either an investment or a component unit, based on specific criteria.

GASB 91 - *Conduit Debt Obligations* - Effective for year-end December 31, 2021, with earlier application encouraged - This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.

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Required Supplementary Information

City of Seward, Alaska

Public Employees' Retirement System Defined Benefit Pension Plan
Schedule of the City's Information on the Net Pension Liability

<i>Year Ended</i> <i>December 31,</i>	<i>Measurement</i> <i>Period</i> <i>Ended</i>	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2009	2009	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2015	2015	0.18528%	\$ 8,985,893	\$ 2,408,070	\$ 11,393,963	\$ 5,021,085	178.96%	63.96%
2016	2016	0.20679%	11,558,576	1,457,718	13,016,294	4,968,887	232.62%	59.55%
2017	2017	0.15647%	8,088,553	3,013,251	11,101,804	5,031,902	160.75%	63.37%
2018	2018	0.18669%	9,276,595	2,687,289	11,963,884	5,141,955	180.41%	65.19%

* Information not available

See accompanying notes to Required Supplementary Information.

City of Seward, Alaska
Public Employees' Retirement System Defined Benefit Pension Plan
Schedule of City Contributions

<i>Year Ended December 31,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	City's Contributions as a Percentage of Covered Payroll
2009	*	*	*	*	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	\$ 485,647	\$ 485,647	\$ -	\$ 5,098,436	9.53%
2016	541,407	541,407	-	4,902,901	11.04%
2017	645,662	645,662	-	5,160,904	12.51%
2018	644,586	644,586	-	5,123,006	12.58%

* Information not available

See accompanying notes to Required Supplementary Information.

City of Seward, Alaska
Public Employees' Retirement System OPEB Plan
Schedule of the City's Information on the Net OPEB Liability - ARHCT

<i>Year Ended</i> <i>December 31,</i>	<i>Measurement Period Ended</i> <i>June 30,</i>	City's Proportion of the Net OPEB Liability	City's Share of the Net OPEB Liability	State of Alaska Share of the Net OPEB Liability	Total Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of Payroll	City's Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2009	2009	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2017	2017	0.15650%	\$ 1,321,817	\$ 492,356	\$ 1,814,173	\$ 4,902,901	26.96%	89.68%
2018	2018	0.18660%	1,915,028	556,157	2,471,185	5,160,904	37.11%	88.12%

* Information not available

See accompanying notes to Required Supplementary Information.

City of Seward, Alaska
Public Employees' Retirement System OPEB Plan
Schedule of City Contributions - ARHCT

<i>Year Ended December 31,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Contributions as a Covered Payroll	Contributions as a Percentage of Covered Payroll
2009	*	*	*	*	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	*	*	*	*	*
2016	*	*	*	*	*
2017	\$ 285,897	\$ 285,897	\$ -	\$ 5,160,904	5.54%
2018	207,098	207,098	-	5,123,006	4.04%

* Information not available

See accompanying notes to Required Supplementary Information.

City of Seward, Alaska
Public Employees' Retirement System OPEB Plan
Schedule of the City's Information on the Net OPEB Liability - RMP

<i>Year Ended</i> <i>December 31,</i>	<i>Measurement Period Ended</i> <i>June 30,</i>	City's Proportion of the Net OPEB Liability	City's Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of Payroll	City's Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2009	2009	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2017	2017	0.22800%	\$ 11,890	\$ -	\$ 11,890	\$ 4,902,901	0.24%	93.98%
2018	2018	0.22580%	28,734	-	28,734	5,160,904	0.56%	88.71%

* Information not available

See accompanying notes to Required Supplementary Information.

City of Seward, Alaska
Public Employees' Retirement System OPEB Plan
Schedule of City Contributions - RMP

<i>Year Ended December 31,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Contributions as a Covered Payroll	Contributions as a Percentage of Covered Payroll
2009	*	*	*	*	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	*	*	*	*	*
2016	*	*	*	*	*
2017	\$ 26,831	\$ 26,831	\$ -	\$ 5,160,904	0.52%
2018	26,770	26,770	-	5,123,006	0.52%

* Information not available

See accompanying notes to Required Supplementary Information.

City of Seward, Alaska
Public Employees' Retirement System OPEB Plan
Schedule of the City's Information on the Net OPEB Liability (Asset) - ODD

<i>Year Ended</i> <i>December 31,</i>	<i>Measurement</i> <i>Period</i> <i>Ended</i>	City's Proportion of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2009	2009	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2017	2017	0.22800%	\$ (32,352)	\$ -	\$ (32,352)	\$ 4,902,901	-0.66%	212.97%
2018	2018	0.22580%	(43,856)	-	(43,856)	5,160,904	-0.85%	270.62%

* Information not available

See accompanying notes to Required Supplementary Information.

City of Seward, Alaska
Public Employees' Retirement System OPEB Plan
Schedule of City Contributions - ODD

<i>Year Ended December 31,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Contributions as a Covered Payroll	Contributions as a Percentage of Covered Payroll
2009	*	*	*	*	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	*	*	*	*	*
2016	*	*	*	*	*
2017	\$ 5,285	\$ 5,285	\$ -	\$ 5,160,904	0.10%
2018	7,742	7,742	-	5,123,006	0.15%

* Information not available

See accompanying notes to Required Supplementary Information.

City of Seward, Alaska

International Brotherhood of Electrical Workers (IBEW) Defined Benefit Pension Plan Schedule of City Contributions

<i>Year Ended December 31,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2009	\$ 62,313	\$ 62,313	\$ -	\$ 649,553	9.59%
2010	59,231	59,231	-	697,056	8.50%
2011	65,956	65,956	-	661,071	9.98%
2012	70,686	70,686	-	719,381	9.83%
2013	88,389	88,389	-	806,727	10.96%
2014	72,669	72,669	-	668,257	10.87%
2015	81,964	81,964	-	752,587	10.89%
2016	102,429	102,429	-	790,348	12.96%
2017	129,627	129,627	-	958,591	13.52%
2018	103,547	103,547	-	818,004	12.66%

See accompanying notes to Required Supplementary Information.

City of Seward, Alaska

Notes to Required Supplementary Information December 31, 2018

1. Public Employees' Retirement System - Defined Benefit Pension Plan

In accordance with GASB Statement 82, "Covered Payroll" is defined as payroll on which contributions to the pension plan are based. Because a portion of the City's contributions to the Plan (the DBUL) are based on Defined Contribution Wages, covered payroll reported here includes all PERS participating wages (both Defined Benefit and Defined Contribution).

Both pension tables are intended to present 10 years of information. Additional year's information will be added to the schedules as it becomes available.

Schedule of City's Information on the Net Pension Liability

- This table is presented based on the Plan measurement date. For December 31, 2018, the Plan measurement date is June 30, 2018.
- There were no changes in benefit terms from the prior measurement period.
- There were no changes in assumptions from the prior measurement period.
- There were no changes in valuation method from the prior measurement period.
- There were no changes to the allocation methodology from the prior measurement period. The measurement period ended June 30, 2018 allocated the net pension liability based on the present value of contributions for fiscal year 2019 through 2039, as determined by projections based on the June 30, 2017 actuarial valuation.

Schedule of City's Contributions

- This table is based on the City's contributions for each year presented. A portion of these contributions are included in the plan measurement results, while a portion of the contributions are reported as a deferred outflow of resources on the December 31, 2018 Statement of Net Position.

2. Public Employees' Retirement System - Defined Benefit Other Postemployment Benefit (OPEB) Plan

In accordance with GASB Statement No. 85, "Covered Payroll" is defined as payroll on which contributions to the OPEB plan are based. Because a portion of the City's contributions to the Plan (the DBUL) are based on Defined Contribution Wages, covered payroll reported here includes all PERS participating wages (both Defined Benefit and Defined Contribution).

The OPEB tables are presented for each of the three PERS OPEB plans; Alaska Retiree Healthcare Trust Plan (ARHCT), Retiree Medical Plan (RMP), and Occupational Death and Disability Plan (ODD).

The OPEB tables are intended to present 10 years of information. Additional year's information will be added to the schedules as it becomes available.

City of Seward, Alaska

Notes to Required Supplementary Information, continued December 31, 2018

Schedule of City's Information on the Net OPEB Liability (Asset)

- These tables are presented based on the Plan measurement date. For December 31, 2018, the Plan measurement date is June 30, 2018.
- There were no changes in the allocation methodology from the prior measurement period. The measurement period ended June 30, 2018 allocated the net OPEB liability based on the present value of contributions for fiscal year 2019 through 2039, as determined by projections based on the June 30, 2017 actuarial valuation.
- The medical trend rate assumption was updated to reflect anticipated increases in costs based on recent survey data.
- An obligation for the Cadillac Tax was added to the June 30, 2017 valuation because it was no longer deemed immaterial due to the updated trend rates and the change to use chained Consumer Price Index (which was part of the Tax Cut and Jobs Act passed in December 2017) to project the tax thresholds in future years.

Schedule of City's Contributions

- These tables are based on the City's contributions for each year presented. A portion of these contributions are included in the plan measurement results, while a portion of the contributions are reported as a deferred outflow of resources on the December 31, 2018 Statement of Net Position.
- All tables are intended to present 10 years' information. Additional years' information will be added to the schedule as it becomes available.

3. International Brotherhood of Electrical Workers (IBEW)

Schedule of City's Contributions

- This table presents the City's contributions for each of the last ten years based on calendar year contributions.
- In accordance with GASB Statement No. 78, "Covered Payroll" is defined as payroll on which contributions to the pension plan are based.

Supplementary Information

City of Seward, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

<i>December 31, 2018</i>	Special Revenue	Capital Projects	Total
Assets			
Cash and investments	\$ 101,827	\$ 2,894,635	\$ 2,996,462
Grants receivable	51,857	-	51,857
Total Assets	\$ 153,684	\$ 2,894,635	\$ 3,048,319
Liabilities			
Accounts payable	\$ 136,401	\$ -	\$ 136,401
Due to other funds	55,664	-	55,664
Total Liabilities	192,065	-	192,065
Fund Balances (Deficit)			
Assigned:			
Public works	2,150	-	2,150
Capital projects	-	2,894,635	2,894,635
Unassigned (deficit)	(40,531)	-	(40,531)
Total Fund Balances (Deficit)	(38,381)	2,894,635	2,856,254
Total Liabilities and Fund Balances (Deficit)	\$ 153,684	\$ 2,894,635	\$ 3,048,319

City of Seward, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Change in Fund Balances

<i>Year Ended December 31, 2018</i>	Special Revenue	Capital Projects	Total
Revenues			
Intergovernmental	\$ 1,277,780	\$ 431,393	\$ 1,709,173
Local grants	3,000	-	3,000
Other	60,000	38,000	98,000
Total Revenues	1,340,780	469,393	1,810,173
Expenditures			
Current:			
General government	227,378	14,904	242,282
Parks and recreation	10,821	-	10,821
Clinic	1,637,780	-	1,637,780
Capital outlay:			
Public works	-	477,727	477,727
General government	-	97,281	97,281
Total Expenditures	1,875,979	589,912	2,465,891
Excess of Revenues Over (Under) Expenditures	(535,199)	(120,519)	(655,718)
Other Financing Sources (Uses)			
Transfers in	494,912	449,008	943,920
Transfers out	-	(269,453)	(269,453)
Total Other Financing Sources (Uses)	494,912	179,555	674,467
Change in Fund Balances	(40,287)	59,036	18,749
Fund Balances, beginning	1,906	2,835,599	2,837,505
Fund Balances (Deficit), ending	\$ (38,381)	\$ 2,894,635	\$ 2,856,254

City of Seward, Alaska
Nonmajor Enterprise Funds
Combining Statement of Net Position

<i>December 31, 2018</i>	Water	Wastewater	Parking	Total
Assets				
Current Assets				
Cash and investments	\$ 2,530,046	\$ 2,363,902	\$ 1,037,021	\$ 5,930,969
Receivables:				
Accounts	201,094	128,428	-	329,522
Other	6,170	-	7,808	13,978
Less allowance for doubtful accounts	(106,920)	(11,294)	-	(118,214)
Inventory	93,151	-	-	93,151
Total Current Assets	2,723,541	2,481,036	1,044,829	6,249,406
Noncurrent Assets				
Property, plant and equipment, net of accumulated depreciation	9,654,339	6,005,294	175,279	15,834,912
Total Assets	12,377,880	8,486,330	1,220,108	22,084,318
Deferred Outflows of Resources				
Pension related	37,578	36,898	-	74,476
OPEB related	27,992	17,398	-	45,390
Total Deferred Outflows of Resources	65,570	54,296	-	119,866
Total Assets and Deferred Outflows of Resources	\$ 12,443,450	\$ 8,540,626	\$ 1,220,108	\$ 22,204,184

City of Seward, Alaska
Nonmajor Enterprise Funds
Combining Statement of Net Position, continued

<i>December 31, 2018</i>	Water	Wastewater	Parking	Total
Liabilities				
Current Liabilities				
Accounts payable	\$ 5,969	\$ 12,140	\$ 430	\$ 18,539
Accrued payroll and related liabilities	5,962	11,520	-	17,482
Accrued interest	14,819	5,176	-	19,995
Current portion:				
Accrued compensated absences	3,122	6,057	-	9,179
Notes payable	137,175	56,423	-	193,598
Total Current Liabilities	167,047	91,316	430	258,793
Noncurrent Liabilities, net of current portion				
Accrued compensated absences	13,732	17,912	-	31,644
Notes payable	1,174,123	1,024,180	-	2,198,303
Net pension liability	313,861	279,204	-	593,065
Net OPEB liability	80,061	49,761	-	129,822
Total Noncurrent Liabilities	1,581,777	1,371,057	-	2,952,834
Deferred Inflows of Resources				
Pension related	3,597	6,085	-	9,682
OPEB related	32,522	20,214	-	52,736
Total Deferred Inflows of Resources	36,119	26,299	-	62,418
Net Position				
Net investment in capital assets	8,342,276	4,924,691	175,279	13,442,246
Unrestricted	2,316,231	2,127,263	1,044,399	5,487,893
Total Net Position	10,658,507	7,051,954	1,219,678	18,930,139
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 12,443,450	\$ 8,540,626	\$ 1,220,108	\$ 22,204,184

City of Seward, Alaska
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Change in Net Position

<i>Year Ended December 31, 2018</i>	Water	Wastewater	Parking	Total
Operating Revenues - charges for services	\$ 1,356,104	\$ 1,199,992	\$ 352,617	\$ 2,908,713
Operating Expenses				
Salaries and employee benefits	391,892	259,057	113,193	764,142
Services and supplies	327,005	242,541	55,046	624,592
Administration	366,067	190,935	25,495	582,497
Depreciation	393,587	382,985	19,546	796,118
Total Operating Expenses	1,478,551	1,075,518	213,280	2,767,349
Income (Loss) from Operations	(122,447)	124,474	139,337	141,364
Nonoperating Revenues (Expenses)				
Intergovernmental - PERS on-behalf	8,468	4,068	-	12,536
Intergovernmental - Grants	-	44,550	-	44,550
Investment income	44,147	31,334	13,969	89,450
Other nonoperating revenue (expense)	-	15,693	-	15,693
Interest expense	(20,429)	(17,744)	-	(38,173)
Total Nonoperating Revenues (Expenses)	32,186	77,901	13,969	124,056
Income (Loss) Before Contributions and Transfers	(90,261)	202,375	153,306	265,420
Capital contributions	554,317	-	-	554,317
Transfers in	-	17,000	-	17,000
Transfers out	(114,461)	(101,969)	(28,209)	(244,639)
Change in Net Position	349,595	117,406	125,097	592,098
Net Position, beginning as restated (See Note 13)	10,308,912	6,934,548	1,094,581	18,338,041
Net Position, ending	\$ 10,658,507	\$ 7,051,954	\$ 1,219,678	\$ 18,930,139

City of Seward, Alaska
Nonmajor Enterprise Funds
Combining Statement of Cash Flows

<i>Year Ended December 31, 2018</i>	Water	Wastewater	Parking	Total
Cash Flows from (for) Operating Activities				
Receipts from customers and users	\$ 1,447,414	\$ 1,193,542	\$ 344,809	\$ 2,985,765
Payments to suppliers	(324,684)	(247,075)	(67,219)	(638,978)
Payments to employees	(368,555)	(238,541)	(113,193)	(720,289)
Payments for interfund services used	(366,067)	(190,935)	(25,495)	(582,497)
Net cash flows from (for) operating activities	388,108	516,991	138,902	1,044,001
Cash Flows from (for) Noncapital Financing Activities				
Transfers in	-	17,000	-	17,000
Transfers out	(114,461)	(101,969)	(28,209)	(244,639)
Other nonoperating receipts	-	44,550	-	44,550
Net cash flows from (for) noncapital financing activities	(114,461)	(40,419)	(28,209)	(183,089)
Cash Flows from (for) Capital and Related Financing Activities				
Principal payments on notes payable	(135,148)	(102,317)	-	(237,465)
Interest payments on notes payable	(21,697)	(17,743)	-	(39,440)
Acquisition of property, plant and equipment	(826,005)	(3,276)	(123,118)	(952,399)
Capital contributions received	567,380	-	-	567,380
Net cash flows from (for) capital and related financing activities	(415,470)	(123,336)	(123,118)	(661,924)
Cash Flows from Investing Activities				
Investment income received	44,147	31,334	13,969	89,450
Net Increase (Decrease) in Cash and Investments	(97,676)	384,570	1,544	288,438
Cash and Investments, beginning	2,627,722	1,979,332	1,035,477	5,642,531
Cash and Investments, ending	\$ 2,530,046	\$ 2,363,902	\$ 1,037,021	\$ 5,930,969

City of Seward, Alaska
Nonmajor Enterprise Funds
Combining Statement of Cash Flows, continued

<i>Year Ended December 31, 2018</i>	Water	Wastewater	Parking	Total
Reconciliation of Income (Loss) from Operations to Net Cash Flows from (for) Operating Activities				
Income (loss) from operations	\$(122,447)	\$124,474	\$139,337	\$141,364
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:				
Depreciation	393,587	382,985	19,546	796,118
Noncash expense - PERS on-behalf	8,468	4,068	-	12,536
Increase in allowance for doubtful accounts	97,898	6,079	-	103,977
(Increase) decrease in assets and deferred outflows of resources:				
Receivables	(6,588)	(12,529)	(7,808)	(26,925)
Inventory	1,238	-	-	1,238
Deferred outflows of resources - pension related	(23,020)	(14,309)	-	(37,329)
Deferred outflows of resources - OPEB related	(23,212)	(14,427)	-	(37,639)
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	1,083	(4,534)	(12,173)	(15,624)
Accrued payroll and related liabilities	(1,323)	5,540	-	4,217
Accrued compensated absences	1,407	1,720	-	3,127
Net pension liability	50,061	31,118	-	81,179
Net OPEB liability	25,223	15,677	-	40,900
Deferred inflows of resources - pension related	(46,789)	(29,085)	-	(75,874)
Deferred inflows of resources - OPEB related	32,522	20,214	-	52,736
Net Cash Flows from Operating Activities	\$388,108	\$516,991	\$138,902	#####
Noncash Capital and Related Financing Activities				
Purchase of property, plant and equipment included in accounts payable	\$765	\$-	\$-	\$765

City of Seward, Alaska
Internal Service Funds
Combining Statement of Net Position

<i>December 31, 2018</i>	Motor Pool	Compensated Annual Leave	Total
Assets			
Current Assets			
Cash and investments	\$ 1,917,419	\$ 405,776	\$ 2,323,195
Receivables:			
Accrued interest	33,113	-	33,113
Interfund loans	163,471	-	163,471
Total Current Assets	2,114,003	405,776	2,519,779
Noncurrent Assets			
Interfund loans, net of current portion	1,055,310	-	1,055,310
Property, plant and equipment:			
Equipment and vehicles	7,170,698	-	7,170,698
Less accumulated depreciation	(5,485,514)	-	(5,485,514)
Net property, plant and equipment in service	1,685,184	-	1,685,184
Total Noncurrent Assets	2,740,494	-	2,740,494
Total Assets	\$ 4,854,497	\$ 405,776	\$ 5,260,273
Liabilities			
Current Liabilities			
Accounts payable	\$ 2,500	\$ -	\$ 2,500
Accrued compensated absences - current portion	-	100,143	100,143
Total Current Liabilities	2,500	100,143	102,643
Noncurrent Liabilities, net of current portion			
Accrued compensated absences	-	305,633	305,633
Total Liabilities	2,500	405,776	408,276
Net Position			
Net investment in capital assets	1,685,184	-	1,685,184
Unrestricted	3,166,813	-	3,166,813
Total Net Position	4,851,997	-	4,851,997
Total Liabilities and Net Position	\$ 4,854,497	\$ 405,776	\$ 5,260,273

City of Seward, Alaska
Internal Service Funds
Combining Statement of Revenues, Expenses and Change in Net Position

<i>Year Ended December 31, 2018</i>	Motor Pool	Compensated Annual Leave	Total
Operating Revenues			
Vehicle rental and interfund charges	\$ 357,000	\$ 383,283	\$ 740,283
Operating Expenses			
Salaries and employee benefits	-	383,283	383,283
Supplies and maintenance	8,855	-	8,855
Depreciation	392,366	-	392,366
Total Operating Expenses	401,221	383,283	784,504
Income (Loss) from Operations	(44,221)	-	(44,221)
Nonoperating Revenues (Expenses)			
Investment income	56,000	-	56,000
Gain (Loss) on sale of equipment and vehicles	6,954	-	6,954
Total Nonoperating Revenues (Expenses)	62,954	-	62,954
Change in Net Position	18,733	-	18,733
Net Position, beginning	4,833,264	-	4,833,264
Net Position, ending	\$ 4,851,997	\$ -	\$ 4,851,997

City of Seward, Alaska
Internal Service Funds
Combining Statement of Cash Flows

<i>Year Ended December 31, 2018</i>	Motor Pool	Compensated Annual Leave	Total
Cash Flows from (for) Operating Activities			
Receipts from vehicle rentals and interfund charges	\$ 357,000	\$ 383,283	\$ 740,283
Payments to suppliers	(6,355)	-	(6,355)
Payments to employees	-	(384,524)	(384,524)
Net cash flows from (for) operating activities	350,645	(1,241)	349,404
Cash Flows from (for) Noncapital Financing Activities			
Interfund loan receipts	160,206	-	160,206
Cash Flows from (for) Capital and Related Financing Activities			
Acquisition of equipment and vehicles	(411,052)	-	(411,052)
Proceeds from sale of equipment and vehicles	6,954	-	6,954
Net cash flows from (for) capital and related financing activities	(404,098)	-	(404,098)
Cash Flows from Investing Activities			
Investment income received	59,266	-	59,266
Net Increase (Decrease) in Cash and Investments	166,019	(1,241)	164,778
Cash and Investments, beginning	1,751,400	407,017	2,158,417
Cash and Investments, ending	\$ 1,917,419	\$ 405,776	\$ 2,323,195
Reconciliation of Income (Loss) from Operations to Net Cash Flows from (for) Operating Activities			
Income (loss) from operations	\$ (44,221)	\$ -	\$ (44,221)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:			
Depreciation	392,366	-	392,366
Increase (decrease) in liabilities:			
Accounts payable	2,500	-	2,500
Accrued compensated absences	-	(1,241)	(1,241)
Net Cash Flows from (for) Operating Activities	\$ 350,645	\$ (1,241)	\$ 349,404

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General Fund

The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the City such as fire and police protection, public works, recreation, planning, administrative services, etc. Appropriations are made from the General Fund annually.

Revenue is recorded by source, i.e., taxes, charges for services, intergovernmental. Expenditures are recorded first by function then by activity and object of expenditures.

City of Seward, Alaska
General Fund
Comparative Balance Sheet

<i>December 31,</i>	2018	2017
Assets		
Cash and investments	\$ 7,174,587	\$ 6,123,009
Receivables		
Taxes:		
Personal property	22,933	10,904
Less allowance for doubtful accounts	(711)	(200)
Net personal property	22,222	10,704
Motor vehicle	2,418	1,621
Hotel/motel room	19,306	16,558
Real property	22,159	10,787
Sales	501,586	580,531
Net taxes	567,691	620,201
Accounts	184,093	18,746
Grants and shared revenues	89,782	-
Accrued interest	54,411	44,860
Total Receivables	895,977	683,807
Prepaid items	392,169	394,161
Due from other funds	838,727	1,115,149
Total Assets	\$ 9,301,460	\$ 8,316,126

City of Seward, Alaska
General Fund
Comparative Balance Sheet, continued

<i>December 31,</i>	2018	2017
Liabilities		
Accounts payable	\$ 299,395	\$ 356,600
Accrued payroll and related liabilities	323,021	336,568
Accrued liabilities	42,118	29,318
Deposits	76,063	104,417
Unearned revenue	2,085	585
Total Liabilities	742,682	827,488
Deferred Inflows of Resources		
Delinquent property taxes	18,489	11,350
Total Liabilities and Deferred Inflows of Resources	761,171	838,838
Fund Balance		
Nonspendable - prepaid items	392,169	394,161
Committed:		
Working capital	1,500,000	1,500,000
Insurance	126,418	126,418
Hospital line of credit	500,000	500,000
Assigned:		
Insurance	307,976	235,280
Other assignments	100,000	100,000
Unassigned	5,613,726	4,621,429
Total Fund Balance	8,540,289	7,477,288
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 9,301,460	\$ 8,316,126

City of Seward, Alaska

General Fund

Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual, With Comparative Actuals

<i>Years Ended December 31,</i>	2018			2017
	Final Budget	Actual	Variance	Actual
Revenues				
Taxes:				
Sales	\$ 5,300,000	\$ 5,326,437	\$ 26,437	\$ 5,160,344
Property	1,305,000	1,464,361	159,361	1,213,627
Hotel/motel room	525,000	556,065	31,065	520,907
Payments in lieu of taxes	69,400	73,207	3,807	107,157
Penalty and interest	1,500	1,699	199	1,170
Total taxes	7,200,900	7,421,769	220,869	7,003,205
Licenses and permits:				
Building permits	40,000	40,427	427	32,630
Taxi permits	1,200	1,037	(163)	1,126
Department of Motor Vehicles commissions	77,000	76,802	(198)	69,296
Animal control licenses	250	90	(160)	145
Business licenses	18,000	22,510	4,510	19,795
Miscellaneous	2,000	3,596	1,596	2,698
Total licenses and permits	138,450	144,462	6,012	125,690
Intergovernmental:				
Jail contract	350,000	368,952	18,952	368,952
Dispatch contracts	88,560	88,800	240	88,800
Raw fish tax	455,000	456,144	1,144	440,958
Shared fisheries and landing tax	4,000	2,977	(1,023)	5,380
Liquor tax	19,000	15,950	(3,050)	18,450
Library grants	11,098	10,404	(694)	15,383
Community assistance program	123,423	123,423	-	140,976
PERS relief	180,017	180,017	-	142,880
Other grants	31,754	127,586	95,832	7,838
Total intergovernmental	1,262,852	1,374,253	111,401	1,229,617

City of Seward, Alaska
General Fund
Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual, With Comparative Actuals, continued

<i>Years Ended December 31,</i>	2018			2017
	Final Budget	Actual	Variance	Actual
Revenues, continued:				
Charges for services:				
Administrative	\$ 1,940,637	\$ 1,941,018	\$ 381	\$ 1,866,408
Rents and leases	173,700	182,822	9,122	130,651
Copying charges	5,000	9,004	4,004	7,377
Work orders	2,800	3,244	444	6,311
Recreation	963,800	960,186	(3,614)	914,318
Library	31,500	28,644	(2,856)	25,094
Total charges for services	3,117,437	3,124,918	7,481	2,950,159
Fines and bails	17,000	14,317	(2,683)	17,006
Investment income	31,000	87,248	56,248	65,059
Other:				
Sale of land, equipment and gravel	-	4,910	4,910	2,388
Refuse contract	17,000	17,660	660	23,660
Insurance recovery	-	37,524	37,524	35,172
Other	17,700	155,487	137,787	20,498
Total other	34,700	215,581	180,881	81,718
Total Revenues	11,802,339	12,382,548	580,209	11,472,454
Expenditures				
General government:				
Mayor and council:				
Salaries	37,358	33,215	4,143	33,604
Employee benefits	15,378	10,953	4,425	11,994
Audit	111,295	111,295	-	105,996
Legal	80,000	252,293	(172,293)	86,254
Purchased services	8,500	18,033	(9,533)	6,314
Supplies and maintenance	10,000	6,276	3,724	4,443
Legislative representation	182,000	176,508	5,492	176,508
General and administrative	78,800	60,405	18,395	43,106
Total mayor and council	523,331	668,978	(145,647)	468,219

City of Seward, Alaska
General Fund
Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual, With Comparative Actuals, continued

<i>Years Ended December 31,</i>	2018			2017
	Final Budget	Actual	Variance	Actual
Expenditures, continued:				
General government, continued:				
City manager:				
Salaries	\$ 218,383	\$ 200,084	\$ 18,299	\$ 189,167
Employee benefits	137,864	129,692	8,172	116,867
Purchased services	15,250	12,897	2,353	9,698
Supplies and maintenance	9,700	13,487	(3,787)	10,249
General and administrative	42,000	34,472	7,528	43,892
Total city manager	423,197	390,632	32,565	369,873
City clerk:				
Salaries	161,576	125,722	35,854	138,383
Employee benefits	122,866	111,741	11,125	121,274
Purchased services	17,500	16,214	1,286	17,704
Supplies and maintenance	-	576	(576)	23
General and administrative	14,200	12,834	1,366	7,808
Total city clerk	316,142	267,087	49,055	285,192
Management information systems:				
Salaries	196,535	189,507	7,028	177,994
Employee benefits	106,278	107,879	(1,601)	103,067
Purchased services	14,000	13,360	640	11,212
Supplies and maintenance	40,000	45,834	(5,834)	43,459
General and administrative	8,500	2,776	5,724	4,331
Total management information systems	365,313	359,356	5,957	340,063
Finance:				
Salaries	587,455	525,328	62,127	543,320
Employee benefits	380,441	359,591	20,850	321,427
Purchased services	37,600	35,899	1,701	26,165
Supplies and maintenance	59,000	46,797	12,203	48,211
General and administrative	26,900	35,351	(8,451)	14,282
Capital outlay	3,500	-	3,500	-
Total finance	1,094,896	1,002,966	91,930	953,405

City of Seward, Alaska

General Fund

Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual, With Comparative Actuals, continued

<i>Years Ended December 31,</i>	2018			2017
	Final Budget	Actual	Variance	Actual
Expenditures, continued:				
General government, continued:				
Community development:				
Salaries	\$ 147,921	\$ 137,564	\$ 10,357	\$ 142,517
Employee benefits	96,313	101,000	(4,687)	99,944
Purchased services	36,500	8,932	27,568	8,221
Supplies and maintenance	6,000	4,802	1,198	3,078
General and administrative	9,500	10,269	(769)	7,013
Total community development	296,234	262,567	33,667	260,773
General services:				
Salaries	\$ (150,000)	\$ -	\$ (150,000)	\$ -
Employee benefits	-	(33)	33	-
Purchased services	44,214	45,582	(1,368)	44,724
Supplies and maintenance	21,136	6,788	14,348	6,522
General and administrative	18,700	7,350	11,350	11,161
Capital outlay	-	19,912	(19,912)	-
Total general services	(65,950)	79,599	(145,549)	62,407
Contributions to organizations:				
Senior Citizens	75,000	75,000	-	75,000
Chamber of Commerce	252,923	252,923	-	229,302
Boys and Girls Club	25,000	25,000	-	25,000
Total contributions to organizations	352,923	352,923	-	329,302
Total general government	3,306,086	3,384,108	(78,022)	3,069,234
Public safety:				
Police:				
Salaries	1,138,693	1,115,475	23,218	1,079,150
Employee benefits	840,537	825,927	14,610	785,581
Purchased services	114,800	109,999	4,801	95,938
Supplies and maintenance	60,550	47,194	13,356	51,556
General and administrative	56,428	62,970	(6,542)	44,990
Total police	2,211,008	2,161,565	49,443	2,057,215

City of Seward, Alaska
General Fund
Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual, With Comparative Actuals, continued

<i>Years Ended December 31,</i>	2018			2017
	Final Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Jail:				
Salaries	\$ 252,928	\$ 261,682	\$ (8,754)	\$ 245,030
Employee benefits	246,755	203,477	43,278	189,781
Purchased services	62,200	58,398	3,802	56,117
Supplies and maintenance	26,000	16,249	9,751	15,847
General and administrative	98,363	92,432	5,931	106,385
Total jail	686,246	632,238	54,008	613,160
Animal control:				
Salaries	60,776	65,045	(4,269)	61,574
Employee benefits	46,873	47,962	(1,089)	45,716
Purchased services	11,400	8,158	3,242	8,695
Supplies and maintenance	12,800	7,511	5,289	29,692
General and administrative	5,000	750	4,250	2,596
Total animal control	136,849	129,426	7,423	148,273
Fire:				
Salaries	181,775	158,822	22,953	148,186
Employee benefits	143,094	131,972	11,122	117,491
Purchased services	192,843	195,293	(2,450)	163,749
Supplies and maintenance	40,647	30,082	10,565	27,996
General and administrative	13,502	8,437	5,065	18,646
Total fire	571,861	524,606	47,255	476,068
Volunteer training:				
Employee benefits	4,500	3,947	553	-
Purchased services	1,418	1,106	312	5,778
Supplies and maintenance	33,147	21,617	11,530	16,854
General and administrative	42,666	37,769	4,897	29,583
Total volunteer training	81,731	64,439	17,292	52,215
Emergency preparedness:				
Purchased services	3,642	4,060	(418)	2,927
Supplies and maintenance	12,561	19,587	(7,026)	1,559
General and administrative	2,000	-	2,000	455
Total emergency preparedness	18,203	23,647	(5,444)	4,941

City of Seward, Alaska
General Fund
Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual, With Comparative Actuals, continued

<i>Years Ended December 31,</i>	2018			2017
	Final Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety, continued:				
Building inspection:				
Salaries	\$ 82,703	\$ 75,636	\$ 7,067	\$ 73,584
Employee benefits	55,121	57,622	(2,501)	55,003
Purchased services	4,144	4,127	17	3,697
Supplies and maintenance	4,596	2,535	2,061	2,185
General and administrative	6,187	1,738	4,449	2,770
Total building inspection	152,751	141,658	11,093	137,239
Total public safety	3,858,649	3,677,579	181,070	3,489,111
Public works:				
Roads and streets:				
Salaries	199,612	209,547	(9,935)	222,253
Employee benefits	176,562	171,226	5,336	157,754
Purchased services	173,000	185,402	(12,402)	164,938
Supplies and maintenance	169,800	151,845	17,955	249,638
General and administrative	8,550	4,709	3,841	4,056
Capital outlay	-	14,311	(14,311)	7,500
Total roads and streets	727,524	737,040	(9,516)	806,139
City shop:				
Salaries	142,076	127,911	14,165	143,352
Employee benefits	85,220	97,349	(12,129)	102,755
Purchased services	68,000	67,307	693	64,844
Supplies and maintenance	55,300	62,558	(7,258)	46,402
General and administrative	5,000	1,417	3,583	3,799
Capital outlay	-	14,618	(14,618)	6,678
Total city shop	355,596	371,160	(15,564)	367,830
Municipal building:				
Salaries	76,618	59,247	17,371	72,935
Employee benefits	73,620	68,236	5,384	92,624
Purchased services	160,300	131,804	28,496	141,513
Supplies and maintenance	27,600	14,714	12,886	20,176
General and administrative	3,900	427	3,473	173
Capital outlay	-	18,060	(18,060)	-
Total municipal building	342,038	292,488	49,550	327,421
Total public works	1,425,158	1,400,688	24,470	1,501,390

City of Seward, Alaska
General Fund
Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual, With Comparative Actuals, continued

<i>Years Ended December 31,</i>	2018			2017
	Final Budget	Actual	Variance	Actual
Expenditures, continued:				
Parks and recreation:				
Salaries	\$ 561,294	\$ 559,859	\$ 1,435	\$ 553,171
Employee benefits	357,016	317,660	39,356	321,197
Purchased services	400,246	372,576	27,670	349,251
Supplies and maintenance	158,450	177,053	(18,603)	149,211
General and administrative	41,400	21,773	19,627	49,169
Capital outlay	10,000	28,956	(18,956)	-
Total parks and recreation	1,528,406	1,477,877	50,529	1,421,999
Library:				
Salaries	237,034	198,635	38,399	202,421
Employee benefits	164,278	143,168	21,110	145,180
Purchased services	169,960	164,317	5,643	161,307
Supplies and maintenance	70,473	50,258	20,215	48,535
General and administrative	25,072	17,217	7,855	16,092
Total library	666,817	573,595	93,222	573,535
Debt service:				
Principal payments	310,784	200,000	110,784	100,000
Retirement benefits	648,737	576,741	71,996	616,846
Interest and other costs	253,756	253,756	-	204,993
Total debt service	1,213,277	1,030,497	182,780	921,839
Total Expenditures	11,998,393	11,544,344	454,049	10,977,108
Excess of Revenues Over (Under) Expenditures	(196,054)	838,204	1,034,258	495,346
Other Financing Sources (Uses)				
Transfers in	2,086,723	2,203,438	116,715	2,147,501
Transfers out	(1,868,748)	(1,978,641)	(109,893)	(3,123,057)
Total Other Financing Sources (Uses)	217,975	224,797	6,822	(975,556)
Change in Fund Balance	\$ 21,921	1,063,001	\$ 1,041,080	(480,210)
Fund Balance, beginning		7,477,288		7,957,498
Fund Balance, ending		\$ 8,540,289		\$ 7,477,288

Nonmajor Special Revenue Funds

Nonmajor Special Revenue Funds are used to account for expenditures associated with dedicated or restricted revenue sources.

Two Lakes Park - To account for acquisition of land, survey and development of the park area, including site preparation, picnic tables, and other improvements.

Litter Control (ALPAR) - To account for the cost of a City-administered litter control program. The program employs local youth and is financed by grants from the nonprofit Alaskans for Litter Prevention and Recycling and the Kenai Peninsula Borough.

SCHC - To account for the costs of running a community health center.

Bus Transportation - To account for city bussing transportation.

Beachfront Erosion - To account for the costs associated with the beachfront erosion.

Natural Disasters - To account for the costs associated with flooding and other natural events.

City of Seward, Alaska
Nonmajor Special Revenue Funds
Combining Balance Sheet

	Clinic	General Government	Public Works		Total
	SCHC	Bus Transportation	Beachfront Erosion	Natural Disasters	
<i>December 31, 2018</i>					
Assets					
Cash and investments	\$ 99,677	\$ -	\$ 2,150	\$ -	\$ 101,827
Grants receivable	36,724	-	-	15,133	51,857
Total Assets	\$ 136,401	\$ -	\$ 2,150	\$ 15,133	\$ 153,684
Liabilities					
Accounts payable	\$ 136,401	\$ -	\$ -	\$ -	\$ 136,401
Due to other funds	-	40,531	-	15,133	55,664
Total Liabilities	136,401	40,531	-	15,133	192,065
Fund Balances (Deficit)					
Assigned - public works	-	-	2,150	-	2,150
Unassigned (deficit)	-	(40,531)	-	-	(40,531)
Total Fund Balances (Deficit)	-	(40,531)	2,150	-	(38,381)
Total Liabilities and Fund Balances (Deficit)	\$ 136,401	\$ -	\$ 2,150	\$ 15,133	\$ 153,684

City of Seward, Alaska
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Change in Fund Balances (Deficit)

<i>Year Ended December 31, 2018</i>	<u>Parks and Recreation</u>		<u>Clinic</u>	<u>General Government</u>	<u>Public Works</u>	Total
	Two Lakes Park	Litter Control	SCHC	Bus Transportation	Beachfront Erosion	
Revenues						
Intergovernmental	\$ -	\$ -	\$ 1,277,780	\$ -	\$ -	\$ 1,277,780
Local grants	-	3,000	-	-	-	3,000
Other	-	-	60,000	-	-	60,000
Total Revenues	-	3,000	1,337,780	-	-	1,340,780
Expenditures						
Salaries and employee benefits	-	7,571	1,567,835	-	-	1,575,406
Contracted services	-	305	1,603	226,507	-	228,415
Supplies	-	447	61,870	-	-	62,317
General and administrative	-	-	4,530	871	-	5,401
Miscellaneous	2,498	-	1,942	-	-	4,440
Total Expenditures	2,498	8,323	1,637,780	227,378	-	1,875,979
Excess of Revenues Over (Under) Expenditures	(2,498)	(5,323)	(300,000)	(227,378)	-	(535,199)
Other Financing Sources (Uses)						
Transfers in	-	5,323	308,383	181,206	-	494,912
Change in Fund Balances	(2,498)	-	8,383	(46,172)	-	(40,287)
Fund Balances (Deficit), beginning	2,498	-	(8,383)	5,641	2,150	1,906
Fund Balances (Deficit), ending	\$ -	\$ -	\$ -	\$ (40,531)	\$ 2,150	\$ (38,381)

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Nonmajor Capital Project Funds

Nonmajor Capital Project Funds are established to account for the resources expended to acquire or construct assets of a relatively permanent nature.

Flood Mitigation - To account for all activities related to flood mitigation capital costs.

Streets and Sidewalks - To account for all activities related to street and sidewalk capital costs.

Energy Efficiency - To account for all activities related to energy efficiency capital costs.

Kawabe Park - To account for all activities related to Kawabe Park capital costs.

Animal Shelter - To account for all activities related to animal shelter capital costs.

Capital Acquisition - To account for purchase of equipment not financed by the Motor Pool Fund and capital improvements and projects of at least \$20,000.

City of Seward, Alaska
Nonmajor Capital Project Funds
Combining Balance Sheet

<i>December 31, 2018</i>	Public Works			General Government		Total
	Flood Mitigation	Street and Sidewalks	Energy Efficiency	Animal Shelter	Capital Acquisition	
Assets						
Cash and investments	\$ 250,000	\$ 660,130	\$ 157,497	\$ 168,088	\$ 1,658,920	\$ 2,894,635
Fund Balances						
Assigned - capital projects	\$ 250,000	\$ 660,130	\$ 157,497	\$ 168,088	\$ 1,658,920	\$ 2,894,635

City of Seward, Alaska
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures
and Change in Fund Balances

<i>Year Ended December 31, 2018</i>	Public Works			General Government			Total
	Flood Mitigation	Street and Sidewalks	Energy Efficiency	Kawabe Park	Animal Shelter	Capital Acquisition	
Revenues							
Intergovernmental	\$ -	\$ 431,393	\$ -	\$ -	\$ -	\$ -	\$ 431,393
Other	-	-	-	-	-	38,000	38,000
Total Revenues	-	431,393	-	-	-	38,000	469,393
Expenditures							
Contracted services	-	-	-	-	-	8,975	8,975
Capital outlay	-	477,727	-	-	-	97,281	575,008
Other services and charges	-	-	-	5,929	-	-	5,929
Total Expenditures	-	477,727	-	5,929	-	106,256	589,912
Excess of Revenues Over (Under) Expenditures	-	(46,334)	-	(5,929)	-	(68,256)	(120,519)
Other Financing Sources (Uses)							
Transfers in	-	-	157,497	-	168,088	123,423	449,008
Transfers out	-	(111,956)	-	-	-	(157,497)	(269,453)
Total Other Financing Sources (Uses)	-	(111,956)	157,497	-	168,088	(34,074)	179,555
Change in Fund Balances	-	(158,290)	157,497	(5,929)	168,088	(102,330)	59,036
Fund Balances, beginning	250,000	818,420	-	5,929	-	1,761,250	2,835,599
Fund Balances, ending	\$ 250,000	\$ 660,130	\$ 157,497	\$ -	\$ 168,088	\$ 1,658,920	\$ 2,894,635

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Enterprise Funds

Enterprise Funds are established to account for the financing of self-supporting activities of governmental units, which render services to the general public on a user-charge basis. Enterprise Funds are maintained on the accrual basis of accounting.

Electric - To account for the provision of electrical service to the residents of the City and other areas within the electric service area.

Water - To account for the provision of water services to the residents of the City.

Wastewater - To account for the provision of sewer services to the residents of the City.

Harbor - To account for the provision of harbor and marine services to the public within the Small Boat Harbor basin.

Seward Marine Industrial Center (SMIC) - To account for the provision of marine-related services to the public on the east side of Resurrection Bay.

Parking - To account for the provision of public parking services.

Healthcare Facilities - To account for the provision of services provided by Seward Community Health Center, Providence Seward Medical and Care Center (PSMCC) and long-term care facilities.

City of Seward, Alaska
Electric Enterprise Fund
Comparative Statement of Net Position

<i>December 31,</i>	2018	2017
Assets		
Current Assets		
Cash and investments	\$ 7,763,291	\$ 7,391,690
Receivables:		
Accounts	898,155	1,102,554
Other	55,819	89,035
Less allowance for doubtful accounts	(93,261)	(49,615)
Net receivables	860,713	1,141,974
Prepaid expenses	4,251	99,096
Inventory	1,187,395	1,386,756
Total Current Assets	9,815,650	10,019,516
Restricted Cash and Investments		
Bond retirement	349,739	349,739
Property, Plant and Equipment		
Land and land rights	230,951	230,951
Buildings	9,596,669	9,596,669
Improvements other than buildings	50,128,230	49,998,342
Equipment	7,969,050	7,684,885
Total property, plant and equipment in service	67,924,900	67,510,847
Less accumulated depreciation	(43,540,014)	(41,908,288)
Net Property, Plant and Equipment in Service	24,384,886	25,602,559
Total Assets	34,550,275	35,971,814
Deferred Outflows of Resources		
Pension related	113,501	85,437
OPEB related	34,125	-
Unamortized deferred loss on refunding	418,068	438,972
Total Deferred Outflows of Resources	565,694	524,409
Total Assets and Deferred Outflows of Resources	\$ 35,115,969	\$ 36,496,223

City of Seward, Alaska
Electric Enterprise Fund
Comparative Statement of Net Position, continued

<i>December 31,</i>	2018	2017
Liabilities		
Current Liabilities		
Accounts payable	\$ 802,296	\$ 664,524
Accrued payroll and related liabilities	35,459	32,960
Accrued interest	75,042	76,200
Current portion:		
Accrued compensated absences	19,919	21,706
Bonds payable	165,000	160,000
Customer deposits	249,925	255,050
Total Current Liabilities	1,347,641	1,210,440
Noncurrent Liabilities, net of current portion		
Accrued compensated absences	21,544	30,290
Bonds payable	4,735,000	4,900,000
Unamortized bond premium	276,686	290,521
Net pension liability	1,221,227	1,160,197
Net OPEB liability	97,603	-
Total Noncurrent Liabilities	6,352,060	6,381,008
Total Liabilities	7,699,701	7,591,448
Deferred Inflows of Resources		
Pension related	131,871	188,913
OPEB related	39,648	-
Total Deferred Inflows of Resources	171,519	188,913
Net Position		
Net investment in capital assets	19,976,007	20,984,539
Unrestricted	7,268,742	7,731,323
Total Net Position	27,244,749	28,715,862
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 35,115,969	\$ 36,496,223

City of Seward, Alaska
Electric Enterprise Fund
Comparative Statement of Revenues, Expenses
and Change in Net Position

<i>Years Ended December 31,</i>	2018	2017
Operating Revenues		
Residential	\$ 3,283,715	\$ 3,644,609
Small general service	1,735,758	1,853,059
Large general service	4,142,929	4,783,321
Industrial	1,260,135	1,273,701
Harbor power	366,385	394,544
Street and yard lights	75,994	70,168
Miscellaneous	105,127	188,553
Total Operating Revenues	10,970,043	12,207,955
Operating Expenses		
Power	5,591,995	6,266,136
Distribution	612,863	633,711
Administration and general	3,285,545	3,133,991
Depreciation	1,631,726	1,585,450
Total Operating Expenses	11,122,129	11,619,288
Income (Loss) from Operations	(152,086)	588,667
Nonoperating Revenues (Expenses)		
Intergovernmental - PERS on-behalf	14,228	33,742
Investment income	113,956	117,434
Salary credits - work orders	47,340	200,428
Supply credits - work orders	36,960	62,987
Bond issue costs	-	(41,137)
Interest expense	(184,242)	(192,344)
Other revenues (expenses)	(55,769)	421,554
Total Nonoperating Revenues (Expenses)	(27,527)	602,664
Income (Loss) Before Contributions and Transfers	(179,613)	1,191,331
Capital contributions	87,297	199,595
Transfers in	-	19,756
Transfers out	(1,317,770)	(1,313,512)
Change in Net Position	(1,410,086)	97,170
Net Position, beginning as restated (See Note 13)	28,654,835	28,618,692
Net Position, ending	\$ 27,244,749	\$ 28,715,862

City of Seward, Alaska
Electric Enterprise Fund
Comparative Statement of Cash Flows

<i>Years Ended December 31,</i>	2018	2017
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 11,106,110	\$ 12,151,385
Payments to suppliers	(6,336,773)	(7,690,640)
Payments to employees	(1,618,632)	(1,658,528)
Payments for interfund services used	(938,293)	(910,060)
Net cash flows from (for) operating activities	2,212,412	1,892,157
Cash Flows from (for) Noncapital Financing Activities		
Transfers in	-	19,756
Transfers out	(1,317,770)	(1,313,512)
Other nonoperating receipts	84,300	263,415
Net cash flows from (for) noncapital financing activities	(1,233,470)	(1,293,756)
Cash Flows from (for) Capital and Related Financing Activities		
Principal payments on bonds payable	(160,000)	(150,000)
Payment to refunding bond escrow agent	-	(41,137)
Interest payments on bonds payable	(178,331)	(186,049)
Acquisition of property, plant and equipment	(470,263)	(874,696)
Capital contributions received	87,297	1,913,355
Net cash flows from (for) capital and related financing activities	(721,297)	661,473
Cash Flows from Investing Activities		
Investment income received	113,956	117,434
Net Increase (Decrease) in Cash and Investments	371,601	1,640,723
Cash and Investments, beginning	7,741,429	6,100,706
Cash and Investments, ending	\$ 8,113,030	\$ 7,741,429
Reconciliation of Cash and Investments to Statement of Net Position		
Current assets	\$ 7,763,291	\$ 7,391,690
Restricted assets	349,739	349,739
Total Cash and Investments	\$ 8,113,030	\$ 7,741,429

City of Seward, Alaska
Electric Enterprise Fund
Comparative Statement of Cash Flows, continued

<i>Years Ended December 31,</i>	2018	2017
Reconciliation of Income (Loss) from Operations to Net Cash Flows from (for) Operating Activities		
Income (Loss) from operations	\$ (152,086)	\$ 588,667
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:		
Depreciation	1,631,726	1,585,450
Other nonoperating revenue (expenses)	(55,769)	421,554
Noncash expense - PERS on-behalf	14,228	33,742
Increase (decrease) in allowance for doubtful accounts	43,646	8,297
(Increase) decrease in assets and deferred outflows of resources:		
Receivables	237,615	(212,158)
Prepaid expenses	94,845	(99,096)
Inventory	199,361	(393,168)
Deferred outflows of resources - pension related	(28,064)	199,189
Deferred outflows of resources - OPEB related	(28,298)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	193,982	83,929
Accrued payroll and related liabilities	2,499	2,228
Accrued compensated absences	(10,533)	2,607
Customer deposits	(5,125)	(10,848)
Net pension liability	61,030	(489,566)
Net OPEB liability	30,749	-
Deferred inflows of resources - pension related	(57,042)	171,330
Deferred inflows of resources - OPEB related	39,648	-
Net Cash Flows from Operating Activities	\$ 2,212,412	\$ 1,892,157
Noncash Capital and Related Financing Activities		
Purchase of property, plant and equipment included in accounts payable	\$ -	\$ 56,210

City of Seward, Alaska
Electric Enterprise Fund
Comparative Schedule of Operating Expenses

<i>Years Ended December 31,</i>	2018	2017
Power		
Salaries and employee benefits	\$ 130,325	\$ 124,729
Purchased services	201,903	214,357
Power for resale	5,224,986	5,885,657
Supplies, maintenance and other	34,781	41,393
Total Power	5,591,995	6,266,136
Distribution		
Salaries and employee benefits	332,474	458,227
Purchased services	228,122	103,144
Supplies and maintenance	52,267	72,140
Administration and general	-	200
Total Distribution	612,863	633,711
Administration and General		
Salaries and employee benefits	1,227,390	1,195,530
Purchased services	355,299	315,025
Supplies and maintenance	261,784	337,698
Administrative fee	938,293	909,860
Other	502,779	375,878
Total Administration and General	3,285,545	3,133,991
Depreciation	1,631,726	1,585,450
Total Operating Expenses	\$ 11,122,129	\$ 11,619,288

City of Seward, Alaska
Electric Enterprise Fund
Comparative Schedule of Composition of Net Position

<i>December 31,</i>	2018	2017
Grants and other external contributions	\$ 36,580,466	\$ 36,493,169
Related accumulated amortization	(23,604,628)	(22,614,259)
City-generated equity and transfers from other funds	14,268,911	14,836,952
Total Net Position	\$ 27,244,749	\$ 28,715,862

City of Seward, Alaska
Electric Enterprise Fund
Schedule of Electric Capital Projects

<i>Year Ended December 31, 2018</i>	Customer Projects
Funding Sources	
Electric fund customers	\$ 87,297
Capital Outlay	\$ 87,297

City of Seward, Alaska
Water Enterprise Fund
Comparative Statement of Net Position

<i>December 31,</i>	2018	2017
Assets		
Current Assets		
Cash and investments	\$ 2,530,046	\$ 2,627,722
Receivables:		
Accounts	201,094	200,489
Grants and loans	-	13,063
Other	6,170	187
Less allowance for doubtful accounts	(106,920)	(9,022)
Net receivables	100,344	204,717
Inventory	93,151	94,389
Total Current Assets	2,723,541	2,926,828
Property, Plant and Equipment		
Land and land rights	100,420	100,420
Buildings	1,287,853	1,287,853
Improvements other than buildings	12,797,588	12,001,267
Equipment	1,382,473	1,365,085
Total property, plant and equipment in service	15,568,334	14,754,625
Less accumulated depreciation	(5,913,995)	(5,520,408)
Net Property, Plant and Equipment in Service	9,654,339	9,234,217
Total Assets	12,377,880	12,161,045
Deferred Outflows of Resources		
Pension related	37,578	14,558
OPEB related	27,992	-
Total Deferred Outflows of Resources	65,570	14,558
Total Assets and Deferred Outflows of Resources	\$ 12,443,450	\$ 12,175,603

City of Seward, Alaska
Water Enterprise Fund
Comparative Statement of Net Position, continued

<i>December 31,</i>	2018	2017
Liabilities		
Current Liabilities		
Accounts payable	\$ 5,969	\$ 17,184
Accrued payroll and related liabilities	5,962	7,285
Accrued interest	14,819	16,087
Current portion:		
Accrued compensated absences	3,122	5,454
Notes payable	137,175	135,147
Total Current Liabilities	167,047	181,157
Noncurrent Liabilities, net of current portion		
Accrued compensated absences	13,732	9,993
Notes payable	1,174,123	1,311,297
Net pension liability	313,861	263,800
Net OPEB liability	80,061	-
Total Noncurrent Liabilities	1,581,777	1,585,090
Total Liabilities	1,748,824	1,766,247
Deferred Inflows of Resources		
Pension related	3,597	50,386
OPEB related	32,522	-
Total Deferred Inflows of Resources	36,119	50,386
Net Position		
Net investment in capital assets	8,342,276	7,774,710
Unrestricted	2,316,231	2,584,260
Total Net Position	10,658,507	10,358,970
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 12,443,450	\$ 12,175,603

City of Seward, Alaska
Water Enterprise Fund
Comparative Statement of Revenues, Expenses
and Change in Net Position

<i>Years Ended December 31,</i>	2018	2017
Operating Revenues		
Residential	\$ 509,634	\$ 495,280
Small general service	155,657	147,929
Large general service	222,753	224,982
Industrial	176,960	260,992
Seward Marine Industrial Center	58,184	60,861
Ship water sales	80,395	87,550
Miscellaneous	152,521	133,726
Total Operating Revenues	1,356,104	1,411,320
Operating Expenses		
Salaries and employee benefits	391,892	341,206
Purchased services	254,335	276,237
Contracted services	25,947	8,303
Supplies and maintenance	46,723	67,275
Administration and general	366,067	262,249
Depreciation	393,587	396,426
Total Operating Expenses	1,478,551	1,351,696
Income (Loss) from Operations	(122,447)	59,624
Nonoperating Revenues (Expenses)		
Intergovernmental - PERS on-behalf	8,468	9,095
Investment income	44,147	23,684
Interest expense	(20,429)	(22,011)
Total Nonoperating Revenues (Expenses)	32,186	10,768
Income (Loss) Before Contributions and Transfers	(90,261)	70,392
Capital contributions	554,317	20,683
Transfers in	-	278,049
Transfers out	(114,461)	(118,696)
Change in Net Position	349,595	250,428
Net Position, beginning as restated (See Note 13)	10,308,912	10,108,542
Net Position, ending	\$ 10,658,507	\$ 10,358,970

City of Seward, Alaska
Water Enterprise Fund
Comparative Statement of Cash Flows

<i>Years Ended December 31,</i>	2018	2017
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 1,447,414	\$ 1,402,207
Payments to suppliers	(324,684)	(410,994)
Payments to employees	(368,555)	(357,019)
Payments for interfund services used	(366,067)	(262,249)
Net cash flows from (for) operating activities	388,108	371,945
Cash Flows from (for) Noncapital Financing Activities		
Transfers in	-	278,049
Transfers out	(114,461)	(118,696)
Net cash flows from (for) noncapital financing activities	(114,461)	159,353
Cash Flows from (for) Capital and Related Financing Activities		
Principal payments on notes payable	(135,148)	(133,150)
Interest payments on notes payable	(21,697)	(23,694)
Acquisition of property, plant and equipment	(826,005)	(15,247)
Capital contributions received	567,380	7,620
Net cash flows from (for) capital and related financing activities	(415,470)	(164,471)
Cash Flows from Investing Activities		
Investment income received	44,147	23,684
Net Increase (Decrease) in Cash and Investments	(97,676)	390,511
Cash and Investments, beginning	2,627,722	2,237,211
Cash and Investments, ending	\$ 2,530,046	\$ 2,627,722

City of Seward, Alaska
Water Enterprise Fund
Comparative Statement of Cash Flows, continued

<i>Years Ended December 31,</i>	2018	2017
Reconciliation of Income (Loss) from Operations to Net		
Cash Flows from (for) Operating Activities		
Income (Loss) from operations	\$ (122,447)	\$ 59,624
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:		
Depreciation	393,587	396,426
Noncash expense - PERS on-behalf	8,468	9,095
Increase in allowance for doubtful accounts	97,898	456
(Increase) decrease in assets and deferred outflows of resources:		
Receivables	(6,588)	(9,569)
Inventory	1,238	(2,287)
Deferred outflows of resources - pension related	(23,020)	53,688
Deferred outflows of resources - OPEB related	(23,212)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	1,083	(56,892)
Accrued payroll and related liabilities	(1,323)	393
Accrued compensated absences	1,407	6,786
Net pension liability	50,061	(131,954)
Net OPEB liability	25,223	-
Deferred inflows of resources - pension related	(46,789)	46,179
Deferred inflows of resources - OPEB related	32,522	-
Net Cash Flows from Operating Activities	\$ 388,108	\$ 371,945
Noncash Capital and Related Financing Activities		
Purchase of property, plant and equipment included in accounts payable	\$ 765	\$ 13,063
Capital contributions	\$ -	\$ 13,063

City of Seward, Alaska
 Water Enterprise Fund
 Comparative Schedule of Composition of Net Position

<i>December 31,</i>	2018	2017
Grants and other external contributions	\$ 8,609,398	\$ 8,055,081
Related accumulated amortization	(2,359,834)	(2,173,109)
Contributions from other funds	596,766	596,766
City-generated equity	3,812,177	3,880,232
Total Net Position	\$ 10,658,507	\$ 10,358,970

City of Seward, Alaska
Water Enterprise Fund
Schedule of Water Capital Projects

<i>Year Ended December 31, 2018</i>	Lowell Canyon Water Tank
<hr/>	
Funding Sources	
State grants	\$ 554,317
Water Fund	242,004
<hr/>	
Total Funding Sources	\$ 796,321
<hr/>	
Capital outlay	\$ 796,321
<hr/>	

City of Seward, Alaska
Wastewater Enterprise Fund
Comparative Statement of Net Position

<i>December 31,</i>	2018	2017
Assets		
Current Assets		
Cash and investments	\$ 2,363,902	\$ 1,979,332
Receivables:		
Accounts	128,428	115,899
Less allowance for doubtful accounts	(11,294)	(5,215)
Net receivables	117,134	110,684
Total Current Assets	2,481,036	2,090,016
Property, Plant and Equipment		
Land and land rights	111,011	111,011
Buildings	2,418,398	2,418,398
Infrastructure	29,698	29,698
Improvements other than buildings	11,804,000	11,804,000
Equipment	944,364	925,395
Total property, plant and equipment in service	15,307,471	15,288,502
Less accumulated depreciation	(9,302,177)	(8,919,192)
Net Property, Plant and Equipment in Service	6,005,294	6,369,310
Total Assets	8,486,330	8,459,326
Deferred Outflows of Resources		
Pension related	36,898	22,589
OPEB related	17,398	-
Total Deferred Outflows of Resources	54,296	22,589
Total Assets and Deferred Outflows of Resources	\$ 8,540,626	\$ 8,481,915

City of Seward, Alaska
Wastewater Enterprise Fund
Comparative Statement of Net Position, continued

<i>December 31,</i>	2018	2017
Liabilities		
Current Liabilities		
Accounts payable	\$ 12,140	\$ 16,674
Accrued payroll and related liabilities	11,520	5,980
Accrued interest	5,176	5,175
Current portion:		
Accrued compensated absences	6,057	5,778
Notes payable	56,423	57,733
Total Current Liabilities	91,316	91,340
Noncurrent Liabilities, net of current portion		
Accrued compensated absences	17,912	16,471
Notes payable	1,024,180	1,125,187
Net pension liability	279,204	248,086
Net OPEB liability	49,761	-
Total Noncurrent Liabilities	1,371,057	1,389,744
Total Liabilities	1,462,373	1,481,084
Deferred Inflows of Resources		
Pension related	6,085	35,170
OPEB related	20,214	-
Total Deferred Inflows of Resources	26,299	35,170
Net Position		
Net investment in capital assets	4,924,691	5,186,390
Unrestricted	2,127,263	1,779,271
Total Net Position	7,051,954	6,965,661
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 8,540,626	\$ 8,481,915

City of Seward, Alaska
Wastewater Enterprise Fund
Comparative Statement of Revenues, Expenses
and Change in Net Position

<i>Years Ended December 31,</i>	2018	2017
Operating Revenues		
Residential	\$ 682,758	\$ 667,499
Small general service	198,888	192,426
Large general service	282,649	282,426
Seward Marine Industrial Center	25,050	44,292
Miscellaneous	10,647	6,633
Total Operating Revenues	1,199,992	1,193,276
Operating Expenses		
Salaries and employee benefits	259,057	247,447
Purchased services	203,726	224,806
Contracted services	4,703	24,752
Supplies and maintenance	34,112	44,824
Administration and general	190,935	166,954
Depreciation	382,985	364,306
Total Operating Expenses	1,075,518	1,073,089
Income (Loss) from Operations	124,474	120,187
Nonoperating Revenues (Expenses)		
Intergovernmental - PERS on-behalf	4,068	6,171
Intergovernmental - Grants	44,550	-
Investment income	31,334	20,232
Other nonoperating revenue (expense)	15,693	
Interest expense	(17,744)	(13,732)
Total Nonoperating Revenues (Expenses)	77,901	12,671
Income (Loss) Before Contributions and Transfers	202,375	132,858
Capital contributions	-	65,185
Transfers in	17,000	12,000
Transfers out	(101,969)	(101,414)
Change in Net Position	117,406	108,629
Net Position, beginning as restated (See Note 13)	6,934,548	6,857,032
Net Position, ending	\$ 7,051,954	\$ 6,965,661

City of Seward, Alaska
Wastewater Enterprise Fund
Comparative Statement of Cash Flows

<i>Years Ended December 31,</i>	2018	2017
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 1,193,542	\$ 1,184,228
Payments to suppliers	(247,075)	(309,760)
Payments to employees	(238,541)	(263,400)
Payments for interfund services used	(190,935)	(166,954)
Net cash flows from (for) operating activities	516,991	444,114
Cash Flows from (for) Noncapital Financing Activities		
Transfers in	17,000	12,000
Transfers out	(101,969)	(101,414)
Other nonoperating receipts	44,550	-
Net cash flows from (for) noncapital financing activities	(40,419)	(89,414)
Cash Flows from (for) Capital and Related Financing Activities		
Principal payments on notes payable	(102,317)	(122,065)
Interest payments on notes payable	(17,743)	(14,457)
Capital contributions received	-	65,185
Acquisition of property, plant and equipment	(3,276)	(49,712)
Net cash flows from (for) capital and related financing activities	(123,336)	(121,049)
Cash Flows from (for) Investing Activities		
Investment income received	31,334	20,232
Net Increase (Decrease) in Cash and Investments	384,570	253,883
Cash and Investments, beginning	1,979,332	1,725,449
Cash and Investments, ending	\$ 2,363,902	\$ 1,979,332
Reconciliation of Income (Loss) from Operations to Net Cash Flows from (for) Operating Activities		
Income (loss) from operations	\$ 124,474	\$ 120,187
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:		
Depreciation	382,985	364,306
Noncash expense - PERS on-behalf	4,068	6,171
Increase in allowance for doubtful accounts	6,079	426
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(12,529)	(9,474)
Deferred outflows of resources - pension related	(14,309)	36,428
Deferred outflows of resources - OPEB related	(14,427)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(4,534)	(15,378)
Accrued payroll and related liabilities	5,540	699
Accrued compensated absences	1,720	(1,053)
Net pension liability	31,118	(89,531)
Net OPEB liability	15,677	-
Deferred inflows of resources - pension related	(29,085)	31,333
Deferred inflows of resources - OPEB related	20,214	-
Net Cash Flows from (for) Operating Activities	\$ 516,991	\$ 444,114

City of Seward, Alaska
Wastewater Enterprise Fund
Comparative Schedule of Composition of Net Position

<i>December 31,</i>	2018	2017
Grants and other external contributions	\$ 11,705,799	\$ 11,705,799
Related accumulated amortization	(8,764,279)	(8,365,834)
Contributions from other funds	716,376	716,376
City-generated equity	3,394,058	2,909,320
Total Net Position	\$ 7,051,954	\$ 6,965,661

City of Seward, Alaska
Harbor Enterprise Fund
Comparative Statement of Net Position

<i>December 31,</i>	2018	2017
Assets		
Current Assets		
Cash and investments	\$ 2,436,931	\$ 2,119,462
Receivables:		
Accounts	147,935	146,957
Grants	1,076,671	916,330
Other	472	21
Less allowance for doubtful accounts	(43,343)	(39,543)
Net receivables	1,181,735	1,023,765
Total Current Assets	3,618,666	3,143,227
Restricted Cash and Investments		
Bond retirement	690,198	690,198
Capital projects	1,926,753	1,187,550
Total Restricted Cash and Investments	2,616,951	1,877,748
Property, Plant and Equipment		
Land and land rights	18,239,053	18,239,053
Buildings	775,201	775,201
Infrastructure	97,723	97,723
Improvements other than buildings	37,693,445	37,693,445
Equipment	1,557,368	1,553,924
Total property, plant and equipment in service	58,362,790	58,359,346
Less accumulated depreciation	(21,711,833)	(19,921,756)
Net property, plant and equipment in service	36,650,957	38,437,590
Construction in progress	63,050	20,169
Total Property, Plant and Equipment	36,714,007	38,457,759
Total Assets	42,949,624	43,478,734
Deferred Outflows of Resources		
Pension related	117,211	55,902
OPEB related	74,547	-
Unamortized deferred loss on refunding	151,580	175,147
Total Deferred Outflows of Resources	343,338	231,049
Total Assets and Deferred Outflows of Resources	\$ 43,292,962	\$ 43,709,783

City of Seward, Alaska
Harbor Enterprise Fund
Comparative Statement of Net Position, continued

<i>December 31,</i>	2018	2017
Liabilities		
Current Liabilities		
Accounts payable	\$ 74,990	\$ 76,607
Accrued payroll and related liabilities	27,492	23,332
Accrued interest	35,522	38,775
Current portion:		
Accrued compensated absences	16,960	18,107
Bonds payable	510,000	490,000
Unearned revenue	535,455	540,061
Customer deposits	72,009	41,720
Total Current Liabilities	1,272,428	1,228,602
Noncurrent Liabilities, net of current portion		
Accrued compensated absences	51,370	48,594
Bonds payable	2,915,000	3,425,000
Unamortized bond premium	390,629	448,886
Net pension liability	903,629	770,300
Net OPEB liability	213,220	-
Total Noncurrent Liabilities	4,473,848	4,692,780
Total Liabilities	5,746,276	5,921,382
Deferred Inflows of Resources		
Pension related	3,197	127,812
OPEB related	86,613	-
Total Deferred Inflows of Resources	89,810	127,812
Net Position		
Net investment in capital assets	33,740,156	34,959,218
Restricted for commercial passenger vessel tax	1,760,686	1,402,847
Unrestricted	1,956,034	1,298,524
Total Net Position	37,456,876	37,660,589
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 43,292,962	\$ 43,709,783

City of Seward, Alaska
Harbor Enterprise Fund
Comparative Statement of Revenues, Expenses
and Change in Net Position

<i>Years Ended December 31,</i>	2018	2017
Operating Revenues		
Moorage	\$ 1,765,856	\$ 1,702,928
Wharfage	77,252	34,176
Boat lift fees	100,158	93,983
Power sales	480,454	531,566
Rentals and leases	395,097	368,437
Passenger transit fees	564,155	569,611
Miscellaneous	112,620	124,700
Total Operating Revenues	3,495,592	3,425,401
Operating Expenses		
Salaries and employee benefits	1,105,638	1,010,541
Purchased services	354,583	347,639
Power for resale	262,389	326,720
Supplies and maintenance	91,513	135,275
Administration and general	314,244	312,796
Depreciation	1,790,077	1,805,600
Total Operating Expenses	3,918,444	3,938,571
Income (Loss) from Operations	(422,852)	(513,170)
Nonoperating Revenues (Expenses)		
Intergovernmental - PERS on-behalf	22,753	22,823
Gain on sale of capital assets	-	11,642
Investment income	69,292	43,133
Commercial passenger vessel tax	1,044,510	916,330
Interest expense	(139,957)	(155,277)
Total Nonoperating Revenues (Expenses)	996,598	838,651
Income (Loss) Before Contributions and Transfers	573,746	325,481
Capital contributions	32,161	-
Transfers in	-	18,274
Transfers out	(676,302)	(413,224)
Change in Net Position	(70,395)	(69,469)
Net Position, beginning as restated (See Note 13)	37,527,271	37,730,058
Net Position, ending	\$ 37,456,876	\$ 37,660,589

City of Seward, Alaska
Harbor Enterprise Fund
Comparative Statement of Cash Flows

<i>Years Ended December 31,</i>	2018	2017
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 3,523,646	\$ 3,400,683
Payments to suppliers	(710,102)	(807,302)
Payments to employees	(1,037,723)	(1,061,592)
Payments for interfund services used	(314,244)	(312,796)
Net cash flows from (for) operating activities	1,461,577	1,218,993
Cash Flows from (for) Noncapital Financing Activities		
Transfers in	-	18,274
Transfers out	(676,302)	(413,224)
Net cash flows from (for) noncapital financing activities	(676,302)	(394,950)
Cash Flows from (for) Capital and Related Financing Activities		
Principal payments on long-term debt	(490,000)	(1,681,196)
Interest payments on long-term debt	(177,900)	(193,098)
Acquisition of property, plant and equipment	(46,325)	(83,351)
Proceeds from sale of capital assets	-	11,642
Capital contributions received	32,161	-
Commercial passenger vessel tax receipts	884,169	917,500
Net cash flows from (for) capital and related financing activities	202,105	(1,028,503)
Cash Flows from Investing Activities		
Investment income received	69,292	43,133
Net Increase (Decrease) in Cash and Investments	1,056,672	(161,327)
Cash and Investments, beginning	3,997,210	4,158,537
Cash and Investments, ending	\$ 5,053,882	\$ 3,997,210
Reconciliation of Cash and Investments to Statement of Net Position		
Current assets	\$ 2,436,931	\$ 2,119,462
Restricted assets	2,616,951	1,877,748
Total Cash and Investments	\$ 5,053,882	\$ 3,997,210

City of Seward, Alaska
Harbor Enterprise Fund
Comparative Statement of Cash Flows, continued

<i>Years Ended December 31,</i>	2018	2017
Reconciliation of Income (Loss) from Operations to Net		
Cash Flows from (for) Operating Activities		
Income (Loss) from operations	\$ (422,852)	\$ (513,170)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:		
Depreciation	1,790,077	1,805,600
Noncash expense - PERS on-behalf	22,753	22,823
Increase in allowance for doubtful accounts	3,800	625
(Increase) decrease in assets and deferred outflows of resources:		
Receivables	(1,429)	23,015
Deferred outflows of resources - pension related	(61,309)	134,728
Deferred outflows of resources - OPEB related	(61,818)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(1,617)	2,332
Accrued payroll and related liabilities	4,160	3,359
Accrued compensated absences	1,629	3,287
Customer deposits	30,289	(4,057)
Unearned revenue	(4,606)	(44,300)
Net pension liability	133,329	(331,134)
Net OPEB liability	67,173	-
Deferred inflows of resources - pension related	(124,615)	115,885
Deferred inflows of resources - OPEB related	86,613	-
Net Cash Flows from Operating Activities	\$ 1,461,577	\$ 1,218,993

City of Seward, Alaska
Harbor Enterprise Fund
Comparative Schedule of Composition of Net Position

<i>December 31,</i>	2018	2017
Grants and other external contributions	\$ 39,672,084	\$ 39,629,203
Related accumulated amortization	(13,653,559)	(12,516,882)
Contributions from other funds	6,482,874	6,482,874
City-generated equity	4,955,477	4,065,394
Total Net Position	\$ 37,456,876	\$ 37,660,589

City of Seward, Alaska
Harbor Enterprise Fund
Schedule of Harbor Capital Projects

<i>Year Ended December 31, 2018</i>	Float Replacement	Floats Replacement
Funding Sources		
State grants	\$ -	\$ 1,629
Federal grants	32,161	-
Harbor Fund	10,720	-
Total Funding Sources	\$ 42,881	\$ 1,629
Disbursements:		
Supplies and maintenance	\$ -	\$ 1,500
Administration and general	-	129
Capital outlay	42,881	-
Total Disbursements	\$ 42,881	\$ 1,629

City of Seward, Alaska
Seward Marine Industrial Center Enterprise Fund
Comparative Statement of Net Position

<i>December 31,</i>	2018	2017
Assets		
Current Assets		
Receivables:		
Accounts	\$ 32,179	\$ 22,256
Grant	1,279,503	1,577,173
Other	467	-
Prepaid expenses	-	391
Total Current Assets	1,312,149	1,599,820
Property, Plant and Equipment		
Land and land rights	12,021,821	12,021,821
Buildings	280,287	280,287
Improvements other than buildings	40,647,334	40,647,334
Equipment	1,886,978	1,886,978
Total property, plant and equipment in service	54,836,420	54,836,420
Less accumulated depreciation	(31,717,793)	(30,934,330)
Net property, plant and equipment in service	23,118,627	23,902,090
Construction in progress	24,892,842	19,834,682
Total Property, Plant and Equipment	48,011,469	43,736,772
Total Assets	\$ 49,323,618	\$ 45,336,592
Liabilities		
Current Liabilities		
Accounts payable	\$ 72,658	\$ 863,816
Accrued payroll and related liabilities	-	628
Interfund loan payable - current portion	98,008	98,008
Deposits	16,000	14,600
Unearned revenue	4,384	2,687
Due to other funds	783,063	1,092,938
Total Current Liabilities	974,113	2,072,677
Noncurrent Liabilities		
Interfund loan, net of current portion	490,042	588,050
Total Liabilities	1,464,155	2,660,727
Net Position		
Net investment in capital assets	47,969,036	42,886,767
Unrestricted (deficit)	(109,573)	(210,902)
Total Net Position	47,859,463	42,675,865
Total Liabilities and Net Position	\$ 49,323,618	\$ 45,336,592

City of Seward, Alaska

Seward Marine Industrial Center Enterprise Fund
Comparative Statement of Revenues, Expenses
and Change in Net Position

<i>Years Ended December 31,</i>	2018	2017
Operating Revenues		
Moorage	\$ 8,430	\$ 15,566
Wharfage	2,666	7,832
Boat lift fees	210,976	182,726
Storage	83,318	87,069
Rentals and leases	179,519	174,927
Power sales	150,100	62,035
Miscellaneous	441,566	1,687
Total Operating Revenues	1,076,575	531,842
Operating Expenses		
Salaries and employee benefits	116,207	74,271
Purchased services	152,461	102,782
Contracted services	94,822	51,540
Supplies and maintenance	15,914	15,502
Administration and general	225,749	160,851
Depreciation	783,463	756,543
Total Operating Expenses	1,388,616	1,161,489
Income (Loss) from Operations	(312,041)	(629,647)
Nonoperating Revenues (Expenses)		
Investment income	4,008	1,344
Interest expense	(1,296)	-
Intergovernmental Grant - Breakwaters	242,207	-
Intergovernmental/PERS on-behalf	686	-
Total Nonoperating Revenues (Expenses)	245,605	1,344
Income (Loss) Before Contributions and Transfers	(66,436)	(628,303)
Capital contributions	5,053,932	6,735,785
Transfers in	322,439	172,033
Transfers out	(126,337)	(116,017)
Change in Net Position	5,183,598	6,163,498
Net Position, beginning	42,675,865	36,512,367
Net Position, ending	\$ 47,859,463	\$ 42,675,865

City of Seward, Alaska
Seward Marine Industrial Center Enterprise Fund
Comparative Statement of Cash Flows

<i>Years Ended December 31,</i>	2018	2017
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 1,069,282	\$ 525,988
Payments to suppliers	(246,392)	(160,093)
Payments to employees	(116,149)	(76,443)
Payments for interfund services used	(225,749)	(160,851)
Net cash flows from (for) operating activities	480,992	128,601
Cash Flows from (for) Noncapital Financing Activities		
Transfers in	322,439	172,033
Transfers out	(126,337)	(116,017)
Other nonoperating receipts	242,207	-
Net cash flows from (for) noncapital financing activities	438,309	56,016
Cash Flows from (for) Capital and Related Financing Activities		
Acquisition of property, plant, and equipment	(5,865,732)	(6,325,754)
Increase (decrease) in due to other funds	(309,875)	(587,538)
Interfund loan payments	(98,008)	(98,008)
Interest payments	(1,296)	-
Capital contributions received	5,351,602	6,825,339
Net cash flows from (for) capital and related financing activities	(923,309)	(185,961)
Cash Flows from Investing Activities		
Investment income received	4,008	1,344
Net Increase (Decrease) in Cash and Investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -
Reconciliation of Income (Loss) from Operations to Net		
Cash Flows from (for) Operating Activities		
Income (Loss) from operations	\$ (312,041)	\$ (629,647)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:		
Depreciation	783,463	756,543
Noncash expense - PERS on-behalf	686	-
(Increase) decrease in assets:		
Receivables	(10,390)	34,065
Prepaid expenses	391	(391)
Increase (decrease) in liabilities:		
Accounts payable	16,414	10,121
Accrued payroll and related liabilities	(628)	(2,171)
Deposits	1,400	1,000
Unearned revenue	1,697	(40,919)
Net Cash Flows from (for) Operating Activities	\$ 480,992	\$ 128,601
Noncash Capital and Related Financing Activities		
Purchase of property, plant and equipment included in accounts payable	\$ 42,433	\$ 850,005
Capital contributions	\$ 1,279,503	\$ 1,577,173

City of Seward, Alaska

Seward Marine Industrial Center Enterprise Fund
 Comparative Schedule of Composition of Net Position

<i>December 31,</i>	2018	2017
Grants and other external contributions	\$ 61,251,533	\$ 56,197,603
Related accumulated amortization	(28,197,005)	(27,691,025)
Contributions from other funds	17,472,393	17,472,393
City-generated deficit	(2,667,458)	(3,303,106)
Total Net Position	\$ 47,859,463	\$ 42,675,865

City of Seward, Alaska

Seward Marine Industrial Center Enterprise Fund
 Schedule of Seward Marine Industrial Center Capital Projects

<i>Year Ended December 31, 2018</i>	SMIC Breakwater
<hr/>	
Funding Sources	
State grants	\$ 5,296,139
<hr/>	
Disbursements:	
Purchased services	242,207
Capital outlay	5,053,932
<hr/>	
Total Disbursements	\$ 5,296,139
<hr/>	

City of Seward, Alaska
Parking Enterprise Fund
Comparative Statement of Net Position

<i>December 31,</i>	2018	2017
Assets		
Current Assets		
Cash and investments	\$ 1,037,021	\$ 1,035,477
Receivables - other	7,808	-
Total Current Assets	1,044,829	1,035,477
Property, Plant and Equipment		
Improvements other than buildings	526,690	526,690
Equipment	315,395	192,277
Total property, plant and equipment in service	842,085	718,967
Less accumulated depreciation	(666,806)	(647,260)
Net Property, Plant and Equipment in Service	175,279	71,707
Total Assets	\$ 1,220,108	\$ 1,107,184
Liabilities		
Current Liabilities		
Accounts payable	\$ 430	\$ 12,603
Net Position		
Net investment in capital assets	175,279	71,707
Unrestricted	1,044,399	1,022,874
Total Net Position	1,219,678	1,094,581
Total Liabilities and Net Position	\$ 1,220,108	\$ 1,107,184

City of Seward, Alaska
Parking Enterprise Fund
Comparative Statement of Revenues, Expenses
and Change in Net Position

<i>Years Ended December 31,</i>	2018	2017
Operating Revenues - parking fees	\$ 352,617	\$ 330,625
Operating Expenses		
Salaries and employee benefits	113,193	134,036
Supplies and maintenance	35,997	29,805
Purchased services	19,049	18,969
Administration and general	25,495	22,351
Depreciation	19,546	22,013
Total Operating Expenses	213,280	227,174
Income (Loss) from Operations	139,337	103,451
Nonoperating Revenues - investment income	13,969	10,161
Income (Loss) Before Contributions and Transfers	153,306	113,612
Transfers out	(28,209)	(26,445)
Change in Net Position	125,097	87,167
Net Position, beginning	1,094,581	1,007,414
Net Position, ending	\$ 1,219,678	\$ 1,094,581

City of Seward, Alaska
Parking Enterprise Fund
Comparative Statement of Cash Flows

<i>Years Ended December 31,</i>	2018	2017
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 344,809	\$ 330,625
Payments to suppliers	(67,219)	(36,965)
Payments to employees	(113,193)	(134,036)
Payments for interfund services used	(25,495)	(22,351)
Net cash flows from (for) operating activities	138,902	137,273
Cash Flows for Noncapital Financing Activities		
Transfers out	(28,209)	(26,445)
Cash Flows from (for) Capital and Related Financing Activities		
Acquisition of equipment	(123,118)	(3,263)
Cash Flows from Investing Activities		
Investment income received	13,969	10,161
Net Increase (Decrease) in Cash and Investments	1,544	117,726
Cash and Investments, beginning	1,035,477	917,751
Cash and Investments, ending	\$ 1,037,021	\$ 1,035,477
Reconciliation of Income (Loss) from Operations to Net Cash Flows from (for) Operating Activities		
Income (Loss) from operations	\$ 139,337	\$ 103,451
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:		
Depreciation	19,546	22,013
(Increase) decrease in assets - receivables	(7,808)	-
Increase (decrease) in liabilities - accounts payable	(12,173)	11,809
Net Cash Flows from (for) Operating Activities	\$ 138,902	\$ 137,273

City of Seward, Alaska
 Parking Enterprise Fund
 Comparative Schedule of Composition of Net Position

<i>December 31,</i>	2018	2017
Grants and other external contributions	\$ 425,893	\$ 425,893
Related accumulated amortization	(425,893)	(425,893)
Contributions from other funds	46,304	46,304
City-generated equity	1,173,374	1,048,277
Total Net Position	\$ 1,219,678	\$ 1,094,581

City of Seward, Alaska
Healthcare Facilities Enterprise Fund
Comparative Statement of Net Position

<i>December 31,</i>	2018	2017
Assets		
Current Assets		
Cash and investments	\$ 4,497,936	\$ 4,234,662
Receivables:		
Accounts	4,074,000	3,804,000
Other	1,297,000	804,000
Less allowance for doubtful accounts	(678,000)	(1,148,000)
Net receivables	4,693,000	3,460,000
Other current assets	727,060	563,000
Total Current Assets	9,917,996	8,257,662
Restricted Cash and Investments - bond retirement	1,615,006	1,615,006
Other Assets	1,347,000	766,000
Property, Plant and Equipment		
Buildings	22,830,684	22,830,684
Infrastructure	843,185	843,185
Improvements other than buildings	8,168,851	8,168,851
Equipment	5,495,300	5,301,604
Total property, plant and equipment in service	37,338,020	37,144,324
Less accumulated depreciation	(23,807,217)	(21,989,756)
Net Property, Plant and Equipment in Service	13,530,803	15,154,568
Total Assets	26,410,805	25,793,236
Deferred Outflows of Resources - unamortized deferred loss on refunding	1,472,932	1,571,127
Total Assets and Deferred Outflows of Resources	\$ 27,883,737	\$ 27,364,363

City of Seward, Alaska
Healthcare Facilities Enterprise Fund
Comparative Statement of Net Position, continued

<i>December 31,</i>	2018	2017
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,671,000	\$ 189,000
Accrued payroll and related liabilities	1,031,000	906,000
Accrued interest	303,384	316,248
Current portion:		
Bonds payable	830,000	945,000
Interfund loan payable	65,463	62,198
Unearned revenue	-	735,000
Deposits	44,281	462,021
Payable to Providence Health and Services - Washington	7,267,000	7,312,000
Due to contractual agencies	17,000	17,000
Total Current Liabilities	11,229,128	10,944,467
Noncurrent Liabilities, net of current portion		
Bonds payable	16,080,000	16,910,000
Interfund loan payable	565,268	630,731
Unamortized bond premium	1,412,103	1,506,243
Other	-	56,642
Total Noncurrent Liabilities	18,057,371	19,103,616
Total Liabilities	29,286,499	30,048,083
Net Position		
Net investment in capital assets	(1,703,362)	(1,020,542)
Unrestricted	300,600	(1,663,178)
Total Net Position (Deficit)	(1,402,762)	(2,683,720)
Total Liabilities and Net Position	\$ 27,883,737	\$ 27,364,363

City of Seward, Alaska
Healthcare Facilities Enterprise Fund
Comparative Statement of Revenues, Expenses
and Change in Net Position

<i>Years Ended December 31,</i>	2018	2017
Operating Revenues		
Net patient service revenues	\$ 21,556,000	\$ 19,224,000
Miscellaneous	180,000	160,000
Total Operating Revenues	21,736,000	19,384,000
Operating Expenses		
Salaries and employee benefits	14,149,000	13,660,000
Purchased services	2,785,000	2,440,000
Supplies and maintenance	1,025,000	1,004,000
Administration and general	1,359,300	1,369,003
Depreciation	1,828,177	1,944,305
Total Operating Expenses	21,146,477	20,417,308
Income (Loss) from Operations	589,523	(1,033,308)
Nonoperating Revenues (Expenses)		
Investment income	51,154	22,530
Interest expense	(695,476)	(736,386)
Loss on disposal	(3,068)	-
Nonoperating grant revenue	5,000	14,000
Total Nonoperating Revenues (Expenses)	(642,390)	(699,856)
Income (Loss) Before Contributions and Transfers	(52,867)	(1,733,164)
Capital contributions	207,480	233,493
Transfers in	1,426,345	1,899,607
Transfers out	(300,000)	(400,000)
Change in Net Position	1,280,958	(64)
Net Position (Deficit), beginning	(2,683,720)	(2,683,656)
Net Position (Deficit), ending	\$ (1,402,762)	\$ (2,683,720)

City of Seward, Alaska
Healthcare Facilities Enterprise Fund
Comparative Statement of Cash Flows

<i>Years Ended December 31,</i>	2018	2017
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 19,768,000	\$ 19,292,000
Payments to suppliers	(3,592,442)	(2,758,570)
Payments to employees	(14,024,000)	(13,677,000)
Payments for interfund services used	(1,359,300)	(1,369,003)
Net cash flows from (for) operating activities	792,258	1,487,427
Cash Flows from (for) Noncapital Financing Activities		
Transfers in	1,426,345	1,899,607
Transfers out	(300,000)	(400,000)
Net cash flows from (for) noncapital financing activities	1,126,345	1,499,607
Cash Flows from (for) Capital and Related Financing Activities		
Principal payments on long-term debt	(945,000)	(910,000)
Acquisition of property, plant, and equipment	(207,480)	(236,490)
Interfund loan payments	(62,198)	(59,095)
Capital contributions received	212,480	247,493
Interest payments on long-term debt	(704,285)	(744,486)
Net cash flows from (for) capital and related financing activities	(1,706,483)	(1,702,578)
Cash Flows from Investing Activities		
Investment income received	51,154	22,530
Net Increase (Decrease) in Cash and Investments	263,274	1,306,986
Cash and Investments, beginning	5,849,668	4,542,682
Cash and Investments, ending	\$ 6,112,942	\$ 5,849,668
Reconciliation of Cash and Investments to Statement of Net Position		
Current assets	\$ 4,497,936	\$ 4,234,662
Restricted assets	1,615,006	1,615,006
Total Cash and Investments	\$ 6,112,942	\$ 5,849,668
Reconciliation of Income (Loss) from (for) Operations to Net Cash Flows from Operating Activities		
Income (Loss) from operations	\$ 589,523	\$ (1,033,308)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:		
Depreciation	1,828,177	1,944,305
Increase (decrease) in allowance for doubtful accounts	(470,000)	104,000
Accounts receivable	(763,000)	(196,000)
Other assets	(745,060)	(298,411)
Increase (decrease) in liabilities:		
Accounts payable	1,482,000	94,000
Other payables and deposits	(519,382)	1,149,841
Accrued payroll and related liabilities	125,000	(17,000)
Due to contractual agencies	-	(260,000)
Unearned revenue	(735,000)	-
Net Cash Flows from (for) Operating Activities	\$ 792,258	\$ 1,487,427

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Internal Service Funds

Motor Pool - The Motor Pool Internal Service Fund accounts for payments from departments for the use of vehicles, in order to accumulate cash to forward-fund replacement of vehicles. This funding mechanism spreads the cost of the vehicles over the expected life of the vehicle in each program's annual budget, rather than to show the cost of vehicles as a one-time expenditure to each fund in the year of purchase.

Compensated Absences - The Compensated Absences Internal Service Fund was created in 2005 for the purpose of accumulating cash reserves to pay compensated absences cash-outs for governmental funds.

City of Seward, Alaska

Motor Pool Internal Service Fund
Comparative Statement of Net Position

<i>December 31,</i>	2018	2017
Assets		
Current Assets		
Cash and investments	\$ 1,917,419	\$ 1,751,400
Receivables:		
Accrued interest	33,113	36,379
Interfund loans	163,471	160,206
Total Current Assets	2,114,003	1,947,985
Interfund Loans, net of current portion	1,055,310	1,218,781
Property, Plant and Equipment		
Equipment and vehicles	7,170,698	6,874,272
Less accumulated depreciation	(5,485,514)	(5,207,774)
Net Property, Plant and Equipment in Service	1,685,184	1,666,498
Total Assets	\$ 4,854,497	\$ 4,833,264
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,500	\$ -
Net Position		
Net investment in capital assets	1,685,184	1,666,498
Unrestricted	3,166,813	3,166,766
Total Net Position	4,851,997	4,833,264
Total Liabilities and Net Position	\$ 4,854,497	\$ 4,833,264

City of Seward, Alaska
Motor Pool Internal Service Fund
Comparative Statement of Revenues, Expenses
and Change in Net Position

<i>Years Ended December 31,</i>	2018	2017
Operating Revenues - vehicle rental	\$ 357,000	\$ 175,000
Operating Expenses		
Supplies and maintenance	8,855	935
Administration and general	-	9,574
Depreciation	392,366	425,878
Total Operating Expenses	401,221	436,387
Income (Loss) from Operations	(44,221)	(261,387)
Nonoperating Revenues (Expenses)		
Investment income	56,000	53,578
Gain (loss) on sale of equipment and vehicles	6,954	(5,896)
Total Nonoperating Revenues	62,954	47,682
Income (Loss) Before Transfers	18,733	(213,705)
Transfers out	-	(18,274)
Change in Net Position	18,733	(231,979)
Net Position, beginning	4,833,264	5,065,243
Net Position, ending	\$ 4,851,997	\$ 4,833,264

City of Seward, Alaska
Motor Pool Internal Service Fund
Comparative Statement of Cash Flows

<i>Years Ended December 31,</i>	2018	2017
Cash Flows from (for) Operating Activities		
Receipts from vehicle rentals and other charges	\$ 357,000	\$ 175,000
Payments for interfund services used	-	(9,574)
Payments to suppliers	(6,355)	(8,625)
Net cash flows from (for) operating activities	350,645	156,801
Cash Flows from (for) Noncapital Financing Activities		
Transfers out	-	(18,274)
Interfund loan receipts	160,206	157,104
Net cash flows from (for) noncapital financing activities	160,206	138,830
Cash Flows from (for) Capital and Related Financing Activities		
Acquisition of equipment and vehicles	(411,052)	(2,800)
Proceeds from sale of equipment and vehicles	6,954	3,242
Net cash flows from (for) capital and related financing activities	(404,098)	442
Cash Flows from Investing Activities		
Investment income received	59,266	56,680
Net Increase (Decrease) in Cash and Investments	166,019	352,753
Cash and Investments, beginning	1,751,400	1,398,647
Cash and Investments, ending	\$ 1,917,419	\$ 1,751,400
Reconciliation of Income (Loss) from Operations to Net		
Cash Flows from Operating Activities		
Income (loss) from operations	\$ (44,221)	\$ (261,387)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:		
Depreciation	392,366	425,878
Increase (decrease) in liabilities - accounts payable	2,500	(7,690)
Net Cash Flows from Operating Activities	\$ 350,645	\$ 156,801

City of Seward, Alaska
Motor Pool Internal Service Fund
Comparative Schedule of Composition of Net Position

<i>December 31,</i>	2018	2017
Grants and other external contributions	\$ 97,289	\$ 97,289
Related accumulated amortization	(97,289)	(97,289)
Contributions from other funds	1,051,644	1,051,644
City-generated equity	3,800,353	3,781,620
Total Net Position	\$ 4,851,997	\$ 4,833,264

City of Seward, Alaska
Compensated Absences Internal Service Fund
Comparative Statement of Net Position

<i>December 31,</i>	2018	2017
Assets		
Current Assets - cash and investments	\$ 405,776	\$ 407,017
Liabilities		
Current Liabilities - accrued compensated absences - current portion	\$ 100,143	\$ 107,992
Noncurrent Liabilities, net of current portion - accrued compensated absences	305,633	299,025
Total Liabilities	\$ 405,776	\$ 407,017

City of Seward, Alaska
Compensated Absences Internal Service Fund
Comparative Statement of Revenues, Expenses
and Change in Net Position

<i>Years Ended December 31,</i>	2018	2017
Operating Revenues - interfund charges	\$ 383,283	\$ 403,588
Operating Expenses - salaries and employee benefits	383,283	403,588
Change in Net Position	-	-
Net Position, beginning	-	-
Net Position, ending	\$ -	\$ -

City of Seward, Alaska

Compensated Absences Internal Service Fund
Comparative Statement of Cash Flows

<i>Years Ended December 31,</i>	2018	2017
Cash Flows from (for) Operating Activities		
Receipts from interfund charges	\$ 383,283	\$ 403,588
Payments to employees	(384,524)	(483,341)
Net cash flows from (for) operating activities	(1,241)	(79,753)
Cash and Investments, beginning	407,017	486,770
Cash and Investments, ending	\$ 405,776	\$ 407,017
Reconciliation of Income (Loss) from Operations to Net Cash Flows for Operating Activities		
Income (Loss) from operations	\$ -	\$ -
Adjustments to reconcile income (loss) from operations to net cash flows for operating activities - decrease in accrued compensated absences	(1,241)	(79,753)
Net Cash Flows for Operating Activities	\$ (1,241)	\$ (79,753)

City of Seward, Alaska
Teen Council Agency Fund
Statement of Changes in Assets and Liabilities

<i>Year Ended December 31, 2018</i>	Balance at January 1, 2018	Additions	Deletions	Balance at December 31, 2018
Assets				
Cash and investments	\$ 39,507	\$ 14,818	\$ 19,001	\$ 35,324
Other assets	150	-	-	150
Total Assets	\$ 39,657	\$ 14,818	\$ 19,001	\$ 35,474
Liabilities				
Accounts payable	\$ 3,014	\$ -	\$ 2,050	\$ 964
Other accrued liabilities	16,765	-	-	16,765
Due to Teen Council	19,878	14,818	16,951	17,745
Total Liabilities	\$ 39,657	\$ 14,818	\$ 19,001	\$ 35,474

City of Seward, Alaska

Comparative Schedule of Governmental Capital Assets

<i>December 31,</i>	2018	2017
Capital Assets		
Land and land improvements	\$ 5,509,589	\$ 5,509,589
Buildings	71,531,835	71,580,262
Improvements other than buildings	28,763,800	28,262,644
Equipment *	9,654,149	9,410,905
Construction in progress	4,140	55,805
Total Capital Assets	\$ 115,463,513	\$ 114,819,205

* All Exhibit O Schedules exclude the Motor Pool Internal Service Fund assets. Those assets are included in the Governmental Capital Assets as reported in Note 4 to the financial statements.

City of Seward, Alaska

Schedule of Changes in Governmental Capital Assets

<i>Year Ended December 31, 2018</i>	Balance at January 1, 2018	Additions/ Reclass	Deletions/ Reclass	Balance at December 31, 2018
Land and land improvements	\$ 5,509,589	\$ -	\$ -	\$ 5,509,589
Buildings	71,580,262	86,483	134,910	71,531,835
Improvements other than buildings	28,262,644	501,156	-	28,763,800
Equipment *	9,410,905	249,875	6,631	9,654,149
Construction in progress	55,805	4,140	55,805	4,140
Total Capital Assets	\$ 114,819,205	\$ 841,654	\$ 197,346	\$ 115,463,513

* All Exhibit O Schedules exclude the Motor Pool Internal Service Fund assets. Those assets are included in the Governmental Capital Assets as reported in Note 4 to the financial statements.

City of Seward, Alaska

Schedule of Governmental Capital Assets by Function and Activity
December 31, 2018

Function and Activity	Land and Land Improve- ments	Buildings	Improve- ments Other than Buildings	Equipment *	Total
General Government					
City Council/Mayor	\$ -	\$ -	\$ -	\$ 44,554	\$ 44,554
City manager	-	-	-	499,102	499,102
City clerk	-	-	-	33,910	33,910
Finance	-	-	-	316,493	316,493
Community development	-	5,232	-	7,142	12,374
Municipal building	-	3,600,030	43,666	55,597	3,699,293
Alaska SeaLife Center	-	50,569,691	2,981,948	5,097,025	58,648,664
General services	-	1,479,080	8,005,937	84,724	9,569,741
Community and Senior Center	-	2,533,978	-	-	2,533,978
Non-departmental	5,509,589	127,105	9,000	19,805	5,665,499
Total General Government	5,509,589	58,315,116	11,040,551	6,158,352	81,023,608
Public Safety					
Police	-	17,922	-	1,786,379	1,804,301
Jail	-	-	-	9,408	9,408
Animal control	-	156,720	-	-	156,720
Fire	-	1,470,180	62,296	770,226	2,302,702
Building inspection	-	-	-	2,600	2,600
Seward Volunteer Ambulance Corp	-	58,382	11,930	56,977	127,289
Total Public Safety	-	1,703,204	74,226	2,625,590	4,403,020
Public Works					
Streets	-	254,567	16,052,358	395,817	16,702,742
Engineering	-	-	-	3,621	3,621
City shop	-	789,067	-	100,265	889,332
Total Public Works	-	1,043,634	16,052,358	499,703	17,595,695
Parks and Recreation					
Library	-	772,766	1,596,665	307,835	2,677,266
	-	9,697,115	-	62,669	9,759,784
Total Capital Assets					
Allocated to Functions	\$ 5,509,589	\$ 71,531,835	\$ 28,763,800	\$ 9,654,149	115,459,373
Construction in progress					4,140
Total Capital Assets					\$ 115,463,513

* All Exhibit O Schedules exclude the Motor Pool Internal Service Fund assets. Those assets are included in the Governmental Capital Assets as reported in Note 4 to the financial statements.

City of Seward, Alaska

Schedule of Changes in Governmental Capital Assets by Function and Activity
Year Ended December 31, 2018

Function and Activity	Capital Assets at January 1, 2018	Additions/ Reclass	Deletions/ Reclass	Capital Assets at December 31, 2018
General Government				
City Council/Mayor	\$ 44,554	\$ -	\$ -	\$ 44,554
City manager	499,102	-	-	499,102
City clerk	33,910	-	-	33,910
Finance	311,904	4,589	-	316,493
Community development	12,374	-	-	12,374
Municipal building	3,622,611	76,682	-	3,699,293
Alaska SeaLife Center	58,616,614	166,960	134,910	58,648,664
General services	9,549,829	19,912	-	9,569,741
Community and Senior Center	2,527,478	6,500	-	2,533,978
Non-departmental	5,665,499	-	-	5,665,499
Total General Government	80,883,875	274,643	134,910	81,023,608
Public Safety				
Police	1,804,301	-	-	1,804,301
Jail	9,408	-	-	9,408
Animal control	156,720	-	-	156,720
Fire	2,298,873	3,829	-	2,302,702
Building inspection	2,600	-	-	2,600
Seward Volunteer Ambulance Corp	127,289	-	-	127,289
Total Public Safety	4,399,191	3,829	-	4,403,020
Public Works				
Streets	16,214,004	488,738	-	16,702,742
Engineering	3,621	-	-	3,621
City shop	871,414	17,918	-	889,332
Total Public Works	17,089,039	506,656	-	17,595,695
Parks and Recreation	2,631,511	52,386	6,631	2,677,266
Library	9,759,784	-	-	9,759,784
Construction in Progress	55,805	4,140	55,805	4,140
Total Capital Assets	\$ 114,819,205	\$ 841,654	\$ 197,346	\$ 115,463,513

City of Seward, Alaska
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Pass-Through Identifying Number	Total Grant Award	Total Federal Expen- ditures	Passed Through to Subre- cipients
Department of Agriculture						
Passed through State of Alaska						
Department of Natural Resources -						
Cooperative Forestry Assistance	10.664	13F111100430006	2018 VFA	\$ 7,313	\$ 7,313	\$ -
Department of Interior						
Passed through State of Alaska						
Department of Natural Resources -						
Historic Preservation Fund						
Grants-In-Aid	15.904	N/A	HPF #17020	2,966	1,408	-
Passed through State of Alaska						
Department of Fish and Game -						
Fish and Wildlife Cluster -						
Sports Fish Restoration	15.605	N/A	COOP 17-068	1,725,000	32,161	-
Total Department of Interior					33,569	-
Institute of Museum and Library Services						
Passed through State of Alaska						
Department of Education						
and Early Development:						
Grants to States	45.310	N/A	CED-18-770-01	978	978	-
Grants to States	45.310	N/A	CED-18-770-02	1,018	1,018	-
Total Institute of Museum and Library Services					1,996	-
Department of Transportation						
Passed through State of Alaska						
Department of Transportation:						
Highway Safety Cluster - National						
Priority Safety Program	20.616	N/A	405d M5HVE-18-01-OF(A)-11	3,735	3,735	-
Highway Planning and Construction Cluster	20.205	0001551	CFHWY00004	3,596,938	431,393	-
Total Department of Transportation					435,128	-

City of Seward, Alaska
Schedule of Expenditures of Federal Awards, continued
Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Pass-Through Identifying Number	Total Grant Award	Total Federal Expen- ditures	Passed Through to Subre- cipients
Environmental Protection Agency						
Passed through State of Alaska						
Department of Environmental Conservation - Clean Water State Revolving Fund Cluster - Capitalization Grants for Clean Water State Revolving Funds - Sludge Removal Lowell Point Lagoon - Forgiveness Portion						
	66.458	N/A	769111	\$ 37,124	\$ 37,124	\$ -
Department of Health and Human Services						
Health Center Program Cluster Grants for New and Expanded Services under the Health Center Program						
	93.527	6 H80CS26600-04-06	N/A	1,340,172	85,764	-
Grants for New and Expanded Services under the Health Center Program						
	93.527	6 H80CS26600-05-08	N/A	1,731,397	1,192,016	-
Total Department of Health and Human Services					<u>1,277,780</u>	-
Department of Homeland Security						
Passed through State of Alaska Department of Military and Veterans Affairs:						
Homeland Security Grant Program						
	97.067	EMW-2015-SS-00026-S01	20HSP-GY15	10,677	10,677	-
Disaster Grants - Public Assistance						
	97.036	N/A	FEMA-DR-4369-AK	16,245	16,244	-
Total Department of Homeland Security					<u>26,921</u>	-
Total Expenditures of Federal Awards					<u>\$ 1,819,831</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

City of Seward, Alaska
Schedule of State Financial Assistance
Year Ended December 31, 2018

Grant Title	Grant Number	Total Grant Award	State Share of Expenditures
Department of Commerce, Community and Economic Development			
* Lowell Canyon Water Storage Tank	14-DC-132	\$ 575,000	\$ 554,317
* SMIC Expansion including Breakwater	15-DC-145	5,900,000	4,838,334
* SMIC Homeport CVRF Expansion	14-DC-133	10,000,000	457,805
Fisheries Resource Landing	N/A	2,477	2,477
Community Assistance Program	N/A	123,423	<u>123,423</u>
Total Department of Commerce, Community and Economic Development			<u>5,976,356</u>
Department of Military and Veteran Affairs			
Dec 2017 Storm Surge	FEMA-DR-4369-AK	5,415	5,415
Oct 2018 Flood/Storm	AK-18-264	67,685	<u>67,685</u>
Total Department of Military and Veteran Affairs			<u>73,100</u>
Department of Revenue			
* Fish Taxes	N/A	456,144	456,144
Liquor Licenses	N/A	15,950	15,950
Commercial Passenger Vessel Tax 2016	N/A	458,750	86,346
Passed through Kenai Peninsula Borough:			
* Commercial Passenger Vessel Tax 2016	N/A	458,750	161,673
* Commercial Passenger Vessel Tax 2017	N/A	458,165	<u>438,652</u>
Total Department of Revenue			<u>1,158,765</u>
Department of Administration			
* PERS Relief	N/A	234,495	<u>234,495</u>
Department of Education and Early Development			
Public Library Assistance	PLA-19-770-01	7,000	<u>7,000</u>
Department of Environmental Conservation			
Sludge Removal Lowell Point Lagoon - Forgiveness Portion	769111	7,426	<u>7,426</u>
Total State Financial Assistance			<u>\$ 7,457,142</u>

* Major program

The accompanying notes are an integral part of this schedule.

City of Seward, Alaska

Notes to Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance Year Ended December 31, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and schedule of state financial assistance (the "Schedules") include the federal and state award activity of City of Seward, Alaska under programs of the federal and state governments for the year ended December 31, 2018. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits (State Single Audit)*. Because the Schedules present only a selected portion of the operations of City of Seward, Alaska, they are not intended to and do not present the financial position, changes in net position or cash flows of City of Seward, Alaska.

For the year ended December 31, 2018, all of the City's federal awards were in the form of cash assistance.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the State Single Audit, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The City of Seward, Alaska has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Commercial Passenger Vessel Tax - State Assistance

Cash receipts for commercial passenger vessel taxes have been recorded as revenue in the Harbor Enterprise Fund on an accrual basis. Any unspent portion of these funds, is reported as restricted net position in the fund financial statements. At December 31, 2018, the cumulative unspent vessel tax receipts were \$1,760,686. Total vessel tax funds expended in 2018 and reported on the schedule of state financial assistance were \$686,671.

City of Seward, Alaska

Notes to Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance, continued Year Ended December 31, 2018

5. PERS On-behalf

The City has recorded \$234,495 in PERS On-behalf payments in the schedule of state financial assistance. This represents the PERS relief payments appropriated and transferred into the plan during calendar year 2018 and relates to both pension and OPEB contributions.

In the governmental fund financial statements, on-behalf revenue and expenditures have been recognized in their proportional share of on-behalf payments within the calendar year under audit.

However, in the full accrual financial statements (the government-wide and enterprise fund financial statements), GASB 68 provisions prescribe that on-behalf *pension contributions* in a special funding situation may only be recognized during the *measurement period* in which the plan recognizes the contributions. For the City of Seward, the PERS plan measurement period is July 1, 2017 through June 30, 2018, creating a six-month timing difference between the cash contribution and revenue and expense recognition for the pension on-behalf by the City in those funds.

As a result of these perspective and timing differences, amounts reported on the financial statements do not agree to the amount reported on the schedule of state financial assistance.

City of Seward, Alaska

Statistical Section

This part of the City of Seward's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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City of Seward, Alaska
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in capital assets	\$ 56,208	56,122	56,122	61,393	60,740	59,408	58,190	57,113	57,141	55,207
Restricted	-	-	3,730	26	26	2,442	-	-	-	-
Unrestricted	8,619	9,983	5,785	8,669	10,143	8,715	6,278	5,327	5,915	5,861
Total Governmental Activities										
Net Position	\$ 64,827	66,105	65,637	70,088	70,909	70,565	64,468	62,440	63,056	61,068
Business-type Activities										
Net investment in capital assets	\$ 64,112	67,773	68,657	65,910	70,569	82,209	91,783	108,513	110,843	113,424
Restricted	2,111	3,465	1,388	5,150	5,441	2,066	1,354	675	1,403	1,761
Unrestricted	14,777	10,290	15,649	10,944	10,892	15,516	17,582	10,576	13,888	16,213
Total Business-type Activities										
Net Position	\$ 81,000	81,528	85,694	82,004	86,902	99,791	110,719	119,764	126,134	131,398
Primary Government										
Net investment in capital assets	\$ 120,320	123,895	124,779	127,302	131,309	141,617	149,973	165,626	167,984	168,631
Restricted	2,111	3,465	5,118	5,176	5,467	4,508	1,354	675	1,403	1,761
Unrestricted	23,396	20,273	21,434	19,613	21,035	24,231	23,860	15,903	19,803	22,074
Total Primary Government										
Net Position	\$ 145,827	147,633	151,331	152,091	157,811	170,356	175,187	182,204	189,190	192,466

City of Seward, Alaska
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 1,451,682	800,716	2,031,590	1,981,876	2,199,711	3,291,580	3,517,517	3,473,276	1,909,713	2,571,120
Public safety	3,029,935	3,168,421	3,140,921	3,360,091	3,510,922	3,476,471	3,563,666	3,902,294	3,642,114	3,939,768
Public works	1,456,468	1,991,925	1,988,748	2,410,794	1,851,321	1,635,967	1,791,967	2,421,447	2,174,105	1,973,267
Parks and recreation	1,247,366	1,462,365	1,395,705	1,320,447	1,338,404	1,315,282	1,463,364	1,446,971	1,511,469	1,581,736
Library	478,385	437,082	466,300	446,200	489,548	804,539	785,299	806,047	794,077	808,835
Clinic	-	-	-	-	-	1,454,476	1,682,532	1,846,150	1,660,050	1,637,780
Healthcare facilities	3,910,190	2,804,000	-	-	-	-	-	-	-	-
Sealife Center	1,294,636	731,528	51,939	965,206	848,940	1,279,570	1,457,308	1,355,558	1,465,285	1,556,943
Unallocated interest	236,982	1,505,248	173,993	206,778	208,840	157,984	153,950	149,966	232,290	251,372
Total governmental activities expenses	13,105,644	12,901,285	9,249,196	10,691,392	10,447,686	13,415,869	14,415,603	15,401,709	13,389,103	14,320,821
Business-type activities:										
Electric	10,363,820	8,569,240	10,493,512	9,935,695	10,590,994	10,255,601	10,599,641	11,023,942	12,120,052	11,390,325
Water	1,066,860	1,093,419	1,230,833	1,246,997	1,087,747	1,175,129	1,241,671	1,189,786	1,373,707	1,499,502
Wastewater	916,909	1,078,318	1,044,654	1,013,492	1,015,474	1,117,152	1,097,494	1,211,625	1,086,821	1,093,784
Harbor	3,934,866	5,947,066	3,676,190	4,243,734	3,837,952	3,792,623	3,858,440	4,353,766	4,093,848	4,065,082
Seward Marine Industrial Center	990,466	926,290	1,081,862	928,458	899,343	1,013,658	1,260,159	1,342,506	1,161,489	1,389,912
* Healthcare facilities	-	-	20,416,615	21,856,797	20,858,042	20,344,929	19,589,784	19,329,722	21,153,694	21,845,021
Parking	118,309	157,229	205,407	237,522	146,239	214,775	178,886	231,666	227,174	214,637
Total business-type activities expenses	17,391,230	17,771,562	38,149,073	39,462,695	38,435,791	37,913,867	37,826,075	38,683,013	41,216,785	41,498,263
Total Primary Government Expenses	\$ 30,496,874	30,672,847	47,398,269	50,154,087	48,883,477	51,329,736	52,241,678	54,084,722	54,605,888	55,819,084
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 223,545	201,335	190,795	184,410	202,893	282,318	294,499	233,945	217,317	411,980
Public safety	744,939	682,906	740,204	809,645	897,319	937,659	817,995	614,253	576,829	589,388
Public works	84,849	168,196	40,910	36,721	30,565	20,383	22,278	27,985	32,359	25,814
Parks and recreation	622,067	608,361	620,943	609,342	653,054	663,298	778,350	913,970	914,318	960,186
Library	14,799	13,794	9,953	9,208	29,911	39,707	33,762	25,200	25,094	28,644
Clinic	-	-	-	-	-	62,306	75,085	69,134	60,000	60,000
* Healthcare facilities	-	2,569,886	-	-	-	-	-	-	-	-
Operating grants and contributions	542,354	620,310	1,128,278	1,037,711	1,002,434	1,148,124	1,156,755	1,402,137	1,100,497	1,418,770
Capital grants and contributions	2,860,172	1,709,977	3,573,497	3,442,599	23,034	819,241	621,712	1,278,997	3,101,498	584,688
Total governmental activities program revenues:	5,092,725	6,574,765	6,304,580	6,129,636	2,839,210	3,973,036	3,800,436	4,565,621	6,027,912	4,079,470

* Healthcare facilities is a new enterprise fund in 2011 previously reported as governmental fund and discreetly presented component unit.

See Statement of Activities (Exhibit A-2) of CAFR, p. 24.

City of Seward, Alaska
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
continued

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues, continued										
Business-type activities:										
Electric	9,060,636	8,842,150	10,309,524	11,224,511	11,040,608	11,433,004	11,482,077	11,550,772	12,892,924	11,054,343
Water	972,713	1,034,888	1,069,732	1,150,109	1,280,710	1,227,631	1,283,986	1,292,890	1,411,320	1,356,104
Wastewater	796,454	851,416	864,740	929,514	960,591	1,016,890	1,096,290	1,151,763	1,193,276	1,199,992
Harbor	2,596,924	2,803,828	2,968,021	3,169,744	3,235,923	3,212,432	3,359,455	3,302,689	3,437,043	3,495,592
Seward Marine Industrial Center	263,775	296,139	413,454	414,737	391,954	469,793	593,307	608,810	531,842	1,076,575
* Healthcare facilities	-	-	16,838,000	18,728,364	21,880,406	18,004,351	18,330,000	17,729,000	19,384,000	21,736,000
Parking	162,120	192,046	268,105	293,443	312,248	293,379	318,223	328,347	330,625	352,617
Operating grants and contributions	445,228	2,674,610	401,734	154,295	170,531	472,944	113,439	91,380	85,831	341,960
Capital grants and contributions	2,354,601	1,988,430	2,291,919	1,732,343	4,125,258	14,713,420	13,559,150	12,059,662	7,254,741	5,950,880
Total business-type activities program revenues	16,652,451	18,683,507	35,425,229	37,797,060	43,398,229	50,843,844	50,135,927	48,115,313	46,521,602	46,564,063
Total Primary Government Revenues	21,745,176	25,258,272	41,729,809	43,926,696	46,237,439	54,816,880	53,936,363	52,680,934	52,549,514	50,643,533
Net (Expenses)/Revenue										
Governmental activities	(8,012,919)	(6,326,520)	(2,944,616)	(4,561,756)	(7,608,476)	(9,442,833)	(10,615,167)	(10,836,088)	(7,361,191)	(10,241,351)
Business-type activities	(738,779)	911,945	(2,723,844)	(1,665,635)	4,962,438	12,929,977	12,309,852	9,432,300	5,304,817	5,065,800
Total Primary Government Net Expense	(8,751,698)	(5,414,575)	(5,668,460)	(6,227,391)	(2,646,038)	3,487,144	1,694,685	(1,403,788)	(2,056,374)	(5,175,551)
General Revenues and Other Changes										
in Net Position										
Governmental activities:										
Taxes:										
Sales tax	\$ 3,585,304	3,742,751	4,147,010	4,189,330	4,583,057	4,535,707	4,883,996	5,004,992	5,160,344	5,326,437
Property tax	986,473	960,397	999,737	1,025,266	1,261,276	989,910	1,013,370	1,152,116	1,208,090	1,473,199
Other tax	370,235	403,713	413,398	456,370	489,926	421,981	546,936	596,227	520,907	556,065
Grants and entitlements	670,761	753,653	1,346,755	1,250,895	1,491,511	1,766,622	850,297	608,651	880,255	768,250
Investment earnings	128,971	138,940	91,248	119,662	57,958	141,034	125,636	51,306	118,637	143,248
Other	1,622,052	347,281	-	-	-	-	-	-	-	-
Transfers	1,466,933	1,258,053	(1,290,998)	1,970,983	546,005	1,243,171	1,181,852	1,393,673	89,589	899,264
Special item -write-off NPO/OPEB	-	-	-	-	-	-	-	-	-	-
Total governmental activities	8,830,729	7,604,788	5,707,150	9,012,506	8,429,733	9,098,425	8,602,087	8,806,965	7,977,822	9,166,463

* Healthcare facilities is a new enterprise fund in 2011 previously reported as governmental fund and discreetly presented component unit.

See Statement of Activities (Exhibit A-2) of CAFR, p. 24.

City of Seward, Alaska
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
continued

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position, continued										
Business-type activities:										
Investment earnings	184,566	149,288	203,129	209,176	138,115	236,175	278,688	89,578	238,518	327,860
Grants and entitlements	771,065	720,040	1,411,435	343,265	343,265	961,178	1,242,072	917,500	916,330	1,044,510
Other	-	5,000	-	-	-	5,520	522	-	-	-
Transfers	(1,466,933)	(1,258,053)	1,290,998	(1,970,983)	(546,005)	(1,243,171)	(1,181,852)	(1,393,673)	(89,589)	(899,264)
Total business-type activities	(511,302)	(383,725)	2,905,562	(1,418,542)	(64,625)	(40,298)	339,430	(386,595)	1,065,259	473,106
Total primary government	8,319,427	7,221,063	8,612,712	7,593,964	8,365,108	9,058,127	8,941,517	8,420,370	9,043,081	9,639,569
Changes in Net Position										
Governmental activities	\$ 2,504,209	1,278,268	2,762,534	4,450,750	(1,013,100)	(344,408)	(2,013,080)	(2,029,123)	616,631	(1,074,888)
Business-type activities	400,643	528,220	181,718	(3,084,177)	4,897,813	12,889,679	12,649,282	9,045,705	6,370,076	5,538,906
Total Primary Government	\$ 2,904,852	1,806,488	2,944,252	1,366,573	3,884,713	12,545,271	10,636,202	7,016,582	6,986,707	4,464,018
Beginning Net Position	\$ 143,992,713	146,897,565	149,457,107 **	151,796,018	152,091,921	157,810,991	170,356,262	175,187,361 ***	182,203,943	188,002,717 ****
Ending Net Position	146,897,565	148,704,053	152,401,359	153,162,591	155,976,634	170,356,262	182,578,327	182,203,943	189,190,650	192,466,735
Change in Net Position	\$ 2,904,852	1,806,488	2,944,252	1,366,573	3,884,713	12,545,271	10,636,202	7,016,582	6,986,707	4,464,018

** Beginning net position restated for Healthcare Facilities becoming a new enterprise fund in 2011.

*** Beginning net position restated for the implementation of Government Accounting Standards Board (GASB) Statement No. 68.

**** Beginning net position restated for the implementation of Government Accounting Standards Board (GASB) Statement No. 75.

See p. 24 (Exhibit A-2) of CAFR for details

City of Seward, Alaska
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

<i>PRIOR TO GASB 54</i>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 657,029	584,948								
Unreserved:										
Designated	2,126,418	2,126,418								
Undesignated	2,983,424	4,039,264								
Total General Fund	\$ 5,766,871	6,750,630								
All Other Governmental Funds										
Reserved - debt service	\$ 1,177,697	2,472,376								
Unreserved, reported in:										
Special revenue funds	100,330	75,369								
Capital projects funds	308,485	235,860								
Total All Other Governmental Funds	\$ 1,586,512	2,783,605								
Total All Governmental Funds	\$ 7,353,383	9,534,235								
<i>POST GASB 54</i>										
General Fund										
Nonspendable			\$ 397,406	457,897	481,449	351,045	600,308	622,337	394,161	392,169
Committed			2,126,418	2,126,418	2,126,418	2,126,418	2,126,418	2,126,418	2,126,418	2,126,418
Assigned			-	-	120,768	271,966	324,465	335,280	335,280	407,976
Unassigned			3,510,601	4,827,055	5,948,459	4,698,970	4,718,517	4,873,463	4,621,429	5,613,726
Total General Fund			\$ 6,034,425	7,411,370	8,677,094	7,448,399	7,769,708	7,957,498	7,477,288	8,540,289
All Other Governmental Funds										
Nonspendable			\$ -	-	-	16,746	9,676	5,858	-	-
Restricted			279,901	26,080	26,080	-	-	-	-	-
Assigned			3,730,137	891,865	864,471	2,752,119	2,507,741	2,797,134	2,845,888	2,896,785
Unassigned (deficit)			(12,880)	(12,880)	-	-	-	-	(8,383)	(40,531)
Total All Other Governmental Funds			\$ 3,997,158	905,065	890,551	2,768,865	2,517,417	2,802,992	2,837,505	2,856,254
Total All Governmental Funds			\$ 10,031,583	8,316,435	9,567,645	10,217,264	10,287,125	10,760,490	10,314,793	11,396,543

GASB 54 implementation effective from 2011. Prior years not restated.

See p. 25 (Exhibit B-1) of CAFR

City of Seward, Alaska
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 4,932,555	5,102,154	5,563,249	5,661,136	6,351,525	6,027,632	6,438,604	6,755,941	7,003,205	7,421,769
Licenses and permits	214,966	148,948	160,096	159,114	204,926	185,925	206,365	158,174	125,690	144,462
Intergovernmental	3,907,151	3,409,407	6,542,863	5,749,394	3,091,794	3,921,858	3,401,334	3,188,211	5,278,081	3,083,426
Charges for Services	2,553,480	2,853,310	2,645,948	2,540,717	2,614,684	2,650,995	2,775,824	2,931,087	2,950,159	3,124,918
Investment earnings	128,971	138,940	25,744	56,752	5,359	80,658	78,716	10,354	65,059	87,248
Other revenues	2,448,998	3,334,671	167,034	708,556	186,662	693,177	208,397	247,101	183,793	330,898
Total Revenues	14,186,121	14,987,430	15,104,934	14,875,669	12,454,950	13,560,245	13,109,240	13,290,868	15,605,987	14,192,721
Expenditures										
General government	3,485,932	2,771,383	3,186,257	3,084,356	3,434,883	3,229,754	3,279,972	3,433,174	3,318,178	3,626,390
Public safety	4,774,604	4,127,704	4,767,575	3,535,153	3,280,724	3,480,308	3,366,320	3,373,133	3,489,111	3,677,579
Public works	1,618,075	1,886,709	1,883,297	2,339,996	1,832,897	1,659,642	1,523,557	2,047,067	1,901,390	1,400,688
Parks and Recreation	1,608,957	1,392,483	1,563,361	1,501,366	1,291,197	1,363,572	1,374,393	1,301,314	1,440,658	1,488,698
Library	463,427	1,026,797	2,364,176	7,291,434	535,747	572,512	553,272	543,123	573,535	573,595
Clinic	-	-	-	-	-	1,454,476	1,682,532	1,846,150	1,660,050	1,637,780
* Healthcare facilities	12,172,365	30,076	-	-	-	-	-	-	-	-
Retirement benefits	596,907	529,778	631,278	656,294	836,750	1,373,271	1,401,165	591,859	616,846	576,741
Capital outlay	-	-	-	-	378,147	775,862	647,858	756,498	5,844,519	575,008
Debt service:										
Principal	787,695	838,386	100,477	-	-	85,000	90,000	95,000	100,000	200,000
Interest and other costs	695,299	1,461,315	75,547	153,201	159,400	159,400	155,150	151,550	204,993	253,756
Total Expenditures	26,203,261	14,064,631	14,571,968	18,561,800	11,749,745	14,153,797	14,074,219	14,138,868	19,149,280	14,010,235
Excess of Revenues Over (Under) Expenditures	(12,017,140)	922,799	532,966	(3,686,131)	705,205	(593,552)	(964,979)	(848,000)	(3,543,293)	182,486
Other Financing Sources (Uses)										
Proceeds from debt issuance:										
Par value	-	-	3,480,000	-	-	-	-	-	2,790,000	-
Premium	-	-	259,854	-	-	-	-	-	199,733	-
Transfers in	2,947,053	2,792,441	1,979,290	4,263,668	2,389,220	5,003,400	3,421,759	3,593,615	3,293,372	3,147,358
Transfers out	(1,480,120)	(1,534,388)	(3,270,288)	(2,292,685)	(1,843,215)	(3,760,229)	(2,386,919)	(2,272,250)	(3,185,509)	(2,248,094)
Net bond proceeds	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	1,466,933	1,258,053	2,448,856	1,970,983	546,005	1,243,171	1,034,840	1,321,365	3,097,596	899,264
Net Change in Fund Balance	\$ (10,550,207)	2,180,852	2,981,822	(1,715,148)	1,251,210	649,619	69,861	473,365	(445,697)	1,081,750
Fund Balances, beginning	\$ 17,903,590	7,353,383	7,049,761	10,031,583	8,316,435	9,567,645	10,217,264	10,287,125	10,760,490	10,314,793
Fund Balances, ending	7,353,383	9,534,235	10,031,583	8,316,435	9,567,645	10,217,264	10,287,125	10,760,490	10,314,793	11,396,543
Net Change in Fund Balances	\$ (10,550,207)	2,180,852	2,981,822	(1,715,148)	1,251,210	649,619	69,861	473,365	(445,697)	1,081,750

Including Healthcare Facilities: #

Debt service as a percentage of noncapital expenditures (a + b) ^	5.66%	16.35%	1.21%	0.83%	1.40%	1.83%	1.83%	1.84%	2.29%	3.38%
Total non-capital expenditures (b)	\$ 26,203,261	\$ 14,064,631	\$ 14,571,968	\$ 18,561,800	\$ 11,371,598	\$ 13,377,935	\$ 13,426,361	\$ 13,382,370	\$ 13,304,761	\$ 13,435,227

Excluding Healthcare Facilities: #

Debt service as a percentage of noncapital expenditures (a + b) ^	10.57%	16.39%	1.21%	0.83%	1.40%	1.83%	1.83%	1.84%	2.29%	3.38%
Total non-capital expenditures (b)	\$ 14,030,896	\$ 14,034,555	\$ 14,571,968	\$ 18,561,800	\$ 11,371,598	\$ 13,377,935	\$ 13,426,361	\$ 13,382,370	\$ 13,304,761	\$ 13,435,227

* Beginning fund balances restated for PSMCC becoming a new enterprise fund in 2011.

^ Computed as follows: (Principal + Interest) / (Total non-capital expenditures)

Health facilities are no longer classified as governmental funds after 2010, so for the sake of consistency, providing data both with and without health facilities.

See p. 27-28 (Exhibit B-3 & B-4) of CAFR

City of Seward, Alaska
General Fund Revenues by Source
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-governmental</u>	<u>Charges for Services</u>	<u>Fines and Bails</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
2009	\$ 4,932,555	214,966	1,576,765	2,553,480	11,836	50,311	1,741,084 *	11,080,997
2010	5,102,154	148,948	1,411,651	2,853,310	10,210	122,710	532,390 *	10,181,373
2011	5,563,249	160,096	1,987,846	2,645,948	12,177	25,744	59,189	10,454,249
2012	5,661,136	159,114	1,953,472	2,540,717	8,386	56,690	51,824	10,431,339
2013	6,351,525	204,926	2,095,358	2,614,684	9,530	5,359	167,360	11,448,742
2014	6,027,632	185,925	2,611,218	2,650,995	14,073	80,658	124,873	11,695,374
2015	6,438,604	206,365	2,280,061	2,757,831	17,993	78,716	125,812	11,905,382
2016	6,755,941	158,174	1,092,998	2,912,722	18,365	10,354	90,735	11,039,289
2017	7,003,205	125,690	1,229,617	2,950,159	17,006	65,059	81,718	11,472,454
2018	7,421,769	144,462	1,374,253	3,124,918	14,317	87,248	215,581	12,382,548

* Includes one-time Exxon Valdez Oil Settlement Proceeds of \$1.6 Million in 2009 and \$331,791 in 2010.

City of Seward, Alaska
General Fund Tax Revenues by Source
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax (1)</u>	<u>Payments-in- Lieu-of-Tax</u>	<u>Hotel/Motel Tax (2)</u>	<u>Other (3)</u>	<u>Total</u>
2009	975,687	3,585,304	84,922	285,313	1,329	4,932,555
2010	954,687	3,742,751	75,317	328,396	1,003	5,102,154
2011	1,001,020	4,147,010	78,574	334,824	1,821	5,563,249
2012	1,013,580	4,189,330	76,160	380,210	1,856	5,661,136
2013	1,276,898	4,583,057	81,670	408,256	1,644	6,351,525
2014	986,449	4,535,707	82,490	421,981	1,005	6,027,632
2015	1,003,665	4,883,996	88,331	458,605	4,007	6,438,604
2016	1,152,216	5,004,992	90,382	505,845	2,506	6,755,941
2017	1,213,627	5,160,344	107,157	520,907	1,170	7,003,205
2018	1,464,361	5,326,437	73,207	556,065	1,699	7,421,769

- 1) Sales tax rate has been 4% since July 1, 2003 and one-quarter (1/4) of all sales tax revenue is transferred out of the General Fund to the Hospital Enterprise Fund to pay healthcare-related debt, capital, and operating costs.
- 2) The hotel/motel tax rate is 4%.
- 3) Represents tax-related penalties and interest.

*Property, Sales Tax, and Other (3) is penalties and interest from the KPB Sales Tax payments

City of Seward, Alaska
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(Per \$1,000 of Assessed Value)

<u>Fiscal Year</u>	<u>City</u>	<u>Borough (1)</u>	<u>KPCC (2)</u>	<u>Flood Service (3)</u>	<u>Total</u>
2009	3.12	4.50	0.00	0.50	8.12
2010	3.12	4.50	0.00	0.50	8.12
2011	3.12	4.50	0.00	0.50	8.12
2012	3.12	4.50	0.00	0.50	8.12
2013	3.12	4.50	0.00	0.50	8.12
2014	3.12	4.50	0.00	0.50	8.12
2015	3.12	4.50	0.00	0.75	8.37
2016	3.12	4.50	0.00	0.75	8.37
2017	3.12	4.50	0.00	0.75	8.37
2018	3.84	4.70	0.00	0.75	9.29

- 1) Includes Kenai Peninsula Borough only.
- 2) Kenai Peninsula Community College.
- 3) Seward/Bear Creek Flood Service Area created effective 2004.

Source: Kenai Peninsula Borough FY 2019 Budget

City of Seward, Alaska
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected in the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 948,693	937,198	98.788%	11,468	948,666	99.997%
2010	966,821	944,796	97.722%	559	945,355	97.780%
2011	973,756	945,194	97.067%	20,773	965,967	99.200%
2012	981,134	944,950	96.312%	29,603	974,553	99.329%
2013	1,235,742	1,212,490	98.118%	18,734	1,231,224	99.634%
2014	968,272	942,952	97.385%	21,572	964,523	99.613%
2015	1,006,912	978,629	97.191%	21,119	978,629	97.191%
2016	1,101,723	1,074,987	97.573%	22,950	1,097,937	99.656%
2017	1,189,014	1,172,169	98.583%	28,556	1,200,725	100.985%
2018	1,458,073	1,419,345	97.344%	13,990	1,433,335	98.303%

Source: Kenai Peninsula Borough

City of Seward, Alaska
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Total Property		Tax Rates			Ratio of Assessed Value to Total Est. Actual Value
	Assessed Value (2)	Estimated Actual Value (1)	Assessed Value (2)	Estimated Actual Value (1)	Assessed Value (2)	Estimated Actual Value (1)	Direct (City of Seward)	Overlapping (KPB, KPCC & BCFS) ^	Combined Tax Rate	
2009	\$ 227,291,070	244,392,800	74,492,996	102,716,300	301,784,066	347,109,100	3.12	5.00	8.12	86.94%
2010	229,855,500	242,037,200	81,421,729	108,936,200	311,277,229	350,973,400	3.12	5.00	8.12	88.69%
2011	227,195,200	242,523,700	77,748,676	103,889,200	304,943,876	346,412,900	3.12	5.00	8.12	88.03%
2012	222,716,400	253,609,300	92,111,313	124,568,800	314,827,713	378,178,100	3.12	5.00	8.12	83.25%
2013	228,195,800	248,357,800	168,416,865 *	405,452,500 *	396,612,665	653,810,300	3.12	5.00	8.12	60.66%
2014	212,690,900	249,826,500	79,542,045	110,605,000	292,232,945	360,431,500	3.12	5.00	8.12	81.08%
2015	239,873,088	251,015,800	80,345,819	109,149,800	320,218,907	360,165,600	3.12	5.00	8.12	88.91%
2016	247,469,769	267,717,900	100,668,606	129,667,600	348,138,375	397,385,500	3.12	5.25	8.37	87.61%
2017	265,631,189	274,511,700	102,282,822	139,869,000 *	381,263,951	414,380,700	3.12	5.25	8.37	92.01%
2018	272,890,000	282,031,815	94,933,968	129,822,201	367,823,968	411,854,016	3.84	5.45	9.29	89.31%

^ Includes Kenai Peninsula Borough, Kenai Peninsula Community College and Bear Creek Flood Service Area.

Source: State of Alaska "Alaska Taxable 2018" (1) and Kenai Peninsula Borough Certified Tax Roll (2).

* 2013 values include one-time Shell oil rig "Noble Discoverer". Original assessed value of \$283,337,326 was appealed; revised value \$78,000,000 is included above in Assessed Value (Kenai Peninsula Borough), but Estimated Actual Value (State of Alaska) was not downward revised.

** 2017 values include one-time oil rig "Spartan"

City of Seward, Alaska
Principal Property Taxpayers
Compared with Nine Years Ago
December 31, 2018

<u>Taxpayer (2)</u>	<u>Type of Business</u>	<u>2018 Value (1)</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value (2)</u>	<u>2009 Assessed Value (1)</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value (2)</u>
CATC/VIAD Corp	Tourism	\$ 14,148,168	1	3.8%	\$ 17,027,044	1	5.6%
Leirer Enterprises, LLC	Property	13,557,200	2	3.7%			
Spartan Offshore Drilling, LLC	Petroleum Products	13,250,730	3	3.6%			
Crowley Fuels, LLC	Petroleum Products	8,479,362	4	2.3%			
Carr Gottstein	Grocery	7,247,900	5	2.0%	7,377,808	3	2.4%
Mindenbergs Juris	Hotel/Retail	6,690,900	6	1.8%			
Harbor 360, LLC	Hotel/Retail	6,645,100	7	1.8%			
GCI	Communications	6,346,151	8	1.7%	4,043,766	8	1.3%
Brice Marine, LLC	Marine Services	4,187,336	9	1.1%			
Y C Seward Hotel Group, LLC	Hotel/Retail	4,015,000	10	1.1%			
Seward Fisheries/Icicle Seafoods	Seafood Processing				10,019,489	2	3.3%
Crowley Marine Services, Inc.	Marine Services				6,985,520	4	2.3%
Seward Hospitality, LLC	Hotel/Retail				6,712,900	5	2.2%
Breeze Inn Motel	Hotel/Retail				5,937,900	6	2.0%
Shoreside Petroleum	Petroleum Products				4,156,000	7	1.4%
Kishan Group, LLC	Hotel/Retail				3,695,600	9	1.2%
Pacific Park	Real Estate/Housing				2,930,700	10	1.0%
Total		\$ 84,567,847		23.0%	\$ 68,886,727		22.8%

1) Includes real, personal and oil taxes based on 2018 tax rolls. Source: Kenai Peninsula Borough Assessors Department

Above assessed values are a best effort to identify ten largest property taxpayers, although values reflect aggregation of multiple tax accounts. It is possible that some tax accounts may have different names, making it difficult to identify as being owned by the same entity. Therefore, some valuations may have been inadvertently omitted above.

2) Based on total assessed value of \$301,784,066 in 2009 and \$367,823,968 in 2018.

City of Seward, Alaska
Principal Taxable Sales by Line of Business
December 31, 2018

Type of Business	CY18 Taxable Sales (1)	Percent of Total Taxable Sales	CY09 Taxable Sales (2)	Percent of Total Taxable Sales
Accommodations, Food Service, Entertainment	\$ 62,179,319	45.9%	\$ 22,256,414	24.7%
Retail Trade	49,022,042	36.2%	46,482,426	51.6%
Public Administration	8,389,887	6.2%	6,915,034	7.7%
Wholesale Trade	5,715,193	4.2%	4,371,140	4.9%
Services	4,137,861	3.1%	4,743,442	5.3%
Rental Property	3,580,393	2.6%	2,771,984	3.1%
Manufacturing	1,069,500	0.8%	985,292	1.1%
Construction	660,490	0.5%	614,130	0.7%
Professional, Scientific	517,181	0.4%	639,116	0.7%
Transportation & Warehousing	246,684	0.2%	233,594	0.3%
Other	66,887	0.0%	6,737	0.0%
	\$ 135,585,437	100%	\$ 90,019,309	100%

1) Source: Kenai Peninsula Borough, Finance Dept., Sales Tax Division

Note: Information regarding the ten principal revenue payers, and the amount collected from each, is not available. The Kenai Peninsula Borough collects sales tax on behalf of the City of Seward as required by State law. The Borough does not disclose sales tax data by individual business, even to the cities within the Borough. Rather than to provide information on the ten principal revenue payers, we are providing information on taxable sales by Line of Business.

City of Seward, Alaska
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (1)

Fiscal Year	Governmental Activities (6)			Business-Type Activities (6)				Total Personal Income (3)		Debt per Capita (4)		Debt as a % of Estimated Actual Taxable Value of Property (5)	
	G.O. Bonds (2) *	Revenue Bonds	Capital Leases	G.O. Bonds (2) *	Revenue Bonds	Capital Leases	Loans	Total Primary Government	Governmental	Total Primary Gov't	Governmental		Total Primary Gov't
2009	\$ 3,245,875	-	811,244	114,124	42,000,000	-	3,487,373	49,658,616	3.9%	47.4%	1,555	19,034	14.31%
2010	2,425,970	-	614,731	59,030	41,325,000	-	2,930,316	47,355,047	2.7%	42.3%	1,129	17,584	13.49%
2011	3,480,000	-	420,717	1,550,000	39,930,000	-	2,775,339	48,156,056	3.2%	39.8%	1,427	17,620	13.90%
2012	3,729,027	-	229,498	710,000	38,475,000	-	2,155,164	45,298,689	3.1%	34.9%	1,437	16,448	11.98%
2013	3,718,200	-	31,320	-	37,444,409	-	1,968,688	43,162,617	3.1%	35.8%	1,508	17,355	6.60%
2014	3,622,373	-	-	-	35,531,424	-	1,840,021	40,993,818	2.7%	30.4%	1,309	14,810	11.37%
2015	3,521,546	-	-	-	34,210,046	-	4,275,945	42,007,537	2.6%	30.2%	1,285	15,331	11.66%
2016	3,210,000	-	-	-	28,370,000	-	4,085,777	35,665,781	2.4%	26.7%	1,205	13,017	8.98%
2017	6,299,126	-	-	-	29,075,650	-	2,629,364	38,004,144	5.0%	30.2%	2,502	14,271	9.17%
2018	6,082,813	-	-	-	27,314,418	- **	2,391,901	35,789,132	4.7%	27.8%	2,354	13,850	8.69%

1) Excludes other than debt instruments (i.e. compensated absences, net pension obligation, inter-fund loans)

2) G.O. Bonds represent general obligation bonds pledging the full faith and credit of the City.

3) Source: U.S. Dept. of Commerce, Bureau of Economic Analysis. Personal income is estimated by multiplying Kenai Peninsula Borough per-capita personal income by Seward population, as Seward-specific data unavailable (http://www.bea.gov/iTable/index_regional.cfm)

4) Source: Alaska Department of Commerce, Community & Economic Development Certified Municipal Population.

5) Estimated Actual Taxable Value data can be found in State of Alaska "Alaska Taxable 2018" (<https://www.commerce.alaska.gov/web/portals/4/pub/osa/14taxable.pdf>)

6) Source: City of Seward finance department

* Beginning in 2011, Healthcare Facilities became Business-Type Activities but were previously classified as Governmental Activities; per GASB Statement No. 61.

** Resolution 2017-088 authorized final payment in full of the Harbor USACE breakwater loan

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Seward, Alaska
Ratio of General Obligation Bonded Debt to Assessed Value and
General Obligation Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	General Bonded Debt # ^			Ratio of General Bonded Debt to Assessed Value	General Bonded Debt per Capita
			Governmental	Business-Type	Total		
2009	2,609	301,784	3,246	114	3,360	1.08%	1,288
2010	2,693	311,277	2,426	59	2,485	0.81%	923
2011	2,733	304,944	3,480	1,550	5,030	1.60%	1,840
2012	2,754	314,828	3,729	710	4,439	1.12%	1,612
2013	2,487	296,613 *	3,718	-	3,718	1.27%	1,495
2014	2,768	292,233	3,622	-	3,622	1.13%	1,309
2015	2,740	320,219	3,522	-	3,522	1.10%	1,285
2016	2,663	348,138	3,210	-	3,210	0.92%	1,205
2017	2,518	381,264	6,299	-	6,299	1.65%	2,502
2018	2,584	367,824	6,082	-	6,082	1.65%	2,354

Amounts expressed in thousands. Excludes revenue bonds of Business-Type entities.

* 2013 Assessed Value includes one-time oil property originally assessed at \$283,337,326, downward adjusted on appeal to \$78,000,000.

^ Beginning in 2011, Healthcare Facilities became Business-Type Activities but were previously classified as Governmental Activities; per GASB Statement No. 61. Hospital debt classified as Governmental through 2010, then as Business-Type in 2011 and 2012. Matured 2013.

1) Source: Alaska Department of Commerce, Community & Economic Development Certified Municipal Population.

2) Source: Kenai Peninsula Borough (expressed in thousands).

City of Seward, Alaska

Computation of Direct and Overlapping Bonded Debt December 31, 2018

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to Seward	Amount Applicable to City of Seward
Direct:			
City of Seward	\$ 6,082,813	100%	6,082,813
Overlapping:			
Kenai Peninsula Borough (KPB)	<u>37,700,000</u>	4.5%	<u>1,693,727</u>
	<u>\$ 43,782,813</u>		<u>7,776,540</u>

1) Excluding general obligation bonds reported in the Enterprise Funds. Includes governmental activities' general obligation bonds, revenue bonds, and capital leases.

2) Source: KPB finance department. Total 40,805,000 less Central Emergency Services unrelated to Seward.

3) Based on ratio of City of Seward assessed value (real and personal property = \$367,823,968)

to total assessed value of the Kenai Peninsula Borough (\$8,187,247,937)

Source: "2018 Alaska Taxable" State of Alaska, and KPB main and supplemental tax rolls.

Note: Excludes State assessed values which are exempt from taxation at City and Borough level.

City of Seward, Alaska

Legal Debt Margin
December 31, 2018

No debt limit mandated by law.

City of Seward, Alaska

Revenue Bond Coverage
Electric Enterprise Fund
Last Ten Fiscal Years

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage (4)
				Principal	Interest	Total	
2009	\$ 9,173,257	8,589,154	584,103	305,000	367,023	672,023	0.87
2010	8,903,337	6,854,897	2,048,440	315,000	353,586	668,586	3.06
2011	10,410,908	8,620,529	1,790,379	330,000	339,298	669,298	2.68
2012	11,344,047	7,844,098	3,499,949	345,000	323,987	668,987	5.23
2013	11,139,471	8,531,996	2,607,475	360,000	308,210	668,210	3.90
2014	11,236,195	8,073,997	3,162,198	380,000	290,053	670,053	4.72
2015	11,674,228	8,887,162	2,787,066	400,000	273,261	673,261	4.14
2016	11,607,631	9,421,854	2,185,777	240,000	109,739	349,739	6.25
2017	13,010,358	10,267,321	2,743,037	150,000	193,118	343,118	7.99
2018	11,168,299	9,490,403	1,677,896	160,000	185,400	345,400	4.86

1) Total revenues, including interest, exclusive of grants.

2) Total operating expenses exclusive of depreciation.

3) Includes principal and interest of revenue bonds only.

4) Revenue bond agreements require Net Revenue Available for Debt Service be at least 1.30 times the amount of the total annual debt service requirement.

City of Seward, Alaska
Revenue Bond Coverage
Harbor Enterprise Fund
Last Ten Fiscal Years

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage (4)
				Principal	Interest	Total	
2009	\$ 2,632,937	1,903,985	728,952	340,000	356,540	696,540	1.05
2010	2,850,942	1,784,887	1,066,055	360,000	337,990	697,990	1.53
2011	3,017,003	2,040,903	976,100	385,000	318,459	703,459	1.39
2012	3,228,955	2,171,180	1,057,775	400,000	299,765	699,765	1.51
2013	3,266,821	2,187,206	1,079,615	420,000	284,374	704,374	1.53 *
2014	3,257,122	2,358,618	898,504	294,885	179,484	474,369	1.89
2015	3,396,213	2,289,480	1,106,733	460,000	223,262	683,262	1.62
2016	3,323,340	2,500,625	822,715	470,000	200,380	670,380	1.23
2017	3,480,176	2,132,971	1,347,205	480,000	193,100	673,100	2.00
2018	3,564,884	2,128,367	1,436,517	490,000	177,900	667,900	2.15

1) Total revenues, including interest, exclusive of grants.

2) Total operating expenses exclusive of depreciation.

3) Includes principal and interest of revenue bonds only.

4) Revenue bond agreements require Net Revenue Available for Debt Service be at least 1.20 times the amount of the total annual debt service requirement.

* Operating Expenses were restated in 2012 for 2011.

Note: 2000 Harbor Enterprise Fund revenue bonds refunded in 2007. Bonds were issued in 2005 in the amount of \$1.5 million for float construction and in 2006 in the amount of \$4.5 million for expansion of the south harbor; both of these bonds were refunded in 2014.

City of Seward, Alaska
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	City of Seward				For the Kenai Peninsula Borough (A)			
	Population	School Enrollment	Personal Income (3)	Per Capita Personal Income (2)	Median Age (4)	Population (1)	School Enrollment	Unemployment Rate (4)
2009	2,609	569	\$ 109,455,377	\$ 41,953	39.2	52,990	9,256	9.80%
2010	2,693	549	111,409,410	41,370	39.4	53,578	9,145	10.00%
2011	2,733	552	117,950,814	43,158	40.6	55,400	9,148	9.50%
2012	2,754	593	125,312,508	45,502	40.6	56,369	9,083	8.60%
2013	2,768	574	129,976,976	46,957	41.4	56,756	8,892	7.90%
2014	2,768	588	128,545,920	46,440	40.0	56,862	8,832	7.80%
2015	2,740	605	136,876,700	49,955	41.1	57,763	9,132	7.80%
2016	2,663	634	135,125,946	50,742	40.8	58,060	9,141	8.20%
2017	2,518	582	123,188,114	48,923	41.4	58,024	9,027	8.50%
2018	2,584	585	128,683,200	49,800	41.5	58,471	9,005	7.70%

(A) Age and Unemployment data for City of Seward is not available, but is considered comparable to data for the Kenai Peninsula Borough

(1) Alaska Department of Labor estimates as of July 1 of each fiscal year

(2) Source: U.S. Dept. of Commerce, Bureau of Economic Analysis for Kenai Peninsula Borough; specific data not available for Seward (http://www.bea.gov/iTable/index_regional.cfm)

(3) Uses Kenai Peninsula Borough Per Capita Personal Income multiplied by Seward population. Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, using annual midyear population estimates.

Note: Due to timing of data availability, personal income calculated based on prior year's Per Capita Personal Income. Example: 2018 Seward population x 2017 per capita personal income

(4) Source: State of Alaska Department of Labor; represents not seasonally adjusted, annual unemployment rates for Kenai Peninsula Borough; assumed to be representative of Seward, as specific Seward data unavailable (<http://live.laborstats.alaska.gov/labforce/labdata.cfm?s=14&a=0>)

City of Seward, Alaska

Principal Employment by Industry - Current and Nine Years Ago

Industry	2018	2009
	Resident Workers	Resident Workers
Trade, Transportation and Utilities	218	272
Leisure and Hospitality	159	160
Local Government	116	123
Educational and Health Services	111	108
State Government	103	119
Professional and Business Services	75	75
Manufacturing	46	36
Construction	37	44
Other	29	32
Financial Activities	21	33
Natural Resources and Mining Information	21 4	11 7
	940	1,020

Source: Alaska Department of Labor and Workforce Development, Research and Analysis.
[Http://live.laborstats.alaska.gov/alari/](http://live.laborstats.alaska.gov/alari/)

* 2018 data unavailable due to a 2-year lag from the Department of Labor and Workforce Development. Used 2016 data to compare to 2009.

* Beginning in 2012, the State of Alaska by statute prohibits release of data relative to the number of employees working for an employer. Nor can it rank employers according to size. Beginning in 2014, the City of Seward is providing Employment by Industry data to demonstrate the comparative change in employment over time by Industry rather than Employer.

City of Seward, Alaska
Full-Time Equivalent Employees by Fund
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
City Clerk	3.00	3.00	2.90	3.00	3.20	3.00	3.00	3.11	3.23	3.53
City Manager and Legislative	3.70	3.40	4.10	4.40	4.10	4.00	4.00	3.00	3.00	4.15
M.I.S.	2.00	2.00	2.00	2.00	2.00	2.50	2.50	2.76	2.72	2.73
Finance	7.50	6.70	6.90	7.10	6.70	7.00	7.00	9.29	8.04	7.45
Police, Jail, Animal Control	24.14	24.60	24.90	24.20	24.30	25.50	25.50	24.34	23.73	23.15
Fire	2.50	2.80	2.75	2.80	2.75	2.75	2.75	2.93	2.74	2.75
Building Inspection	1.94	1.20	1.25	1.20	1.25	1.25	1.25	1.00	1.00	1.00
Public Works	6.00	7.00	6.90	7.20	5.90	5.94	5.94	6.45	7.11	5.83
Community Development	4.16	2.70	1.90	1.60	2.00	2.00	2.00	2.01	2.40	1.96
Maintenance	2.00	2.00	2.00	2.00	2.10	2.03	2.03	2.02	2.01	1.37
Parks & Recreation	14.79	15.80	16.00	14.20	14.90	15.24	14.10	13.74	14.46	14.26
Library	4.50	4.50	4.60	4.50	4.60	4.59	4.59	4.98	5.16	5.06
General Fund Total	76.23	75.70	76.20	74.20	73.80	75.80	74.66	75.63	75.60	73.24
Parking	3.15	2.50	2.30	2.10	1.60	3.29	3.09	1.04	1.67	1.62
Harbor and SMIC	11.31	11.20	11.70	12.00	11.60	11.65	11.65	11.72	12.12	11.77
Electric	10.40	10.10	10.10	10.90	11.30	11.00	11.00	10.82	11.89	11.46
Water	2.88	2.70	2.70	2.70	2.60	3.53	3.53	2.52	2.86	3.36
Wastewater	1.88	2.70	2.60	2.50	2.60	2.53	2.53	2.18	1.74	2.37
Total All Funds	105.85	104.90	105.60	104.40	103.50	107.80	106.46	103.91	105.88	103.82

Source: City of Seward finance department

City of Seward, Alaska
Operating Indicators by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police Services:										
Physical arrests	290	253	300	251	345	289	270	322	244	242
Traffic violations/warnings	1,084	1,633	1,466	1,129	1,400	1,225	2,042	785	944	1149
Parking violations	97	101	30	150	79	29	63	74	79	249
Fire and Emergency Services:										
Number of calls answered (a)	293	311	323	307	339	349	376	359	361	264
Harbor										
Registered vessels	3,593	3,549	3,348	3,608	3,992	4,928	4,860	5,193	5,053	5,565
Number on waiting list for slips	257	262	206	192	171	183	184	161	171	147
Number of boat lifts	436	477	507	467	551	590	602	509	553	576
General cargo tonnage (b)	0	45	79	20,421	27	140	112	-	-	-
Fish product tonnage	12,018	20,647	13,471	17,119	24,563	10,862	21,632	10,085	8,702	15,670
Petroleum (gallons) (c)	2,349,695	2,595,958	2,310,694	3,934,806	2,856,968	2,536,738	3,450,054	3,637,401	2,853,828	2,786,987
Water and Wastewater Systems:										
Water service connections	945	946	950	949	961	958	973	976	982	980
Daily average consumption (gallons)	1,300,000	1,233,010	1,029,077	1,580,641	1,472,000	1,144,677	1,130,528	1,484,754	1,109,546	1,059,115
Sewer service connections	917	918	922	922	935	934	948	950	954	952
Daily average treatment (gallons)	504,745	598,457	723,896	681,749	657,821	519,132	519,132	652,321	609,545	653,872
Electric System:										
Number of service connections	3,167	3,194	3,224	3,218	2,706	2,735	2,759	2,796	2,818	2,821
Total kilowatt hour sales	55,716,466	54,683,681	57,253,825	58,738,003	57,950,087	55,190,496	54,842,755	53,103,072	53,263,395	51,784,110

(a) Beginning June 2009, began providing aid response for medical calls.

(b) In 2012, includes 20,361 tons dredged material removed from harbor.

(c) In 2012, includes 1,344,546 gallons in barrels that crossed the dock.

Source: City of Seward police, fire, harbor, water, wastewater, and finance departments

City of Seward, Alaska
Capital Asset Statistics by Function
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Lane miles of street	53.00	53.00	54.40	54.40	54.40	54.4	54.8	54.8	55	55
Number of street lights	265	265	265	265	265	265	265	265	265	265
Public Safety										
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Fire rating (ISO)	4/9	5/9	5/9	5/9	5/9	4/9	4/9	4/9	4/9 *	4/4x
Number of fire hydrants	220	220	220	220	220	220	220	220	220	220
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of Facilities										
Parks and playgrounds	20	20	20	20	20	20	20	20	20	20
Libraries	1	1	1	1	1	1	1	1	1	1
Sewer treatment plants	2	2	2	2	2	2	2	2	2	2
Electric distribution line (miles)	65	65	65	69	69	69	69	69	69	69
Electric substations	3	3	3	3	3	3	3	3	3	3

Source: City of Seward fire, public works and finance departments

*New ISO rating system in 2018

City of Seward, Alaska
Property Value, Construction, and Bank Deposits
Last Ten Fiscal Years

Fiscal Year	Total Real Property Value (1)	Commercial Construction		Residential Construction		Bank Deposits (2)
		Number of Permits	Value of Permits	Number of Permits	Value of Permits	
2009	\$ 244,392,800	31	18,694,201	24	966,926	54,337,541
2010	242,037,200	36	4,376,321	15	941,261	57,426,000
2011	242,523,700	36	10,468,128	27	873,920	76,678,691
2012	253,609,300	36	6,254,641	18	717,400	82,765,489
2013	248,357,800	30	14,551,644	22	927,616	75,607,197
2014	249,826,500	25	8,072,217	26	1,070,400	79,852,000
2015	251,015,800	30	16,808,765	11	759,860	75,514,000
2016	267,717,900	27	2,661,974	26	1,603,866	87,091,000
2017	274,511,700	14	2,324,733	21	1,070,477	86,329,000
2018	282,031,815	20	3,993,376	23	1,391,200	81,076,000

1) "Estimated Actual Value" from Table 9.

2) Bank deposit data as of 12/31 through 2014. Beginning 2015, data as of June 30.

Source: <https://www5.fdic.gov/sod/sodMarketRpt.asp?barItem=&sState=all&sZipCode=99664>

3) Source: Construction Data - City of Seward Building Department

City of Seward, Alaska

Miscellaneous Statistics

December 31, 2018

Date of Incorporation	June 1, 1912
Class	Home Rule City
Form of Government	Council / Manager
Area, Square Miles	22
Miscellaneous Operational Statistics:	
Library - number of volumes	33,073
Fire Department - Number of volunteers	24
Sewer System - Maximum daily capacity (gallons)	1,300,000
Water System - Maximum daily capacity (gallons)	8,856,000
Electric System:	
Miles of distribution lines	70
Miles of transmission lines	42
Harbor - Number of permanent slips	566
City Employees:	
Regular Employees - Full-time equivalent	93
Temporary Employees - Full-time equivalent	11
Demographics:	
School Enrollment, City of Seward (3)	585
Unemployment Rate - Borough-Wide (1)	7.7%
Population (2)	2,584
Per-capita Personal Income (4)	49,800
Qualified Voters	1,649
Facilities and Services not included in the reporting entity:	
Education:	
Elementary School	
Number of students enrolled	304
Number of teachers	21
Middle School	
Number of students enrolled	121
Number of teachers	9
High School	
Number of students enrolled	160
Number of teachers	12
Alaska Vocational Technical Center	
Number of students served annually	855
Number of teachers (includes Instructional Aides)	27
Healthcare Facilities - a component unit of the reporting entity:	
Providence Seward Medical & Care Center	
Number of patient beds (6) combination of inpatient care & swing beds	6
Number of long-term care beds	40
Number of employees:	
Exempt	29
Non-Exempt (includes non-staff rotating physicians)	107

(1) Source: State of Alaska Department of Labor; represents not seasonally adjusted, annual unemployment rates for Kenai Peninsula Borough; assumed to be representative of Seward, as specific Seward data unavailable (<http://live.laborstats.alaska.gov/labforce/labdata.cfm?s=14&a=0>)

2) Source: Alaska Department of Commerce, Community & Economic Development Certified Municipal Population.

3) State of Alaska Department of Education & Early Development - <https://education.alaska.gov/stats/>

4) Source: U.S. Dept. of Commerce, Bureau of Economic Analysis. (http://www.bea.gov/iTable/index_regional.cfm) KPB per-capita personal income used, as Seward specific data not available

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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*

Honorable Mayor and City Council
City of Seward, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seward, Alaska, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Seward's basic financial statements, and have issued our report thereon August 10, 2019. Our report includes a reference to other auditors who audited the operating account of the Providence Seward Medical and Care Center, as described in our report on the City of Seward's financial statements. The operating account of Providence Seward Medical and Care Center was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the operating account of Providence Seward Medical and Care Center. Our report includes an emphasis of matter paragraph for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, effective October 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Seward'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 the City of Seward's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Seward's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska
August 10, 2019



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3601 C Street, Suite 600
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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and City Council
City of Seward, Alaska

Report on Compliance for Each Major Federal Program

We have audited the City of Seward's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Seward's major federal programs for the year ended December 31, 2018. The City of Seward's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the City of Seward 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 December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

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

BDO USA, LLP

Anchorage, Alaska
August 10, 2019



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Independent Auditor's 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*

Honorable Mayor and City Council
City of Seward, Alaska

Report on Compliance for Each Major State Program

We have audited the City of Seward'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 Seward's major state programs for the year ended December 31, 2018. The City of Seward'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 its state programs.

Auditor's Responsibility

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

Opinion on Each Major State Program

In our opinion, the City of Seward complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

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

BDO USA, LLP

Anchorage, Alaska
August 10, 2019

City of Seward, Alaska

Schedule of Findings and Questioned Costs Year Ended December 31, 2018

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?

yes

no

Significant deficiency(ies) identified?

yes

none reported

Noncompliance material to financial statements noted?

yes

no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

yes

no

Significant deficiency(ies) identified?

yes

none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes

no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
93.527	Health Center Program Cluster - Grants for New and Expanded Services under the Health Center Program	Department of Health and Human Services

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

Auditee qualified as low-risk auditee?

yes

no

State Financial Assistance

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

Unmodified

Internal control over major state programs:

Material weakness(es) identified?

yes

no

Significant deficiency(ies) identified?

yes

none reported

Dollar threshold used to distinguish a state major program:

\$ 200,000

City of Seward, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2018

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

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.

Section IV - State Award Findings and Questioned Costs

There were no findings and questioned costs for State awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.



Summary Schedule of Prior Audit Findings

City of Seward

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Year Ended December 31, 2018

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

Finding 2017-001: Payroll Approval - Internal Control over Financial Reporting - Significant Deficiency

Condition: It was determined that there were instances of employees being paid without supervisor approval of their time card.

Status: Resolved

Explanation: In the prior year, there were two electric department timesheets which had been approved electronically by the supervisor, but then required revision. The Payroll Clerk made the revisions, printed out a manual timesheet showing the correction, and requested written approval from the supervisor for the change, and no response was received.

To address this issue, the Payroll Clerk is now e-mailing the affected employee and the supervisor prior to processing payroll, requesting that they both e-mail their approval of the correction prior to processing payroll. This is followed up by a printed manual timesheet showing the correction, which is sent out for signature to both the employee and the supervisor and returned to payroll for filing and audit trail.

Section III - Federal Award Findings and Questioned Costs

There were no prior year findings.

Section IV - State Award Findings and Questioned Costs

There were no prior year findings.