

# City of Seward, Alaska



## Comprehensive Annual Financial Report

Year Ended December 31, 2019

Prepared by City of Seward Finance Department

**Comprehensive Annual Financial Report  
of the  
City of Seward, Alaska**

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For the Fiscal Year Ended  
December 31, 2019

**Christy Terry**  
MAYOR

**Scott Meszaros**  
CITY MANAGER

Prepared by the Finance Department

**Sam Hickok, BA**  
ACTING FINANCE DIRECTOR

# 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

October 9, 2020

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, 2019 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 Altman, Rogers & Co., 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, 2019, 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 federal 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 the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. A schedule of state financial assistance, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a state 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 2018 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. The City has initiated an alternative energy pilot project as a result of a grant award to heat City-owned buildings in the downtown corridor. The project is still in the feasibility stages and may not continue to fruition.

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 28<sup>th</sup> top U.S. port for pounds of commercial fish landed and 25<sup>th</sup> 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 2019, Seward saw 19 commercial construction permits issued at a value of \$10.5 million, representing a 5% decrease in the number of permits, but a 165% increase in the value of commercial construction permits from the prior year. At the same time, 20 residential building permits were issued at a value of \$1.41 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 was 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 2019, Seward's sales tax revenues came in at \$5.7 million, or 7.5% higher than the prior year's \$5.3 million. Over the past ten years, sales tax revenues have increased 48.6%, and represent 72% of the City's overall tax revenues, and 44% 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. 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 57% 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 2020, a Water and Wastewater Classification and Rate Study is being performed.

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 6 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 service. 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 2019 by \$1.4 million to \$7.0 million representing 6 months' reserves, up from 5 months' in 2018. The primary reason for the increase in *unassigned fund balance* is a combination of increase in revenues and reduction of expenditures resulting in an excess of revenues over expenditures in the amount of \$1.5 million in 2019. 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 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 \$90 million in capital grants have been deployed over the past nine years, allowing external funds to pay the lion’s share of capital improvements, including: \$27 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 continued and completed a number of major projects this year including 1) continued completion of the Seward Marine Industrial Center expansion project in the SMIC basin, and related upland improvements; 2) replacement of the South Harbor Launch Ramp; 3) continued improvements on paving of streets and sidewalks; 4) MIS server upgrades; 5) upgraded lighting on the electrical system; 6) concrete repair at Kawabe Park; 7) repairs and upgrades to wastewater facilities; and other similar public improvement projects.

Other major capital projects in the works or in the near future, include: 1) Replacing the Northeast launch ramp and paving of the Northeast parking lot in 2021; 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) ADA ramp at City Hall; 8) Construction of new Animal shelter.

Future capital initiatives which require funding and attention include: replacement of the city shop, parks warehouse fire hall, city hall and animal shelter; transmission line upgrades; 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 no obligations in connection with employee benefits offered through these plans beyond its annual required payments to the plans. 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 \$8.8 million in 2019, with \$6.5 million related to governmental activities and \$2.3 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, 2018. This is the 25th 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.

## **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, ICMA-CMP, CMC  
City Manager

  
\_\_\_\_\_  
Sam Hickok, BA  
Acting Finance Director





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, 2018**

*Christopher P. Morrill*

Executive Director/CEO



## City of Seward LIST OF PRINCIPAL OFFICIALS

### COUNCIL MEMBERS

		<u>Term Expires</u>
Christy Terry	Mayor	2022
Sue McClure	Vice Mayor	2020
John Osenga	Council Member	2021
Sharyl Seese	Council Member	2021
Dale Butts	Council Member	2022
Tony Baclaan	Council Member	2022
Julie Crites	Council Member	2020

### ADMINISTRATION

Scott Meszaros	City Manager
Vacant	Finance Director
Tom Clemons	Chief of Police
Clinton Crites	Fire Chief
Vacant	Manager of Electric Utility
Doug Schoessler	Public Works Director
Norman Regis	Harbormaster
Jackie Wilde	Community Development Director
Tyler Florence	Parks & Recreation Director
Valarie Kingsland	Library Director

### CITY CLERK

Brenda Ballou	City Clerk
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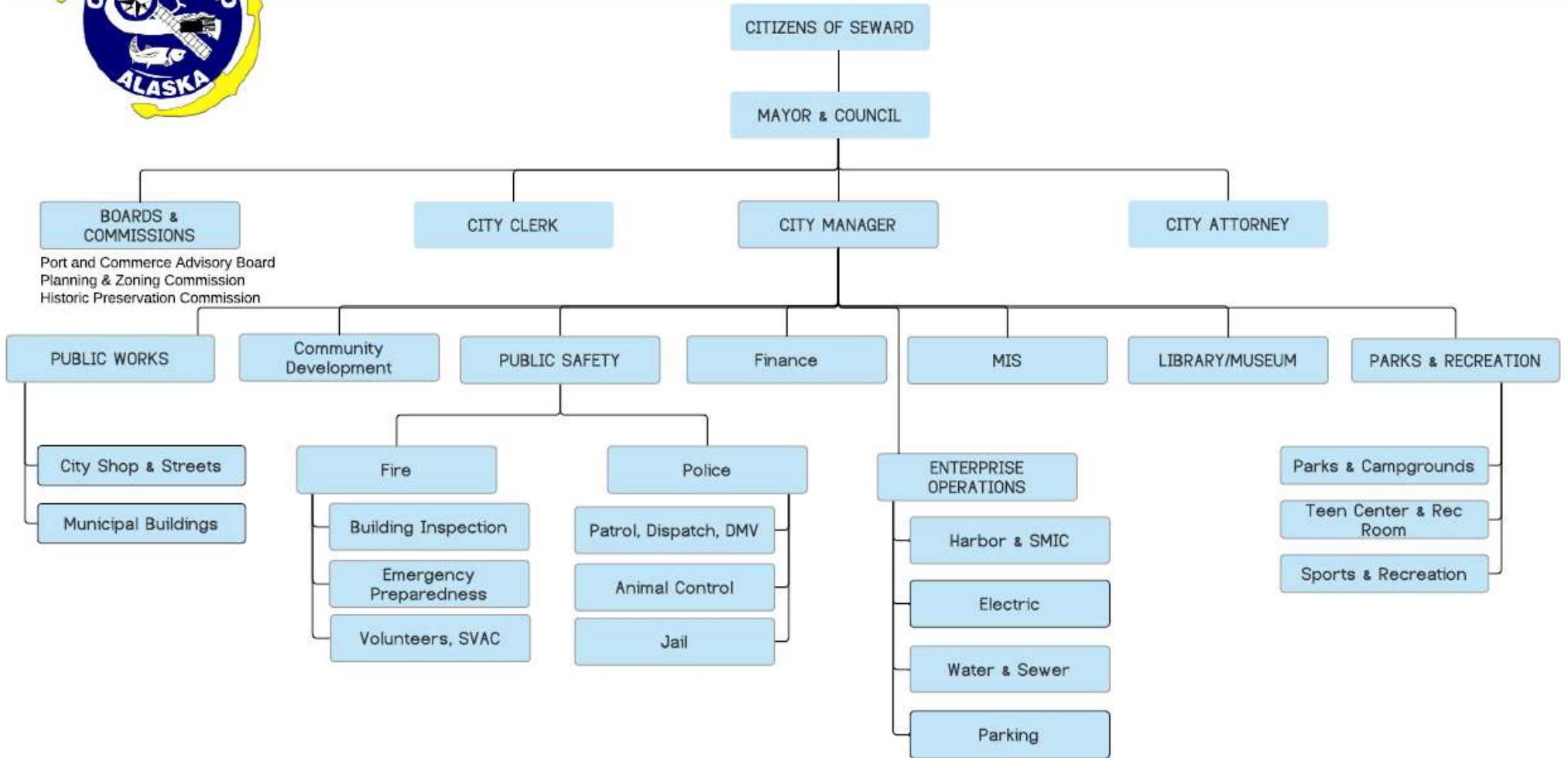
### CITY ATTORNEY

Holly Wells	City Attorney, Birch Horton, Bittner & Cherot
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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 three years. 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 ORGANIZATION CHART



## **Independent Auditor's Report**

Honorable Mayor and City Council  
City of Seward  
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, 2019, 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 26%, (194%) and 99% respectively, of the assets and deferred outflows of resources, net position and revenues of the Healthcare Facilities Enterprise Fund, and 4%, (3%), and 54% 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other-Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-16, the General Fund budgetary comparison schedule on page 71, and the Schedules of Net Pension and OPEB Liabilities and Contributions for the Public Employees' Retirement System and International Brotherhood of Electrical Workers Plan on pages 72-76 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 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seward’s basic financial statements. The “Additional Supplementary Information,” which includes the accompanying combining and individual fund financial statements and schedules, Schedule of Expenditures of Federal Awards, and the Schedule of State Financial Assistance 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 “Additional Supplementary Information,” as listed above, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the “Additional Supplementary Information” is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 October 9, 2020 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 solely 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.



Anchorage, Alaska  
October 9, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2019

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, 2019. It is designed to focus on significant financial matters, 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 important subjects. In addition to this discussion and analysis (MD&A), readers are encouraged to read the Letter of Transmittal found on pages I-VII of this report, which provides additional summary information.

### FINANCIAL HIGHLIGHTS

- At December 31, 2019, the City of Seward's assets and deferred outflows exceeded liabilities and deferred inflows by \$198.3 million (net position). Of this amount, \$168.5 million represents net investment in capital assets, \$2.6 million is restricted for commercial passenger vessel tax, and the remaining \$27.2 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 \$57.5 million. Of this amount, \$6.7 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.
- The City's total net position increased by \$5.9 million. Governmental activities decreased by \$3.5 million and business-type activities increased by \$9.4 million. A portion of the increase in business-type activity net position and corresponding decrease in Governmental activities is due to transfer of City's Motor Pool Internal Service Fund net position from Governmental to business-type funds in the amount of \$3.5 million.
- The City's governmental funds reported combined ending fund balances of \$13 million representing an increase of \$1.6 million compared to the prior year. While \$12.5 million of the fund balance is legally available for spending, only \$7 million has not already been earmarked for specific purposes (*unassigned fund balance*). This reflects a substantial increase in available unassigned fund balance of \$1.4 million.
- The total debt of governmental activities remained mostly unchanged excluding the change of the net pension and OPEB liabilities. The total debt of business-type activities decreased by (\$4 million) or (10%) primarily as a result of the payoff of certain accounts payable in the amount of \$0.8 million, reduction in payable to Providence HS in the amount of \$1.0 million, and bond and notes payments. Net pension liability of governmental activities declined by \$1.5 million and it also declined on business-type activities side in the amount of \$0.8 million, for combined total net pension liability debt reduction of \$2.3 million.

### 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), harbor, marine industrial center, electric, water, wastewater, and parking. The government-wide financial statements can be found on pages 17-19 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.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2019

City of Seward

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 twelve (12) individual governmental funds. The General Fund is the only Major Governmental Fund presented as a distinct columns on the Governmental Funds Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances, with the other eleven governmental funds aggregated and shown in the Nonmajor 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 83-84 and 85-86).

The City of Seward adopts a 2-year budget for the General Fund. A budgetary comparison statement (pages 71 and 77-82) 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 20-23 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 City uses enterprise funds to account for healthcare facilities (Providence Seward Medical & Care Center), harbor, Seward Marine Industrial Center, electric utility, water utility, wastewater utility, and parking operations. Information for each of these funds is presented in the individual fund statements found on pages 24-28 and 87-89 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. 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 90-92 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 governmental funds and the City's single fiduciary fund, the Teen Council Agency Fund, and data for that fund can be found on page 93 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 30-70 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2019

City of Seward

### Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* on the City's retirement plans on pages 72-76 of this report.

### 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, 2019, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$198.4 million. A significant portion of the City's net position (84.9%) 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, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	14,450,861	14,559,889	40,345,728	36,150,094	54,796,589	50,709,983
Capital assets	<u>56,736,452</u>	<u>61,290,084</u>	<u>139,749,594</u>	<u>138,476,077</u>	<u>196,486,046</u>	<u>199,766,161</u>
Total assets	<u>71,187,313</u>	<u>75,849,913</u>	<u>180,095,322</u>	<u>174,626,171</u>	<u>251,282,635</u>	<u>250,476,084</u>
Deferred outflows	<u>970,245</u>	<u>1,351,798</u>	<u>2,135,217</u>	<u>2,501,830</u>	<u>3,105,462</u>	<u>3,853,628</u>
Total assets and deferred outflows	<u>72,157,558</u>	<u>77,201,771</u>	<u>182,230,539</u>	<u>177,128,001</u>	<u>254,388,097</u>	<u>254,329,772</u>
Long-term liabilities outstanding	12,425,910	14,196,411	28,485,322	31,270,845	40,911,232	45,467,256
Other liabilities	<u>1,459,101</u>	<u>1,255,615</u>	<u>12,576,940</u>	<u>14,135,569</u>	<u>14,036,041</u>	<u>15,391,184</u>
Total liabilities	<u>13,885,011</u>	<u>15,451,966</u>	<u>41,062,262</u>	<u>45,406,414</u>	<u>54,947,273</u>	<u>60,858,380</u>
Deferred inflows	<u>723,878</u>	<u>680,850</u>	<u>349,002</u>	<u>323,747</u>	<u>1,072,880</u>	<u>1,004,597</u>
Total liabilities and deferred inflows	<u>14,608,889</u>	<u>16,132,876</u>	<u>41,411,264</u>	<u>45,730,161</u>	<u>56,020,153</u>	<u>61,863,037</u>
Net position:						
Net investment in capital assets	50,879,952	55,207,271	117,620,556	113,424,083	168,500,508	168,631,354
Restricted	-	-	2,626,276	1,760,686	2,626,276	1,760,686
Unrestricted	<u>6,668,717</u>	<u>5,861,624</u>	<u>20,572,443</u>	<u>16,213,071</u>	<u>27,241,160</u>	<u>22,074,695</u>
Total net position	<u>57,548,669</u>	<u>61,068,895</u>	<u>140,819,275</u>	<u>131,397,840</u>	<u>198,367,944</u>	<u>192,466,735</u>

At the end of 2019, 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, 2019*

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, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	1,983,877	2,076,012	44,059,641	40,271,223	46,043,518	42,347,235
Operating grants / contributions	1,415,242	1,418,770	(64,177)	341,960	1,351,065	1,760,730
Capital grants / contributions	594,420	584,688	2,754,505	5,950,880	3,348,925	6,535,568
General revenues:						
Sales taxes	5,674,689	5,326,427	-	-	5,674,689	5,326,427
Property taxes	1,556,874	1,473,199	-	-	1,556,874	1,473,199
Payments in lieu of tax	76,694	73,207	-	-	76,694	73,207
Other	<u>1,319,856</u>	<u>1,394,366</u>	<u>1,954,195</u>	<u>1,372,370</u>	<u>3,274,051</u>	<u>2,766,736</u>
Total revenues	<u>12,621,652</u>	<u>12,346,669</u>	<u>48,704,164</u>	<u>47,936,433</u>	<u>61,325,816</u>	<u>60,283,102</u>
<b>Expenses:</b>						
General government	2,502,395	2,571,120	-	-	2,502,395	2,571,120
Public safety	3,596,487	3,939,768	-	-	3,596,487	3,939,768
Public works	1,775,480	1,973,267	-	-	1,775,480	1,973,267
Parks and recreation	1,477,450	1,581,736	-	-	1,477,450	1,581,736
Library	802,425	808,835	-	-	802,425	808,835
Clinic	1,654,018	1,637,780	-	-	1,654,018	1,637,780
Unallocated interest	225,493	251,372	-	-	225,493	251,372
Alaska Sealife Center	1,398,053	1,556,943	-	-	1,398,053	1,556,943
Electric	-	-	11,865,052	11,390,325	11,865,052	11,390,325
Water	-	-	1,474,729	1,499,502	1,474,729	1,499,502
Wastewater	-	-	1,071,306	1,093,784	1,071,306	1,093,784
Harbor	-	-	3,508,574	4,065,082	3,508,574	4,065,082
SMIC	-	-	1,336,436	1,389,912	1,336,436	1,389,912
Healthcare Facilities	-	-	22,540,528	21,845,021	22,540,528	21,845,021
Parking	-	-	<u>196,181</u>	<u>214,637</u>	<u>196,181</u>	<u>214,637</u>
Total expenses	<u>13,431,801</u>	<u>14,320,821</u>	<u>41,992,806</u>	<u>41,498,263</u>	<u>55,424,607</u>	<u>55,819,084</u>
Increase (decrease) in net assets before transfers	(810,149)	(1,974,152)	6,711,358	6,438,170	5,901,209	4,464,018
Transfers	<u>(2,710,077)</u>	<u>899,264</u>	<u>2,710,077</u>	<u>(899,264)</u>	-	-
Change in net position	(3,520,226)	(1,074,888)	9,421,435	5,538,906	5,901,209	4,464,018
Beginning net position	<u>61,068,895</u>	<u>62,143,783</u>	<u>131,397,840</u>	<u>125,858,934</u>	<u>192,466,735</u>	<u>188,002,717</u>
Ending net position	<u>57,548,669</u>	<u>61,068,895</u>	<u>140,819,275</u>	<u>131,397,840</u>	<u>198,367,944</u>	<u>192,466,735</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2019

City of Seward

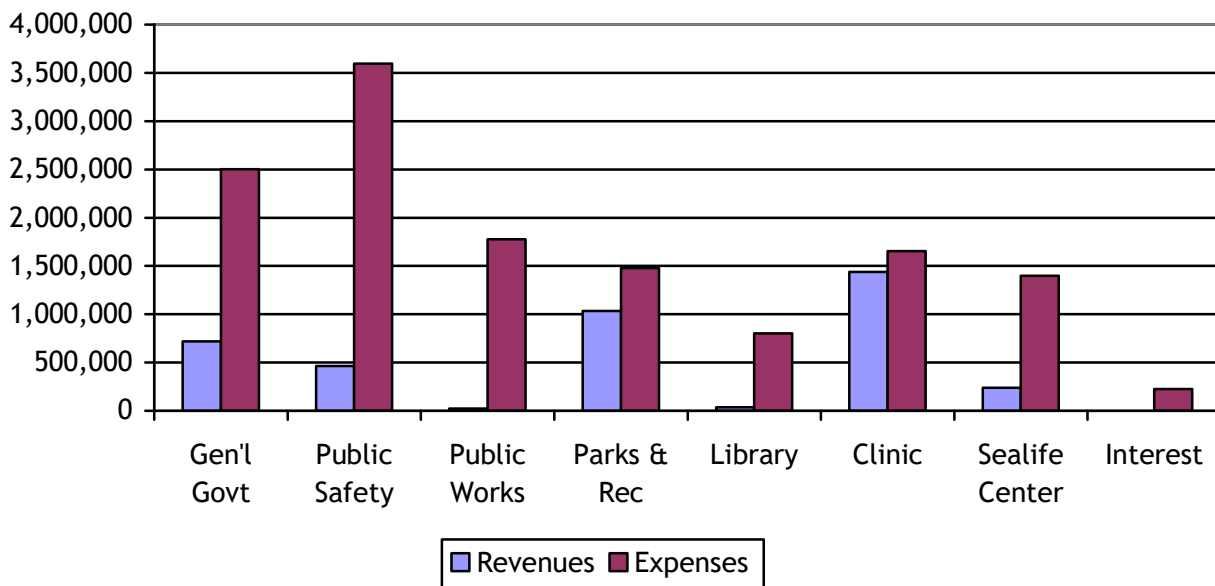
## Governmental Activities

The City of Seward's net position in Governmental activities decreased by \$3.5 million. The following items are of particular note:

- Overall revenues for governmental activities were up by \$0.3 million or 2.5% compared with the prior year, due to an increase in sales tax.
- Overall expenses were down by \$0.9 million or 6.3% largely due to a decrease in public works and public safety costs.
- Operating grants brought in \$1.4 million – mostly in line with the prior year.
- Governmental funds experienced net transfers-in of \$0.8 million in 2019 versus net transfers-in of \$0.9 million in 2018.
- 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:

**General Government Programs - Revenues vs Expenses**



## Business-type Activities

Business-type activities increased the net position of the City by \$9.4 million, including adjustments for Motor Pool Internal Service Fund activities. As is the case with governmental activities, a substantial portion (83.5%) of the \$140.8 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, 2019

City of Seward

Net position increased in three major enterprise funds: Harbor Enterprise Fund by \$2.2 million (\$1.7 million in capital contributions); Seward Marine Industrial Center Fund by \$0.5 million (\$1.1 million in capital contributions); and Healthcare Facilities Enterprise Fund by \$3.4 million. Net position decreased in one major enterprise fund - Electric Enterprise Fund by (\$0.7) million. Overall net position in Non-Major Enterprise Funds increased by \$0.2 million.

- Allocations of Motor Pool Internal Service Fund to business-type activities decreased net position by (\$3.5) million.
- The Electric Enterprise Fund experienced earnings from operations of \$0.7 million, an increase of \$0.9 million from the prior year. Operating revenues were higher by \$1.2 million or 11% and operating costs were up by \$0.3 million or 2.5%. The operating performance was impacted by a net increase of \$0.6 million in services and supplies and administration which resulted in higher power costs.
- The Electric Enterprise Fund experienced an increase in cash during the year of \$0.5 million, from a prior cash balance of \$8.1 million to a balance of \$8.6 million. 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 address these concerns, rate increases were approved at 1.2% in 2020 and 1.2% in 2021. However, Council elected to freeze the rate increase in 2020 in order to provide some financial relief to our citizens as well as get an additional rate study done (slated for this fall).
- The net increase in Harbor Enterprise Fund net position of \$2.2 results from a combination of income from operations of \$0.1 million, capital grant contributions of \$1.7 million and Commercial Passenger Vessel Tax proceeds of \$1.1 million. The Harbor Enterprise Fund ended the year with a cash balance of \$5.6 million, but the amount of cash set aside for debt service reserves is \$0.7 and capital project funds and bond reserves is \$2.8 million leaving the Harbor with an available cash balance of \$2.1 million at year-end.
- The net increase in Seward Marine Industrial Center (SMIC) net position of \$0.5 million is a result capital contributions (grants) received in 2019 in the amount of \$1.1 million, combined with an operating loss of (\$0.7) million, which includes depreciation expense of \$0.8 million. The cash balance in the SMIC Enterprise Fund (excluding associated capital projects) is at \$0, and including associated capital projects is \$54,202.
- The net increase in Healthcare Facilities Enterprise Fund net position of \$3.4 million is mainly result of positive operating income of \$2.7 million and net operating transfer-in in the amount of \$1.2 million. Due to those factors, Healthcare Facilities Enterprise Funds presents positive net position at the end of 2019 in the amount of \$2 million compared to negative (\$1.4) million in 2018.
- Other non-major enterprise funds experienced the following: 1) increase in Parking Enterprise Fund net position of \$0.2 million and an increase in cash of \$0.2 with parking revenues remaining mostly unchanged from the prior year; 2) an increase in Wastewater Enterprise Fund net position of \$0.1 million resulting primarily from earnings from operations of \$0.2 million. Wastewater cash reserves ended the year at \$2.7 million, up from the prior year balance of \$2.4 million, including \$1.2 million from the Wastewater Enterprise Fund and \$740,000 from the Wastewater Major Repair and Replacement Fund; and 3) a decrease in Water Enterprise Fund net position of (\$82,401). Water Enterprise Fund did see an increase in its cash position of \$0.2 million from \$2.5 million in 2018 to \$2.7 million in 2019.

## 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 \$13 million. Of this amount: \$0.4 million is *nonspendable* (prepaid items); none is currently *restricted*; \$2.0 has been *committed* by the City Council for working capital, hospital line of credit, and insurance reserves; \$3.5 has been *assigned* by the administration for payment of grant-related projects and insurance; and \$7 million is *unassigned*, and legally available for spending. These classifications of fund balance promulgated in GASB Statement No. 54, reflect efforts to create a hierarchy of fund balance to enable the reader of the financial statements to understand the extent to which fund balance reserves are available for spending. The hierarchy lists, in order, the least spendable to the most spendable fund balance; first are resources which are not available for spending (*nonspendable*), then resources which are restricted by legislation or external agencies (*restricted*), next resources which the City Council has *committed* to spend for a specific purpose by way of enabling legislation, and then resources which have been *assigned* for a specific use but don't meet the definition of *restricted* or *committed*, and finally, the *unassigned* fund balance which remains available for spending. Fund balances in the governmental funds increased by \$1.6 million, representing a net increase in the General Fund of \$1.5, and increase in other governmental funds of \$0.1 million.

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

General Fund

General Fund revenues were \$1.3 million higher than expenditures, and after adding net transfers of \$0.2 million, fund balance increased by \$1.5 million. General Fund revenues came in \$0.5 million higher than in 2018, and expenditures came in mainly unchanged.

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 2019 is \$7.0 million, equal to approximately 6 months' reserves, up from 5 months at the end of 2018. 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 \$3.5 million and \$7.0 million (based on 2019 actuals), which results in the General Fund currently being on the high end of the range of the desired level of unassigned fund balance.

Special Revenue Funds

Special revenue funds experienced a, increase in fund balance of \$45,302 in 2019, with all projects breaking even (balanced) and Bus Transportation ending with positive change in fund balance of \$45,302.

Non-Major Capital Project Funds

All capital project funds combined experienced a net increase in fund balance of \$0.1 million in 2019 with all projects maintaining a positive fund balance, as follows: Capital Acquisition Fund \$1.7 million; Flood Mitigation fund \$0.4 million; Street and Sidewalks Fund \$0.5 million; Energy Efficiency Fund \$0.2 million; Animal Shelter Fund \$0.2 million.

**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 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 \$140.8 million with \$117.6 million invested in capital assets net of related debt, leaving unrestricted net position of approximately \$20.6 million and restricted net position of \$2.6 million. Of the unrestricted net position, \$5.2 million is restricted cash (bond reserve funds, bond proceeds, etc.) not available for appropriation, and current liabilities total \$12.7 million. The most material current liability is \$6.3 million due from the Healthcare Enterprise Fund to Providence Health and Services - Washington. More specific factors influencing net position of the enterprise funds are addressed above in the discussion of the City's business-type activities.

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 \$2.5 million, reflecting an increase of \$0.6 million. However, the Motor Pool maintains outstanding loans receivable from other funds of \$0.5 million, including from the Healthcare Facilities Enterprise Fund related to the payoff of prior hospital PERS liabilities, and from the SMIC Enterprise Fund related to a loan for purchase of a 330-ton Travelift. 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 2019 is \$0.3 million.

**General Fund Budgetary Highlights**

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

- Overall, projected revenues were upward adjusted \$676,737. \$587,260 related to increased sales tax revenue (\$300,000), property tax (\$70,000), hotel/motel room tax (\$15,000) State payments on behalf of the City for PERS (\$30,000); camping fees (\$40,000); raw fish tax (\$130,000) and various general government fee adjustments (\$2,260).
- Expenditure budgets had a net increase of \$412,790. Since the City's Biennial budget is formulated two years in advance, periodic budget amendments reflect unanticipated modifications in the second year of the cycle. Major budget amendments included the following: \$192,289 for increase in health insurance premiums; \$210,309 for an additional position in Public Works, \$15,600 increase in banking fees due to an adjustment in the agreement with Wells Fargo, \$20,000 for migration to a new City website, \$25,000 for general purpose engineering services, \$17,750 for wage and compensation study, \$24,900 Police academy costs shifted from the State to municipalities, \$10,000 for Chamber sound system upgrades and \$15,900 for other general adjustments. Expenditure decreases included \$88,958 for the removal of one custodial position in Public Works, and \$30,000 for PERS DC forfeitures.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2019

City of Seward

On a budgetary basis, General Fund revenues came in \$1,928,144 or 17.7% higher than budget primarily due to taxes exceeding budget by \$983,341, intergovernmental revenues by \$471,955, investment income by \$203,551, charges for services by \$115,706, "other" revenues by \$79,493, licenses and permits by \$81,602, and fines and bails coming in under budget by \$7,504.

### General Fund Actual Highlights

General Fund revenues exceeded expenditures by \$1.3 million, and after transfers between funds were accounted for, there was a net increase in fund balance of \$1.5 million.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of December 31, 2019, the City had \$196.5 million invested in capital assets net of accumulated depreciation, representing an overall decrease of \$4.4 million from the previous year.

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

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land and improvements	5,509	5,510	30,703	30,703	36,212	36,213
Buildings	38,786	40,346	16,274	17,457	55,060	57,803
Improvements other than buildings	11,370	12,389	84,469	60,308	95,839	72,697
Machinery and equipment	918	3,040	6,453	5,053	7,371	8,093
Construction in progress	<u>153</u>	<u>4</u>	<u>1,851</u>	<u>26,074</u>	<u>2,004</u>	<u>26,078</u>
Total net capital assets	<u>56,736</u>	<u>61,289</u>	<u>139,750</u>	<u>139,595</u>	<u>196,486</u>	<u>200,884</u>

Additional information regarding the City of Seward's capital assets can be found in Footnote 4 on pages 43-45.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2019

City of Seward

### Long-term Debt

As of December 31, 2019, the City had total debt outstanding of \$43.03 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 \$25.6 million represents: revenue bonds backed by operating revenues from the harbor enterprise fund (\$4.8 million), the electric enterprise fund (\$4.7 million), and long-term care facility (\$16.1 million). The remaining debt represents water and wastewater loans (\$2.2 million), compensated absences (\$0.52 million) and net pension liabilities of \$8.8 million.

**Table 4**  
**City of Seward Outstanding Debt**  
**(in thousands)**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General obligation bonds	5,856	6,000	-	-	5,856	6,000
Revenue bonds	-	-	25,643	25,235	25,643	25,235
Loans	-	-	2,197	2,390	2,197	2,390
Compensated absences	348	405	174	150	522	555
Net pension liability	<u>6,529</u>	<u>8,017</u>	<u>2,284</u>	<u>3,157</u>	<u>8,813</u>	<u>11,174</u>
Total outstanding debt	<u>12,733</u>	<u>14,422</u>	<u>30,298</u>	<u>30,932</u>	<u>43,031</u>	<u>45,354</u>

Further detail regarding the City's long-term outstanding debt can be found on pages 47-52.

### Economic Factors and Next Year's Budget and Rates

The past few years have seen strong economic growth in Seward, driven largely by increased visitors and expansion of marine repair-related business. 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 more retail activity and aesthetic improvements to some store fronts. The harbor is bustling, and there is growing interest in 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. 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. Sustained low oil prices continue to drive down state revenues and as the legislature fails to address the structural budget deficit and spends down Alaska's budget reserves, it is highly likely that future unprecedented state budget cuts will flow downstream and adversely impact local governments. The State's credit rating continues to fall as rating agencies watch to see whether the state will address its structural budget deficit. The City of Seward has been preparing for reduced federal and state spending for a number of years, not building revenue sharing and other funding into the operating budget, opting to use those funds instead for one-time capital needs. Enterprise Funds which have historically relied on state grants for capital repairs and expansion (e.g. water storage tanks, sewer lagoons, harbor facilities, electric generators) have instituted automatic annual rate increases tied to the consumer price index to restore the health of formerly marginal business operations, and strengthen their ability to withstand reduced federal and state funding.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*For the year ended December 31, 2019*

City of Seward

The City operates on a Biennial Budget passed in November 2019 for the 2018/2019 calendar years. The budget was prepared with the expectation the City would continue to absorb significant impacts from reduced State funding for community jails, police dispatching, and lease payments for space formerly rented in City Hall. The administration and Council worked to reduce the General Fund budget by an overall 0.3% despite an increase in debt service of \$206,956 for new road improvement debt service, and including reductions in staffing costs of \$139,472. Certain positions slated for elimination were temporarily filled rather than to endure layoffs, but funding for those reinstatements came from one-time funds (i.e. paying for 330-ton Travelift annual debt for 2018 and 2019 using grant funds rather than General Fund resources), and the funding for those positions is not available long-term. Focus has been on minimizing cuts to services, limiting capital improvements to areas with significant need such as road and sidewalk repairs, asbestos mitigation and carpet replacement at City Hall, and seeking ways to be more efficient (i.e. increased the number of automated pay stations in campgrounds and parking; testing a heat-loop system to seeks ways to heat municipal buildings using seawater; automation of controls in electric, water, and sewer utility infrastructure; implemented new federally qualified health center to reduce healthcare costs). Future budgets are very likely to require reductions in force in order to balance the budget in the long-term. Focus remains on shoring up the health of enterprise funds so they are self-sustaining and able to maintain and replace their capital assets and infrastructure. The budget anticipates a leveling off of growth to preserve a level of conservatism in the budget and prepare for the adverse impacts likely to come from the State's fiscal imbalance.

The General Fund's primary source of revenue, sales tax, is budgeted to increase in 2020 by \$173,175 from 2019 actuals, totaling \$5,674,689. This is due to the higher-than-expected rise in taxable sales during the past few years, where Seward's taxable sales exceeded growth rates for all communities in the Kenai Peninsula Borough. In addition, big increases in nightly lodging activity contribute to sales tax revenue as well as bed tax revenue. While recent economic activity makes it very likely the City will reach its sales tax revenue target, given the potential impacts of State budget cuts and the City's lower levels of fund balance, a lower target will be needed in the future. Property tax revenues are budgeted to increase \$90,425 due to the increase in construction activity city-wide. Parks and recreation revenues are budgeted to increase \$31,750, based primarily on record-setting revenues in the campgrounds which may or not be sustainable given how full the campgrounds have been, and given new RV parks developing outside of the City limits.

On the General Fund cost side, expenditures were budgeted at \$11,660,454 (or \$324,420) higher than 2018 actuals. The General Fund budget was balanced largely due to switching healthcare providers resulting in significant cost savings, and revenue enhancements (increased sales, property, and bed tax due to steady increases in economic activity and tourism numbers).

Tax rates are maintained at 2018 levels after the increase in property tax rates 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 4.0% and the hotel/motel bed tax rate remains at 4.0%. The harbor tariffs include a 1.2% rate increase in 2020 and 1.2% in 2021, equal to the consumer price index for Anchorage averaged over the five previous full years. The Harbor will not contribute toward replacement of aging harbor infrastructure. SMIC will not contribute toward replacement of infrastructure, as funds are not available. It is expected that the General Fund may be called on to satisfy any SMIC deficit if they don't collect significant revenues to cover losses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*For the year ended December 31, 2019*

City of Seward

The electric tariff rates increased 1.6% in 2019 and were slated to increase by the CPI in 2020, but Council elected to freeze rates pending outcome of another rate study schedule for Fall of 2020. 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. Since then, Icicle Seafoods has completed its contract and is now on the same rates as all other Large General Service customers. The only remaining special contract is with the Sealife Center. The Electric Fund will make no contributions toward replacement of aging infrastructure, in order to shore up operating reserves.

The water tariff increased 1.2% in 2019 as funds are needed to repay \$159K annual debt on the Third Avenue Water Main upgrade. In 2020, the tariff will also increase 1.2%. The department recently completed construction of a new 600,000-gallon water storage tank and is pursuing a water storage tank refurbishment in Lowell Canyon. The tank repair job is complicated by significant mill scale and minor lead on the exterior of the tank which will result in higher than expected project costs. The Water Fund has not contributed toward replacement of aging infrastructure in a number of years, as all funds are needed to cover new debt payments.

The wastewater tariff increased rates 1.2% in 2019 and 1.2% in 2020 with rate increases critical to the financial solvency of the Fund due to the unavoidable need to incur new debt related to the replacement of the two sewage lagoons in 2019, at an annual new debt service requirement of more than \$75,000 per year. These rate levels do not address critical or high-risk wastewater capital infrastructure needs.

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.

## Basic Financial Statements - Overview

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These financial statements provide a summary 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

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, 2019</i>	Governmental Activities	Business-type Activities	Total
<b>Assets and Deferred Outflows of Resources</b>			
Cash and investments	\$ 12,574,391	27,454,716	40,029,107
Receivables, net of allowance for doubtful accounts:			
Taxes	621,141	-	621,141
Accounts	160,277	4,738,686	4,898,963
Grants, shared revenues, and loans	463,932	1,154,390	1,618,322
Accrued interest	83,911	29,677	113,588
Other	-	650,896	650,896
Prepaid items	547,209	4,251	551,460
Inventory	-	1,038,623	1,038,623
Restricted cash and investments	-	5,205,489	5,205,489
Other assets	-	69,000	69,000
Capital assets not being depreciated	5,663,331	32,554,256	38,217,587
Capital assets being depreciated, net of depreciation	51,073,121	107,195,338	158,268,459
<b>Total Assets</b>	<b>71,187,313</b>	<b>180,095,322</b>	<b>251,282,635</b>
<b>Deferred Outflows of Resources</b>			
Pension and OPEB related	970,245	235,303	1,205,548
Unamortized deferred loss on refunding	-	1,899,914	1,899,914
<b>Total Deferred Outflows of Resources</b>	<b>970,245</b>	<b>2,135,217</b>	<b>3,105,462</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 72,157,558</b>	<b>182,230,539</b>	<b>254,388,097</b>

(continued)

## City of Seward, Alaska

## Statement of Net Position

<i>December 31, 2019</i>	Governmental Activities	Business-type Activities	Total
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 620,672	1,885,552	2,506,224
Payable to Providence Health and Services - Washington	-	6,299,000	6,299,000
Due to contractual agencies	-	19,000	19,000
Accrued payroll and related liabilities	316,878	1,021,719	1,338,597
Accrued interest	61,559	404,335	465,894
Other accrued liabilities	102,886	-	102,886
Customer deposits	13,845	574,002	587,847
Unearned revenue	34,735	558,041	592,776
<b>Noncurrent Liabilities</b>			
Due within one year:			
Accrued compensated absences	88,526	48,789	137,315
Notes payable	-	196,502	196,502
Bonds payable	220,000	1,570,000	1,790,000
Due in more than one year:			
Accrued compensated absences	260,087	125,487	385,574
Notes payable	-	2,001,802	2,001,802
Bonds payable	5,636,500	24,073,187	29,709,687
Net pension and OPEB liabilities	6,529,323	2,284,846	8,814,169
<b>Total Liabilities</b>	<b>13,885,011</b>	<b>41,062,262</b>	<b>54,947,273</b>
<b>Deferred Inflows of Resources - related to pensions and OPEB</b>	<b>723,878</b>	<b>349,002</b>	<b>1,072,880</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>14,608,889</b>	<b>41,411,264</b>	<b>56,020,153</b>
<b>Net Position</b>			
Net investment in capital assets	50,879,952	117,620,556	168,500,508
Restricted for commercial passenger vessel tax	-	2,626,276	2,626,276
Unrestricted	6,668,717	20,572,443	27,241,160
<b>Total Net Position</b>	<b>57,548,669</b>	<b>140,819,275</b>	<b>198,367,944</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 72,157,558</b>	<b>182,230,539</b>	<b>254,388,097</b>

See accompanying notes to basic financial statements.

## City of Seward, Alaska

## Statement of Activities

Year Ended December 31, 2019	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 2,502,395	418,449	(11,905)	311,152	(1,784,699)	-	(1,784,699)
Public safety	3,596,487	477,448	(14,623)	-	(3,133,662)	-	(3,133,662)
Public works	1,775,480	27,373	(3,132)	-	(1,751,239)	-	(1,751,239)
Parks and recreation	1,477,450	1,032,968	(143)	-	(444,625)	-	(444,625)
Library	802,425	27,639	7,482	-	(767,304)	-	(767,304)
Clinic	1,654,018	-	1,437,563	-	(216,455)	-	(216,455)
SeaLife Center	1,398,053	-	-	283,268	(1,114,785)	-	(1,114,785)
Interest on long-term debt	225,493	-	-	-	(225,493)	-	(225,493)
<b>Total Governmental Activities</b>	<b>13,431,801</b>	<b>1,983,877</b>	<b>1,415,242</b>	<b>594,420</b>	<b>(9,438,262)</b>	<b>-</b>	<b>(9,438,262)</b>
<b>Business-type Activities</b>							
Electric	11,865,052	12,272,714	(40,198)	-	-	367,464	367,464
Water	1,474,729	1,453,343	(7,590)	-	-	(28,976)	(28,976)
Wastewater	1,071,306	1,239,669	(3,705)	-	-	164,658	164,658
Harbor	3,508,574	3,485,047	(20,684)	1,692,839	-	1,648,628	1,648,628
SMIC	1,336,436	666,303	-	1,061,666	-	391,533	391,533
Healthcare Facilities	22,540,528	24,587,000	8,000	-	-	2,054,472	2,054,472
Parking	196,181	355,565	-	-	-	159,384	159,384
<b>Total Business-type Activities</b>	<b>41,992,806</b>	<b>44,059,641</b>	<b>(64,177)</b>	<b>2,754,505</b>	<b>-</b>	<b>4,757,163</b>	<b>4,757,163</b>
<b>Total</b>	<b>\$ 55,424,607</b>	<b>46,043,518</b>	<b>1,351,065</b>	<b>3,348,925</b>	<b>(9,438,262)</b>	<b>4,757,163</b>	<b>(4,681,099)</b>
<b>General Revenues</b>							
Taxes:							
Sales taxes					5,674,689	-	5,674,689
Property taxes					1,556,874	-	1,556,874
Other taxes					591,674	-	591,674
Payment in lieu of taxes					76,694	-	76,694
Grants and entitlements not restricted to a specific purpose							
					493,631	1,154,390	1,648,021
Gain on disposal of asset					-	34,478	34,478
Investment income					234,551	765,327	999,878
<b>Transfers</b>					<b>(2,710,077)</b>	<b>2,710,077</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>5,918,036</b>	<b>4,664,272</b>	<b>10,582,308</b>
Changes in net position					(3,520,226)	9,421,435	5,901,209
<b>Net Position, beginning of year</b>					<b>61,068,895</b>	<b>131,397,840</b>	<b>192,466,735</b>
<b>Net Position, end of year</b>					<b>\$ 57,548,669</b>	<b>140,819,275</b>	<b>198,367,944</b>

See accompanying notes to basic financial statements.

## City of Seward, Alaska

Governmental Funds  
Balance Sheet

	Major Fund		Total
<i>December 31, 2019</i>	General	Nonmajor Funds	Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 9,152,115	3,073,663	12,225,778
Receivables, net of allowance for uncollectible accounts:			
Taxes	621,141	-	621,141
Accounts	160,277	-	160,277
Grants and shared revenues	76,759	387,173	463,932
Accrued interest	83,911	-	83,911
Prepaid items	439,653	107,556	547,209
Due from other funds	400,311	-	400,311
<b>Total Assets</b>	<b>\$ 10,934,167</b>	<b>3,568,392</b>	<b>14,502,559</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 415,626	205,046	620,672
Accrued payroll and related liabilities	316,878	-	316,878
Accrued liabilities	102,886	-	102,886
Deposits	13,845	-	13,845
Due to other funds	-	400,311	400,311
Unearned revenue	34,735	-	34,735
<b>Total Liabilities</b>	<b>883,970</b>	<b>605,357</b>	<b>1,489,327</b>
<b>Deferred Inflows of Resources</b>			
Delinquent property taxes	18,489	-	18,489
<b>Fund Balances</b>			
Nonspendable:			
Prepaid items	439,653	-	439,653
Committed:			
Working capital	1,500,000	-	1,500,000
Hospital line of credit	500,000	-	500,000
Assigned:			
Insurance	474,777	-	474,777
Other assignments	100,000	-	100,000
Capital projects	-	2,956,114	2,956,114
General government	-	4,771	4,771
Public works	-	2,150	2,150
Unassigned	7,017,278	-	7,017,278
<b>Total Fund Balances</b>	<b>10,031,708</b>	<b>2,963,035</b>	<b>12,994,743</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 10,934,167</b>	<b>3,568,392</b>	<b>14,502,559</b>

See accompanying notes to basic financial statements.



**City of Seward, Alaska**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Position**

*December 31, 2019*

Total fund balances for governmental funds		\$	12,994,743
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>			
Land	\$	5,509,589	
Construction in progress		153,742	
Buildings		71,675,025	
Improvements other than buildings		28,382,232	
Machinery and equipment		9,556,469	
Accumulated depreciation		<u>(58,540,605)</u>	
Total capital assets			56,736,452
<p>Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.</p>			
			18,489
<p>Deferred outflows of resources related to pensions and OPEB liabilities are not deemed available to pay current period expenditures and therefore are not reported as governmental fund assets.</p>			
			970,245
<p>Deferred inflows of resources related to pensions and OPEB liabilities are not deemed available to pay current period expenditures and therefore are not reported as governmental fund liabilities.</p>			
			(723,878)
<p>An internal service fund is used by the City to charge the cost of 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 of the Statement of Net Position.</p>			
Net position related to governmental activities	\$	-	
Plus amount reported with long-term liabilities		<u>348,613</u>	348,613
<p>Long-term liabilities are not deemed due and payable in the current period and therefore are not reported as governmental fund liabilities. These long-term liabilities consist of:</p>			
		<u>Governmental</u>	<u>Internal</u>
General obligation bonds payable	\$	(5,590,000)	-
Accrued interest on bonds		(61,559)	-
Unamortized bond premium		(266,500)	-
Accrued compensated absences		-	(348,613)
Proportionate share of the collective net pension and OPEB liabilities		<u>(6,529,323)</u>	-
Total long-term liabilities	\$	<u>(12,447,382)</u>	<u>(12,795,995)</u>
<b>Total Net Position of Governmental Activities</b>			<b>\$ <u>57,548,669</u></b>

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, 2019</i>	<u>Major Fund</u>		Total Governmental Funds
	General	Nonmajor Funds	
<b>Revenues</b>			
Taxes	\$ 7,906,241	-	7,906,241
Licenses and permits	226,052	-	226,052
Intergovernmental	1,213,515	1,963,879	3,177,394
Charges for services	3,127,545	-	3,127,545
Fines and bails	9,496	-	9,496
Investment income	234,551	-	234,551
Other revenues	97,293	71,104	168,397
<b>Total Revenues</b>	<b>12,814,693</b>	<b>2,034,983</b>	<b>14,849,676</b>
<b>Expenditures</b>			
Current:			
General government	3,710,480	157,624	3,868,104
Public safety	4,005,450	-	4,005,450
Public works	1,181,051	-	1,181,051
Parks and recreation	1,503,635	3,000	1,506,635
Library	627,727	-	627,727
Clinic	-	1,637,563	1,637,563
Debt service:			
Principal payments	210,000	-	210,000
Interest payments	244,106	-	244,106
Capital outlay	-	803,385	803,385
<b>Total Expenditures</b>	<b>11,482,449</b>	<b>2,601,572</b>	<b>14,084,021</b>
Excess of revenues over (under) expenditures	1,332,244	(566,589)	765,655
<b>Other Financing Sources (Uses)</b>			
Transfers in	2,302,351	780,926	3,083,277
Transfers out	(2,143,176)	(107,556)	(2,250,732)
<b>Total Other Financing Sources (Uses)</b>	<b>159,175</b>	<b>673,370</b>	<b>832,545</b>
<b>Change in Fund Balances</b>	<b>1,491,419</b>	<b>106,781</b>	<b>1,598,200</b>
<b>Fund Balances, beginning of year</b>	<b>8,540,289</b>	<b>2,856,254</b>	<b>11,396,543</b>
<b>Fund Balances, end of year</b>	<b>\$ 10,031,708</b>	<b>2,963,035</b>	<b>12,994,743</b>

See accompanying notes to basic financial statements.

## City of Seward, Alaska

### Reconciliation of Change in Fund Balances of Governmental Funds to Statement of Activities

Year Ended December 31, 2019

Net change in fund balances - total governmental funds \$ 1,598,200

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 (\$2,698,953) and net deletions and reclassifications (\$633,902) exceeded capital outlays (\$464,407). (2,868,448)

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

Change in accrued interest payable	\$ 2,300	
Change in the proportionate share of the unfunded net pension and OPEB liabilities	<u>1,488,612</u>	1,490,912

Changes in deferred inflows and outflows of resources are the results of timing differences in the actuarial report and adjustments to reflect employee and non-employee contributions based on the measurement date of the liability.

Change in deferred inflows and outflows of resources related to pension and OPEB liabilities	(424,581)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Neither transaction, however, has any effect on net position:

Principal repayments	210,000	
Bond premium amortization	<u>16,313</u>	226,313

Transfer of City's Motor Pool Internal Service Fund Net Positions to Business-type Activities.	<u>(3,542,622)</u>
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**Change in Net Position of Governmental Activities \$ (3,520,226)**

*See accompanying notes to basic financial statements.*

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

December 31, 2019	Major Enterprise Funds				Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric	Harbor	SMIC	Healthcare Facilities			
<b>Assets and Deferred Outflows of Resources</b>							
<b>Current Assets</b>							
Cash and investments	\$ 8,245,432	2,118,926	54,202	7,748,700	6,738,641	24,905,901	2,897,428
Receivables, net of allowance for doubtful accounts:							
Accounts	977,520	174,030	59,517	3,386,000	141,619	4,738,686	-
Accrued interest	-	-	-	-	-	-	29,677
Interfund loans	-	-	-	-	-	-	68,900
Grants and loans	-	1,154,390	-	-	-	1,154,390	-
Other	109,596	-	633	498,000	8,190	616,419	34,477
Prepaid items	4,251	-	-	-	-	4,251	-
Inventory	949,253	-	-	-	89,370	1,038,623	-
Other assets	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>10,286,052</b>	<b>3,447,346</b>	<b>114,352</b>	<b>11,632,700</b>	<b>6,977,820</b>	<b>32,458,270</b>	<b>3,030,482</b>
<b>Noncurrent Assets</b>							
Restricted cash and investments	322,824	3,489,715	-	1,392,950	-	5,205,489	-
Other assets	-	-	-	69,000	-	69,000	-
Interfund loans, net of current portion	-	-	-	-	-	-	496,368
Property, plant and equipment:							
Capital assets not being depreciated	230,951	18,239,053	12,021,821	1,851,000	211,431	32,554,256	-
Capital assets being depreciated, net of depreciation	22,519,842	19,326,029	36,287,539	12,345,026	14,865,919	105,344,355	1,850,983
<b>Total Noncurrent Assets</b>	<b>23,073,617</b>	<b>41,054,797</b>	<b>48,309,360</b>	<b>15,657,976</b>	<b>15,077,350</b>	<b>143,173,100</b>	<b>-</b>
<b>Total Assets</b>	<b>33,359,669</b>	<b>44,502,143</b>	<b>48,423,712</b>	<b>27,290,676</b>	<b>22,055,170</b>	<b>175,631,370</b>	<b>5,377,833</b>
<b>Deferred Outflows of Resources</b>							
Related to pensions and OPEB	10,818	136,306	-	-	88,179	235,303	-
Unamortized deferred loss on refunding	397,165	128,013	-	1,374,736	-	1,899,914	-
<b>Total Deferred Outflows of Resources</b>	<b>407,983</b>	<b>264,319</b>	<b>-</b>	<b>1,374,736</b>	<b>88,179</b>	<b>2,135,217</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 33,767,652</b>	<b>44,766,462</b>	<b>48,423,712</b>	<b>28,665,412</b>	<b>22,143,349</b>	<b>177,766,587</b>	<b>5,377,833</b>

(continued)

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

December 31, 2019	Major Enterprise Funds				Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric	Harbor	SMIC	Healthcare Facilities			
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>							
<b>Current Liabilities</b>							
Accounts payable	\$ 569,984	76,794	15,167	1,184,000	39,607	1,885,552	-
Payable to Providence Health and Services - Washington	-	-	-	6,299,000	-	6,299,000	-
Due to contractual agencies	-	-	-	19,000	-	19,000	-
Accrued payroll and related liabilities	48,611	44,076	-	906,000	23,032	1,021,719	-
Accrued interest	71,646	31,458	-	282,805	18,426	404,335	-
Current portion:							
Accrued compensated absences	19,108	18,394	-	-	11,287	48,789	88,526
Bonds payable	170,000	530,000	-	870,000	-	1,570,000	-
Notes payable	-	-	-	-	196,502	196,502	-
Interfund loans	-	-	-	68,900	-	68,900	-
Customer deposits	475,259	40,661	19,600	38,482	-	574,002	-
Unearned revenue	-	553,687	4,354	-	-	558,041	-
<b>Total Current Liabilities</b>	<b>1,354,608</b>	<b>1,295,070</b>	<b>39,121</b>	<b>9,668,187</b>	<b>288,854</b>	<b>12,645,840</b>	<b>88,526</b>
<b>Noncurrent Liabilities, net of current portion</b>							
Accrued compensated absences	33,653	58,139	-	-	33,695	125,487	260,087
Bonds payable, including unamortized premium	4,827,852	2,717,372	-	16,527,963	-	24,073,187	-
Notes payable	-	-	-	-	2,001,802	2,001,802	-
Net pension and OPEB liability	785,078	900,507	-	-	599,261	2,284,846	-
Interfund loans	-	-	-	496,368	-	496,368	-
<b>Total Noncurrent Liabilities</b>	<b>5,646,583</b>	<b>3,676,018</b>	<b>-</b>	<b>17,024,331</b>	<b>2,634,758</b>	<b>28,981,690</b>	<b>260,087</b>
<b>Total Liabilities</b>	<b>7,001,191</b>	<b>4,971,088</b>	<b>39,121</b>	<b>26,692,518</b>	<b>2,923,612</b>	<b>41,627,530</b>	<b>348,613</b>
<b>Deferred Inflows of Resources</b>							
Related to pensions and OPEB	186,948	96,063	-	-	65,991	349,002	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>7,188,139</b>	<b>5,067,151</b>	<b>39,121</b>	<b>26,692,518</b>	<b>2,989,603</b>	<b>41,976,532</b>	<b>348,613</b>
<b>Net Position</b>							
Net investment in capital assets	18,472,930	37,935,438	48,309,360	(1,827,201)	12,879,046	115,769,573	1,850,983
Restricted for commercial passenger vessel tax	-	2,626,276	-	-	-	2,626,276	-
Unrestricted (deficit)	8,106,583	(862,403)	75,231	3,800,095	6,274,700	17,394,206	3,178,237
<b>Total Net Position</b>	<b>26,579,513</b>	<b>39,699,311</b>	<b>48,384,591</b>	<b>1,972,894</b>	<b>19,153,746</b>	<b>135,790,055</b>	<b>5,029,220</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 33,767,652</b>	<b>44,766,462</b>	<b>48,423,712</b>	<b>28,665,412</b>	<b>22,143,349</b>	<b>5,029,220</b>	<b>5,377,833</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						5,029,220	
<b>Net Position of Business-type Activities</b>						<b>\$ 140,819,275</b>	

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, 2019	Major Enterprise Funds				Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric	Harbor	SMIC	Healthcare Facilities			
<b>Operating Revenues</b>							
Charges for services	\$ 12,161,786	3,485,047	666,303	24,587,000	3,048,577	43,948,713	-
Vehicle rental and interfund charges	-	-	-	-	-	-	717,485
<b>Total Operating Revenues</b>	<b>12,161,786</b>	<b>3,485,047</b>	<b>666,303</b>	<b>24,587,000</b>	<b>3,048,577</b>	<b>43,948,713</b>	<b>717,485</b>
<b>Operating Expenses</b>							
Salaries and employee benefits	1,240,614	890,632	167,355	14,684,000	626,520	17,609,121	360,485
Services and supplies	7,199,293	743,390	154,000	3,758,000	676,742	12,531,425	77
Administration	1,361,177	327,073	230,352	1,746,996	582,132	4,247,730	-
Depreciation	1,632,227	1,420,394	782,953	1,685,936	819,803	6,341,313	398,971
<b>Total Operating Expenses</b>	<b>11,433,311</b>	<b>3,381,489</b>	<b>1,334,660</b>	<b>21,874,932</b>	<b>2,705,197</b>	<b>40,729,589</b>	<b>759,533</b>
Income (Loss) from Operations	728,475	103,558	(668,357)	2,712,068	343,380	3,219,124	(42,048)
<b>Nonoperating Revenues (Expenses)</b>							
Intergovernmental - PERS on-behalf	(66,947)	(22,162)	-	-	(11,295)	(100,404)	-
Investment income	244,845	129,765	5,087	120,571	167,662	667,930	97,397
Salary credits - work orders	56,144	-	-	-	-	56,144	-
Supply credits - work orders	54,784	-	-	-	-	54,784	-
Gain (loss) on sale of capital assets	(216,068)	-	-	-	-	(216,068)	34,478
Interest expense	(183,872)	(119,547)	(1,776)	(665,596)	(34,310)	(1,005,101)	-
Commercial passenger vessel tax	-	1,154,390	-	-	-	1,154,390	-
Nonoperating grant revenue	-	-	-	8,000	-	8,000	-
Other revenue (expenses)	26,749	1,478	-	-	-	28,227	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(84,365)</b>	<b>1,143,924</b>	<b>3,311</b>	<b>(537,025)</b>	<b>122,057</b>	<b>647,902</b>	<b>131,875</b>
<b>Income (Loss) Before Contributions and transfers</b>	<b>644,110</b>	<b>1,247,482</b>	<b>(665,046)</b>	<b>2,175,043</b>	<b>465,437</b>	<b>3,867,026</b>	<b>89,827</b>
Capital contribution:							
Federal sources	-	1,692,839	-	-	-	1,692,839	-
State of Alaska	-	-	1,061,666	-	-	1,061,666	-
Transfers in	-	-	263,167	1,400,613	14,000	1,677,780	247,996
Transfers out	(1,309,346)	(697,886)	(134,659)	(200,000)	(255,830)	(2,597,721)	(160,600)
Change in net position	(665,236)	2,242,435	525,128	3,375,656	223,607	5,701,590	177,223
<b>Net Position, beginning of year</b>	<b>27,244,749</b>	<b>37,456,876</b>	<b>47,859,463</b>	<b>(1,402,762)</b>	<b>18,930,139</b>		<b>4,851,997</b>
<b>Net Position, end of year</b>	<b>\$ 26,579,513</b>	<b>39,699,311</b>	<b>48,384,591</b>	<b>1,972,894</b>	<b>19,153,746</b>		<b>5,029,220</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						177,223	
Transfer of City's Motor Pool Internal Service Fund Net Position from Governmental Activities.						3,542,622	
<b>Change in Net Position of Business-type Activities</b>						<b>\$ 9,421,435</b>	

See accompanying notes to basic financial statements.

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

Year Ended December 31, 2019	Major Enterprise Funds				Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric	Harbor	SMIC	Healthcare Facilities			
<b>Cash Flows from (for) Operating Activities</b>							
Receipts from customers and users	\$ 12,187,466	3,404,443	1,921,872	24,279,201	3,124,054	44,917,036	-
Payments to suppliers	(7,331,334)	(1,004,659)	(441,843)	(4,952,936)	(776,028)	(14,506,800)	(2,577)
Payments to employees	(1,664,626)	(1,042,644)	(167,355)	(14,809,000)	(716,472)	(18,400,097)	(417,648)
Payments for interfund services used	(1,223,306)	(64,000)	-	-	(457,997)	(1,745,303)	-
Receipts from vehicle rentals and interfund charges	-	-	-	-	-	-	683,008
<b>Net cash flows from (for) operating activities</b>	<b>1,968,200</b>	<b>1,293,140</b>	<b>1,312,674</b>	<b>4,517,265</b>	<b>1,173,557</b>	<b>10,264,836</b>	<b>262,783</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>							
Transfers in	-	-	263,167	1,400,613	14,000	1,677,780	247,996
Transfers out	(1,309,346)	(697,886)	(134,659)	(200,000)	(255,830)	(2,597,721)	(160,600)
Other nonoperating receipts	110,928	-	-	-	-	110,928	-
Interfund loan receipts	-	-	-	-	-	-	653,513
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(1,198,418)</b>	<b>(697,886)</b>	<b>128,508</b>	<b>1,200,613</b>	<b>(241,830)</b>	<b>(809,013)</b>	<b>740,909</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>							
Principal payments on long-term debt	(165,000)	(510,000)	-	(830,000)	(193,597)	(1,698,597)	-
Interest payments on long-term debt	(180,199)	(158,301)	(1,776)	(682,119)	(35,879)	(1,058,274)	-
Acquisition of property, plant and equipment	(214,202)	(2,271,469)	(1,080,844)	(1,232,159)	(62,241)	(4,860,915)	(564,770)
Capital contributions received	-	1,692,839	1,061,666	-	-	2,754,505	-
Proceeds from sale of capital assets	-	-	-	-	-	-	34,478
Increase (Decrease) in due to other funds	-	-	(783,063)	-	-	(783,063)	-
Interfund loan payments	-	-	(588,050)	(65,463)	-	(653,513)	-
Commercial passenger vessel tax receipts	-	1,076,671	-	-	-	1,076,671	-
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(559,401)</b>	<b>(170,260)</b>	<b>(1,392,067)</b>	<b>(2,809,741)</b>	<b>(291,717)</b>	<b>(5,223,186)</b>	<b>(530,292)</b>
<b>Cash Flows from Investing Activities</b>							
Investment income received	244,845	129,765	5,087	120,571	167,662	667,930	100,833
<b>Net increase in cash and investments</b>	<b>455,226</b>	<b>554,759</b>	<b>54,202</b>	<b>3,028,708</b>	<b>807,672</b>	<b>4,900,567</b>	<b>574,233</b>
<b>Cash and Investments, beginning of year</b>	<b>8,113,030</b>	<b>5,053,882</b>	<b>-</b>	<b>6,112,942</b>	<b>5,930,969</b>	<b>25,210,823</b>	<b>2,323,195</b>
<b>Cash and Investments, end of year</b>	<b>\$ 8,568,256</b>	<b>5,608,641</b>	<b>54,202</b>	<b>9,141,650</b>	<b>6,738,641</b>	<b>30,111,390</b>	<b>2,897,428</b>
<b>Reconciliation of cash and investments to the Statement of Net Position:</b>							
Current assets	\$ 8,245,432	2,118,926	54,202	7,748,700	6,738,641	24,905,901	2,897,428
Noncurrent assets	322,824	3,489,715	-	1,392,950	-	5,205,489	-
<b>Total cash and investments</b>	<b>\$ 8,568,256</b>	<b>5,608,641</b>	<b>54,202</b>	<b>9,141,650</b>	<b>6,738,641</b>	<b>30,111,390</b>	<b>2,897,428</b>

(continued)

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

Year Ended December 31, 2019	Major Enterprise Funds				Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric	Harbor	SMIC	Healthcare Facilities			
Reconciliation of earnings (loss) from operations to net cash flows from (for) operating activities:							
Income (loss) from operations	\$ 728,475	103,558	(668,357)	2,712,068	343,380	3,219,124	(42,048)
Adjustments to reconcile earnings (loss) from operations to net cash flow from (for) operating activities:							
Depreciation	1,632,227	1,420,394	782,953	1,685,936	819,803	6,341,313	398,971
Other nonoperating revenues (expenses)	26,749	1,478	-	8,000	-	36,227	-
Noncash expense - PERS on-behalf	(66,947)	(22,162)	-	-	(11,295)	(100,404)	-
Increase (decrease) in allowance for doubtful account	-	10,820	-	635,000	-	645,820	-
(Increase) decrease in assets and deferred outflows of resources:							
Receivables	(226,403)	(79,786)	1,251,999	(945,000)	75,477	76,287	(34,477)
Prepaid expenses	-	-	-	-	-	-	-
Inventory	238,142	-	-	-	3,781	241,923	-
Other assets	-	-	-	2,005,060	-	2,005,060	-
Deferred outflows of resources - pension and OPEB	136,808	55,452	-	-	31,687	223,947	-
Increase (decrease) in liabilities and deferred inflows of resources:							
Accounts payable	(232,312)	1,804	(57,491)	(487,000)	21,068	(753,931)	(2,500)
Other payables	-	-	-	(966,000)	-	(966,000)	-
Accrued payroll and related liabilities	13,152	16,584	-	(125,000)	5,550	(89,714)	(57,163)
Accrued compensated absences	11,298	8,203	-	-	4,159	23,660	-
Customer deposits	225,334	(31,348)	3,600	(5,799)	-	191,787	-
Unearned revenue	-	18,232	(30)	-	-	18,202	-
Net pension and OPEB liabilities	(533,752)	(216,342)	-	-	(123,626)	(873,720)	-
Deferred inflows of resources - pension and OPEB	15,429	6,253	-	-	3,573	25,255	-
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 1,968,200</b>	<b>1,293,140</b>	<b>1,312,674</b>	<b>4,517,265</b>	<b>1,173,557</b>	<b>10,264,836</b>	<b>262,783</b>

See accompanying notes to basic financial statements.



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

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<i>December 31, 2019</i>	Teen Council Agency Fund
<hr/>	
<b>Current Assets</b>	
Cash and investments	\$ 36,365
Other assets	150
<hr/>	
<b>Total assets</b>	<b>36,515</b>
<hr/>	
<b>Current Liabilities</b>	
Accounts payable	224
Other accrued liabilities	16,765
Due to Teen Council	19,526
<hr/>	
<b>Total liabilities</b>	<b>\$ 36,515</b>
<hr/>	

## 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.

Notes to Basic Financial Statements, Continued

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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, Continued

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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 of the enterprise funds and compensated absences of the governmental funds. The Motor Pool Internal Service Fund reports revenues charged to the enterprise 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 of resources, liabilities, and deferred inflows of resources 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.

***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."

Notes to Basic Financial Statements, Continued

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**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.

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.

Notes to Basic Financial Statements, Continued

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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.

***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, 2019. Outstanding purchase orders, if any, at December 31, are cancelled and new ones are issued in the subsequent year.

***Unearned 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.



***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 Fund employees participate in the International Brotherhood of Electrical Workers (IBEW) Defined Benefit Pension 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.

## 2. Stewardship, Compliance, and Accountability

### *Budgetary Information*

An operating budget is adopted annually 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, 2019, expenditures exceeded appropriations in the following General Fund departments:

Mayor and council	\$ 99,346
City manager	228,114
City clerk	30,587
Management information systems	33,569
Community development	143,412
General services	46,290
Contributions to organizations	15,431
Police	166,368
Animal Control	16,287
Fire	27,133
Emergency preparedness	9,482
Building inspection	12,872
City shop	48,292

Transfers out in the General Fund exceeded the budget by \$764,109.

### *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."

#### *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, 2019:

	Government-Wide Statement of Net Position	Fiduciary Fund Statement of Fiduciary Assets and Liabilities	Totals
Cash and investments	\$ 40,029,107	\$ 36,365	\$ 40,065,472
Restricted cash and investments	5,205,489	-	5,205,489
<b>Total Cash and Investments</b>	<b>\$ 45,234,596</b>	<b>\$ 36,365</b>	<b>\$ 45,270,961</b>

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

As of December 31, 2019, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1 year	1 to 5 years	Over 5 years
Certificates of deposit	\$ 11,666,291	2,726,599	8,939,692	-
U.S. treasury securities (SLGS)	248,518	-	248,518	-
U.S. government bonds	10,253,677	3,121,466	7,132,211	-
Pooled investments / AMLIP	14,702,513	14,702,513	-	-
<b>Total Investments</b>	<b>36,870,999</b>	<b>20,550,578</b>	<b>16,320,421</b>	<b>-</b>

In addition to the investments listed above, the City also had cash and cash equivalents of \$8,399,962, which includes restricted cash of \$5,205,489.

**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's investments that are classified as Level 2 are valued using third party pricing models provided by brokerages. The City has the following recurring fair value measurements as of December 31, 2019:

	Total	Level 1	Level 2	Level 3
<b>Investments by fair value level:</b>				
U.S. treasury securities (SLGS)	\$ 248,518	-	248,518	-
U.S. government bonds	10,253,677	-	10,253,677	-
<b>Total investments at fair value</b>	<b>10,502,195</b>	<b>-</b>	<b>10,502,195</b>	<b>-</b>

**Investments measure at net asset value:**

Pooled investments / AMLIP	14,702,513
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**Investments measure at amortized cost:**

Certificates of deposit	11,666,291
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<b>Total Investments</b>	<b>\$ 36,870,999</b>
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City of Seward, Alaska

Notes to Basic Financial Statements, Continued

*Restricted Cash and Investments*

The City maintains bond redemption and reserve accounts as required by bond covenants. The balances at December 31, 2019 are as follows:

Harbor Enterprise Fund	\$ 690,198
Healthcare Enterprise Facilities Fund	1,392,950
Electric Enterprise Fund	322,824
<b>Total Restricted for Bond Retirement</b>	<b>\$ 2,405,972</b>

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	\$ 2,799,517
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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.

*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 28% of the total portfolio is invested in securities issued by federal agencies.

*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.

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City of Seward, Alaska

Notes to Basic Financial Statements, Continued

4. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

Governmental Activities	Balance January 1, 2019	Additions and Reclassifications	Deletions and Reclassifications	Transfers In (Out)	Balance December 31, 2019
Capital assets not being depreciated:					
Land and land improvements	\$ 5,509,589	-	-	-	5,509,589
Construction in progress	4,140	153,742	4,140	-	153,742
Total assets not being depreciated	5,513,729	153,742	4,140	-	5,663,331
Capital assets being depreciated:					
Buildings	71,531,835	143,190	-	-	71,675,025
Improvements other than buildings	28,763,800	49,825	431,393	-	28,382,232
Machinery and equipment	16,824,847	121,790	219,470	(7,170,698)	9,556,469
Total assets being depreciated	117,120,482	314,805	650,863	(7,170,698)	109,613,726
Less accumulated depreciation for:					
Buildings	31,185,277	1,751,031	(46,754)	-	32,889,554
Improvements other than buildings	16,374,207	646,229	1,362	-	17,019,074
Machinery and equipment	13,784,643	301,693	62,353	(5,485,514)	8,538,469
Total accumulated depreciation	61,344,127	2,698,953	16,961	(5,485,514)	58,540,605
Total capital assets being depreciated	55,776,355	(2,384,148)	633,902	(1,685,184)	51,073,121
Governmental Activities Capital Assets, net	\$ 61,290,084	(2,230,406)	(638,042)	(1,685,184)	56,736,452

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City of Seward, Alaska

Notes to Basic Financial Statements, Continued

The transferred balances are \$7,170,698 and \$5,485,514 of machinery and equipment and accumulated depreciation, respectively, related to the Motor Pool Internal Service Fund which were transferred to the Business-type Activities in 2019.

Business-type Activities	Balance January 1, 2019	Additions and Reclassifications	Deletions and Reclassifications	Transfers In (Out)	Balance December 31, 2019
Capital assets not being depreciated:					
Land and land improvements	\$ 30,703,256	-	-	-	30,703,256
Construction in progress	26,074,892	4,535,085	28,758,977	-	1,851,000
Total assets not being depreciated	56,778,148	4,535,085	28,758,977	-	32,554,256
Capital assets being depreciated:					
Buildings	37,189,092	12,275	-	-	37,201,367
Infrastructure	22,814,166	28,371,061	-	-	51,185,227
Improvements other than buildings	139,922,578	140,743	-	-	140,063,321
Machinery and equipment	19,550,928	1,125,497	216,068	7,170,698	27,631,055
Total assets being depreciated	219,476,764	29,649,576	216,068	7,170,698	256,080,970
Less accumulated depreciation for:					
Buildings	19,732,790	1,194,595	-	-	20,927,385
Infrastructure	2,997,781	1,006,896	-	-	4,004,677
Improvements other than buildings	99,431,871	3,343,225	-	-	102,775,096
Machinery and equipment	14,497,393	1,195,567	-	5,485,514	21,178,474
Total accumulated depreciation	136,659,835	6,740,283	-	5,485,514	148,885,632
Total capital assets being depreciated	82,816,929	22,909,293	216,068	1,685,184	107,195,338
Business-type Activities Capital					
Assets, net	\$ 139,595,077	27,444,378	28,975,045	1,685,184	139,749,594

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City of Seward, Alaska

Notes to Basic Financial Statements, Continued

Depreciation for the year ended December 31, 2019 was charged to the functions as follows:

	Depreciation Excluding Internal Service Fund	Internal Service Fund Allocation	Total Depreciation
<b>Governmental Activities</b>			
General government	\$ 70,444	-	70,444
Public safety	161,524	-	161,524
Public works	716,685	-	716,685
Parks and recreation	93,364	-	93,364
Library	242,428	-	242,428
Clinic	16,455	-	16,455
SeaLife Center	1,398,053	-	1,398,053
<b>Total Governmental Activities</b>	<b>\$ 2,698,953</b>	<b>-</b>	<b>2,698,953</b>
<b>Business-type Activities</b>			
Electric	\$ 1,632,227	301,741	1,933,968
Water	423,612	5,586	429,198
Wastewater	366,266	5,586	371,852
Harbor	1,420,394	71,536	1,491,930
SMIC	782,953	-	782,953
Parking	29,925	14,522	44,447
Healthcare facilities	1,685,936	-	1,685,936
<b>Total Business-type Activities</b>	<b>\$ 6,341,313</b>	<b>398,971</b>	<b>6,740,284</b>

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City of Seward, Alaska

Notes to Basic Financial Statements, Continued

**5. Interfund Receivables, Payables and Transfers**

A schedule of interfund balances and transfers as of and for the year ended December 31, 2019, 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 nonmajor governmental funds	\$ 400,311
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***Transfers***

From General Fund to:	
SMIC Enterprise Fund	\$ 102,567
Healthcare Facilities Enterprise Fund	1,400,613
Nonmajor Enterprise Funds	14,000
Motor Pool Internal Service Fund	247,996
Nonmajor Governmental Fund	378,000

<b>Total transfers from General Fund</b>	<b>2,143,176</b>
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From Harbor Enterprise Fund to General Fund	494,960
From Harbor Enterprise Fund to Nonmajor Governmental Funds	202,926
From Healthcare Facilities Enterprise Fund to Nonmajor Governmental Funds	200,000
From SMIC Enterprise Fund to General Fund	134,659
From Electric Enterprise Fund to General Fund	1,309,346
From Nonmajor Enterprise Funds to General Fund	255,830
From Nonmajor Governmental Funds to General Fund	107,556
From Motor Pool Internal Service Fund to SMIC Enterprise Fund	160,600

<b>Total Transfers to Other Funds</b>	<b>\$ 2,865,877</b>
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The City has one outstanding interfund loan.

In 2006, the Motor Pool Internal Service Fund and the Electric Enterprise 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 pension liability. Repayment is scheduled over twenty years bearing interest at 5.25%. In 2016, the Electric Enterprise Fund portion of the loan was retired. At December 31, 2019 the outstanding balance of the loan is \$565,268 of which \$68,900 is presented as current.

In 2014, the Motor Pool Fund loaned \$1,029,087 to the SMIC Enterprise Fund for the purpose of purchasing a 330- ton Boat Lift. The loan was 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. This loan was fully repaid during 2019.

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

**6. Long-term Liabilities**

The following is a summary of long-term liability transactions of the City for the year ended December 31, 2019:

Governmental Activities	Balance at January 1, 2019	Additions	Retirements	Balance at December 31, 2019	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 July 1, 2036	\$ 3,005,000	-	110,000	2,895,000	115,000
\$2,890,000 2018 General Obligation bonds, due in annual installments of \$100,000 to \$240,000, plus interest at 2.0% to 5.0% through May1, 2037	2,795,000	-	100,000	2,695,000	105,000
Accrued compensated absences	405,776	360,485	417,648	348,613	88,526
<b>Total Governmental Activities Long-term Liabilities</b>	<b>\$ 6,205,776</b>	<b>360,485</b>	<b>627,648</b>	<b>5,938,613</b>	<b>308,526</b>
Plus unamortized bond premium				266,500	
				<u>\$ 6,205,113</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, Continued

Business-type Activities	Balance at January 1, 2019	Additions	Retirements	Balance at December 31, 2019	Due Within One Year
Revenue bonds:					
\$17,135,000 refunding long-term care facility bonds, due in annual installments of \$870,000 to \$1,405,000, plus interest at 2.0% to 5.0% through August 1, 2033	\$ 16,910,000	-	830,000	16,080,000	870,000
\$5,045,000 refunding electric revenue bonds, due in annual installments of \$165,000 to \$330,000, plus interest at 2.0% to 5.0%, through August 1, 2038	4,900,000	-	165,000	4,735,000	170,000
\$1,055,000 refunding harbor revenue bonds, due in annual installments of \$200,000 to \$230,000, plus interest at 4.0%, through December 1, 2021	655,000	-	210,000	445,000	215,000
\$830,000 2014 A refunding harbor revenue bonds, due in annual installments of \$65,000 to \$100,000, plus interest at 5.0%, through April 1, 2025	620,000	-	75,000	545,000	80,000
\$2,575,000 2014 B refunding harbor revenue bonds, due in annual installments of \$210,000 to \$320,000, plus interest at 3.0% to 5.0%, through April 1, 2026	2,150,000	-	225,000	1,925,000	235,000
Notes payable:					
\$678,740 sewer note payable to State of Alaska Department of Environmental Conservation, due in annual installments of \$36,688 including interest at 1.5% through September 1, 2035	544,770	-	28,517	516,253	28,945

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

Business-type Activities	Balance at January 1, 2019	Additions	Retirements	Balance at December 31, 2019	Due Within One Year
Notes payable, continued:					
\$620,047 sewer note payable to State of Alaska Department of Environmental Conservation, due in annual installments of \$35,944 including interest at 1.5% through September 11, 2035	\$ 535,833	-	27,905	507,928	28,325
\$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	1,311,298	-	137,175	1,174,123	139,232
Accrued compensated absences	150,616	194,286	170,626	174,276	48,789
Total Business-type Activities					
Long-term Liabilities	\$ 27,777,517	194,286	1,869,223	26,102,580	1,815,291
Plus unamortized bond premium				1,913,187	
				<u>\$ 28,015,767</u>	

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City of Seward, Alaska

Notes to Basic Financial Statements, Continued

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

<i>General Obligation Bonds</i> Year Ending December 31,	<b>Governmental Activities</b>		
	Principal	Interest	Total
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	265,000	188,394	453,394
2025-2029	1,500,000	761,726	2,261,726
2030-2034	1,835,000	419,097	2,254,097
2035-2038	1,045,000	63,082	1,108,082
	<b>\$ 5,590,000</b>	<b>2,301,873</b>	<b>7,891,873</b>

<i>Revenue Bonds</i> Year Ending December 31,	<b>Business-type Activities</b>		
	Principal	Interest	Total
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	1,635,000	604,806	2,239,806
2025-2029	7,795,000	1,984,281	9,779,281
2030-2034	6,775,000	748,588	7,523,588
2035-2038	1,245,000	108,688	1,353,688
	<b>\$ 23,730,000</b>	<b>6,639,837</b>	<b>30,369,837</b>

<i>Notes Payable</i> Year Ending December 31,	<b>Business- type Activities</b>		
	Principal	Interest	Total
2020	\$ 196,502	32,975	229,477
2021	199,449	30,027	229,476
2022	202,441	27,036	229,477
2023	205,477	23,999	229,476
2024	208,560	20,917	229,477
2025-2029	774,635	59,059	833,694
2030-2034	342,439	20,725	363,164
2035-2038	68,801	1,032	69,833
	<b>\$ 2,198,304</b>	<b>215,770</b>	<b>2,414,074</b>

## 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 \$6,488,475. Principal and interest paid for the current year and total customer net revenues were \$345,199 and \$2,743,224, 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 2026. The total principal and interest remaining to be paid on the bonds is \$3,395,900. Principal and interest paid for the current year and total customer net revenues were \$668,301 and \$1,655,195, 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 \$20,485,463. Principal and interest paid for the current year and total customer net revenues were \$1,512,119 and \$4,518,575, respectively.

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City of Seward, Alaska

Notes to Basic Financial Statements, Continued

**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 2019. The bond coverage calculations are as follows:

***Electric Revenue Bonds***

Total revenues, excluding grants	\$ 12,544,308
Total operating expenses, excluding depreciation	(9,801,084)

<b>Available for Debt Service</b>	<b>\$ 2,743,224</b>
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Debt service payments:	
Principal	\$ 165,000
Interest	180,199

<b>Total Debt Service Payments</b>	<b>\$ 345,199</b>
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<b>Debt Coverage</b>	<b>7.95</b>
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***Harbor Revenue Bonds***

Total revenues, excluding grants	\$ 3,616,290
Total operating expenses, excluding depreciation	(1,961,095)

<b>Available for Debt Service</b>	<b>\$ 1,655,195</b>
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Debt service payments:	
Principal	\$ 510,000
Interest	158,301

<b>Total Debt Service Payments</b>	<b>\$ 668,301</b>
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<b>Debt Coverage</b>	<b>2.48</b>
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Notes to Basic Financial Statements, Continued

**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
<b>Nonpendable:</b>			
Prepaid items	\$ 439,653	-	439,653
<b>Committed:</b>			
Working capital	1,500,000	-	1,500,000
Hospital line of credit	500,000	-	500,000
Total committed	2,000,000	-	2,000,000
<b>Assigned:</b>			
Insurance	474,777	-	474,777
Other assignments	100,000	-	100,000
Capital projects	-	2,956,114	2,956,114
General government	-	4,771	4,771
Public works	-	2,150	2,150
Total assigned	574,777	2,963,035	3,537,812
Unassigned	7,017,278	-	7,017,278
Total Fund Balances	\$ 10,031,708	2,963,035	12,994,743

**9. Employee Retirement Systems and Plans**

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

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

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee.

Notes to Basic Financial Statements, Continued

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

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

Plan Name	Type of Plan
Defined Benefit Pension Plan (DB)	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan (DC)	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (OPEB):	
Occupational Death and Disability Plan	Defined Benefit OPEB
Alaska Retiree Healthcare Trust Plan	Defined Benefit OPEB
Retiree Medical Plan	Defined Benefit OPEB
Defined Contribution Other Postemployment Benefits (DC):	
Healthcare Reimbursement Arrangement Plan	Cost-sharing, Defined Contribution OPEB

**Other Postemployment Benefit Plans (OPEB)**

*Occupational Death and Disability Plan (ODD)*

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. For the year ended December 31, 2019 the employer contribution rate is 0.72% for peace officers/firefighters and 0.26% for all others.

Membership in the plan consisted of the following at June 30, 2019 (latest available report):

Membership	PERS
Active plan members	22,311
Participating employers	154

Notes to Basic Financial Statements, Continued

*Alaska Retiree Healthcare Trust Plan (ARHCT)*

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF). For the year ended June 30, 2019 (latest available information) employer contributions were 4.88% of annual payroll. Membership in the plan consisted of the following at June 30, 2019 (latest report available):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	36,059
Inactive plan members entitled to but not yet receiving benefits	7,361
Inactive plan members not entitled to benefits	10,808
Active plan members	12,316
Total plan membership	66,544

*Retiree Medical Plan (RMP)*

The retiree medical plan provides major medical coverage to retirees of the DC plan. The plan is self-insured. Members are not eligible to use this plan until they have at least 10 years of service and are Medicare age eligible. For the year ended December 31, 2019 employer contributions were 1.32%. Membership in the plan consists of the following at June 30, 2019 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	34
Inactive plan members entitled to but not yet receiving benefits	1,412
Inactive plan members not entitled to benefits	13,24
Active plan members	22,311
Total plan membership	37,005

*Healthcare Reimbursement Arrangement Plan*

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. Employer contributions are 3% of the average annual compensation of all employees in the plan. Membership in the plan consists of the following at June 30, 2019 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	40
Inactive plan members entitled to but not yet receiving benefits	1,412
Inactive plan members not entitled to benefits	13,248
Active plan members	22,311
Total plan membership	37,011

Notes to Basic Financial Statements, Continued

**Investments**

The Board is the investment oversight authority of the system’s investments. As the fiduciary, the Board has the statutory authority to invest the assets under the Prudent Investor Rule. Fiduciary responsibility for the Board’s invested assets is pursuant to AS 37.10.210.390.

State of Alaska Department of Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the DC Participant-directed Pension plans under the Board’s fiduciary responsibility.

**Rate of Return**

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual weighted rate of return, net of investment expense, for the year ended June 30, 2019 (latest available report) for the DB Plan for PERS is 5.88%, for the ARHCT plan is 6.03%, for the ODD Plan is 6.22%, and for the RMP is 6.21%.

For additional information on securities lending, interest rates, credit risks, foreign exchange, derivatives, fair value, and counterparty credit risks, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Plans at:

<http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx>.

The long-term expected rate of return on pension and OPEB plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below for the PERS plan:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	8.16%
Global Equity (non-U.S.)	7.51%
Intermediate Treasuries	1.58%
Opportunistic	3.96%
Real Assets	4.76%
Private Equity	11.39%
Cash Equivalents	0.83%

Notes to Basic Financial Statements, Continued

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*Discount Rate:* The discount rate used to measure the total pension and OPEB liabilities is 7.38%, which represents a decrease of 0.62% since the prior measurement period. The projection of the cash flows used to determine the discount rate assumes that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the net pension and OPEB plans fiduciary net pension and OPEB liabilities were 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 and OPEB plan investments were applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities. In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefits not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 2.79% as of June 30, 2019.

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

*Employer Effective Rate:* This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to the salary floor, and other termination costs as described below. This rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined benefit plan.

*ARM Board Adopted Rate:* This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

*On-behalf Contribution Rate:* This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

*GASB Rate:* This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board (GASB)*. Medicare Part D subsidies are not reflected in this rate. The rate uses a 7.38% discount rate.

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

Employer Contribution rates for the year ended December 31, 2019 are as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
PERS:			
Pension	15.72%	23.73%	6.62%
OPEB	6.28%	4.89%	0%
Total PERS contribution rates	<u>22.00%</u>	<u>28.62%</u>	<u>6.62%</u>

*Termination Costs.* If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group, or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City’s one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2020 the past service rate for PERS is 17.44%.

*Actuarial Assumptions:* The total pension and OPEB liabilities on June 30, 2019 (latest available) was determined by an actuarial valuation as of June 30, 2018 which was rolled forward to the measurement date June 30, 2019. These actuarial assumptions were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017.

Investment return / discount rate	7.38% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation - 2.5% per year Productivity - 0.25% per year
Payroll growth	2.75% per year (inflation + productivity)
Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 2.5% annually.
Mortality (Pre-termination)	Based upon 2013-2017 actual mortality experience, 100% (male and female) of RP-2014 healthy annuitant table with MP-2017 generational improvement.

Notes to Basic Financial Statements, Continued

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Mortality (Post-termination)	Mortality rates based upon the 2013-2017 actual experience. 91% of male and 96% of female rates of RP-2014 health annuitant table with MP-2017 generational improvement.
Total turnover	Based upon the 2013-2017 actual withdrawal experience.
Disability	Incidence rates based on 2013-2017 actual experience. Post-disability mortality in accordance with the RP-2014 disability table with MP-2017 generational improvement. Disabilities are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for others.
Retirement	Retirement rates based upon the 2013-2017 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date.
Marriage and age difference	Males are assumed to be three years older than their wives. Females are assumed to be two years younger than their husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.
Healthcare cost trend rates	Pre-65 medical: 7.5% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drugs: 8.5% grading down to 4.5% EGWP: 8.5% grading down to 4.5%.

As a result of this experience study, the Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience. In addition to the changes in assumptions resulting from the experience study, the following assumption changes related to the ARHCT plan have been made since the prior valuation:

1. Based on recent experience, the healthcare cost trend assumptions were updated.
2. Per capita claims costs were updated to reflect recent experience.
3. Healthcare cost trends were updated to reflect a Cadillac Tax load.

Notes to Basic Financial Statements, Continued

The changes of assumptions from the latest experience study created substantial deferred outflows of resources attributable to the City, as well as an OPEB benefit recognized by the City for the State's proportionate share of OPEB plan expense attributable to the City. In some instances the reduction of revenues and expenses reported for the State's proportionate share of OPEB plan expense attributable to the city creates a net negative Pension/OPEB expense (net pension/OPEB benefit) which results in negative operating grants and contributions for certain functions reported on the Statement of Activities.

**Alaska Public Employee Retirement System (PERS) - Defined Benefit Plan (DB)**

*Plan Description.* The City participates in the Alaska Public Employees' Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Plan was established and is administered by the State of Alaska, Department of Administration. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at: <http://doa.alaska.gov/dr/pers>.

*Pension Benefits.* All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I employees enrolled prior to July 1, 1986, with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For Tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 154 employers participating in PERS defined benefit plan, including the State of Alaska and 153 political subdivisions and public organizations.

The DB Plan's membership consisted of the following at June 30, 2019 (latest available report):

Inactive plan members or beneficiaries currently receiving benefits	36,059
Inactive plan members entitled to but not receiving benefits	7,361
Inactive members not entitled to benefits	10,808
Active plan members	<u>12,316</u>
Total DB plan membership	<u>66,544</u>

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for peace officers/firefighters members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.



Notes to Basic Financial Statements, Continued

The percentage multipliers for peace officers/firefighters are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

Post-employment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, but before July 1, 2006, and who have not reached age 60 may elect to pay for major medical benefits.

*Post Retirement Pension Adjustments.* Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient’s base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

*Funding Policy.* In April 2008 the Alaska Legislature passed legislation which statutorily capped the employer contribution, established a state funded “on-behalf” contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

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

*Employee Contribution Rate.* The City’s PERS active members are required to contribute 7.5% of their annual covered salary for peace officers/firefighters and 6.75% for all others.

Employer contributions for the year ended December 31, 2019, were:

	Pensions (DB)	Other Post-Employment Benefits (DB)	Total
\$	547,855	254,747	802,602

Notes to Basic Financial Statements, Continued

**Public Employees Retirement Plans**

For the year ended December 31, 2019 the State of Alaska contributed \$315,712 (100% pension cost) on-behalf of the City, which has been recorded in the fund financial statements under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2019 to a total of (\$134,954), to represent the pension/OPEB expense attributable to the State under the full accrual basis of accounting.

The changes of assumption from the latest experience study created substantial deferred outflows of resources attributable to the City, and an OPEB benefit recognized by the City for the State's proportionate share of OPEB plan expense attributable to the City. In some instances the reduction of revenues and expenses reported for the State's proportionate share of OPEB plan expense attributable to the City creates a net negative Pension/OPEB expense (net pension/OPEB benefit) which results in negative operating grants and contributions for certain functions reported on the Statement of Activities.

*Pension and OPEB Liabilities, Pension and OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and OPEB:* At December 31, 2019, the City reported liabilities that reflected a reduction for State pension and OPEB support provided to the City. The amount recognized by the City as its proportionate share of net pension and OPEB liabilities, the related State support, and the total portion of the net pension and OPEB liabilities that was associated with the City were as follows:

Defined Benefit:		Pension
City's proportionate share of the net pension liability	\$	8,586,970
State's proportionate share of the net pension liability		3,409,173
Total	\$	<u>11,996,143</u>
		OPEB
City's proportionate share of the ARHCT OPEB liability	\$	232,830
State's proportionate share of the ARHCT OPEB liability		92,538
Total	\$	<u>325,368</u>
City's proportionate share of the ODD OPEB liability (asset)	\$	<u>(60,055)</u>
City's proportionate share of the RMP OPEB liability	\$	<u>54,424</u>
Total City's share of net pension and OPEB liabilities	\$	<u>8,814,169</u>

\$6,529,323 of the net pension and OPEB liabilities is reported in governmental activities and \$2,284,846 is reported in business-type activities.

Liquidation of governmental activities pension and OPEB liabilities are made by the General Fund, and the business-type activities pension and OPEB liabilities are typically paid by the Electric, Harbor, Water, and Wastewater Enterprise Funds.

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

The net pension and OPEB liabilities were measured as of June 30, 2019, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation as of that date. The City's proportion of the net pension and OPEB liabilities were based on the present value of contributions for FY2021 through FY2039, as determined by projections based on the June 30, 2019 valuation.

The City's proportionate share and changes in the pension and OPEB liabilities were as follows:

	June 30, 2018 Measurement	June 30, 2019 Measurement	Change
Pension	0.1867%	0.1569%	-0.0298%
OPEB:			
ARHCT	0.1866%	0.1569%	-0.0297%
ODD	0.2258%	0.2477%	0.0219%
RMP	0.2258%	0.2275%	0.0017%

Based on the measurement date of June 30, 2019, the City recognized pension and OPEB expense of \$1,221,907 and (\$2,203,935) respectively, for the year ended December 31, 2019. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Benefit:		
Differences between expected and actual experience	\$ -	127,121
Changes of assumptions	262,895	-
Net difference between projected and actual earnings on pension plan investments	123,119	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	520,107
City contributions subsequent to the measurement date	270,258	-
Total	\$ <u>656,272</u>	<u>647,228</u>

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

	OPEB ARHCT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	156,457
Changes of assumptions	308,961	-
Net difference between projected and actual earnings on OPEB plan investments	-	101,954
Changes in proportion and differences between City contributions and proportionate share of contributions	76,713	139,267
City contributions subsequent to the measurement date	109,179	-
Total	\$ <u>494,853</u>	<u>397,678</u>
	OPEB ODD	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	18,724
Changes of assumptions	-	1,148
Net difference between projected and actual earnings on OPEB plan investments	-	397
Changes in proportion and differences between City contributions and proportionate share of contributions	555	2,938
City contributions subsequent to the measurement date	5,610	-
Total	\$ <u>6,165</u>	<u>23,207</u>
	OPEB RMP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	4,031
Changes of assumptions	26,343	
Net difference between projected and actual earnings on OPEB plan investments	-	601
Changes in proportion and differences between City contributions and proportionate share of contributions	560	135
City contributions subsequent to the measurement date	21,355	-
Total	\$ <u>48,258</u>	<u>4,767</u>

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

\$270,258 and \$136,144 are reported as deferred outflows of resources related to pension and OPEB resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension and OPEB liabilities in the year ended December 31, 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension and OPEB will be recognized in pension and OPEB expense as follows:

Year Ended December 31,	Pension	OPEB ARHCT	OPEB ODD	OPEB RMP
2020	\$ (247,725)	10,704	(3,516)	2,323
2021	(90,901)	(79,248)	(3,516)	2,323
2022	34,932	24,529	(2,968)	3,764
2023	42,480	32,011	(2,957)	3,738
2024	-	-	(3,140)	3,186
Thereafter	-	-	(6,555)	6,802
Total	\$ (261,214)	(12,004)	(22,652)	22,136

For the year ended December 31, 2019, the City recognized (\$407,706) and (\$142,640) of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

*Sensitivity of the Net Pension and OPEB Liabilities to Changes in the Discount Rate:* The following presents the net pension and OPEB liabilities of the plan calculated using the discount rate of 7.38%, as well as what the Plans' net pension and OPEB liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (6.38%) or 1-percentage-point higher (8.38%) than the current rate:

	1% Decrease (6.38%)	Current Rate (7.38%)	1% Increase (8.38%)
Net pension liability	\$ 11,333,294	8,586,970	6,287,014
Net OPEB ARHCT liability	\$ 1,872,826	232,830	(1,116,246)
Net OPEB ODD liability (asset)	\$ (56,966)	(60,055)	(62,552)
Net OPEB RMP liability	\$ 136,696	54,424	(7,514)

*Sensitivity of the City's proportionate share of the Net OPEB liability to changes in the healthcare cost trend rates.* The following present the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Net OPEB ARHCT liability (asset)	\$ (1,274,030)	232,830	2,071,767
Net OPEB RMP liability (asset)	\$ (16,739)	54,424	151,840

Notes to Basic Financial Statements, Continued

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

*Plan Description and Funding Requirements.* City's and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.32% for the retiree medical plan (DB), 0.26% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Additionally, there is a defined benefit unfunded liability (DBUL) amount levied against the DC plan and allocated to the DB Plan's pension and OPEB contribution.

Plan members are 100% vested with their contributions.

Members become vested in employers' contributions as follows:

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

The City contributed \$261,836 for the year ended December 31, 2019, which included forfeitures of \$40,624 which have been applied as employer contributions.

**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* (IBEW 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, 2019.

Notes to Basic Financial Statements, Continued

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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 expired on June 30, 2019 and a new agreement was completed which expires on June 30, 2022. 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, 2018 to June 30, 2019 was \$6.99 and July 1, 2019 to December 31, 2019 was \$8.46. The City's total employer contributions to the IBEW Plan for 2019 were \$113,631. 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 2019 were \$16,200 and \$250, 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.

**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.

Notes to Basic Financial Statements, Continued

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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, 2019.

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.

### **13. 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.



Notes to Basic Financial Statements, Continued

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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.

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.

#### 14. Subsequent Accounting Pronouncements

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

- GASB 84 *Fiduciary Activities*. Effective for fiscal years beginning after December 15, 2019.
- GASB 87 *Leases*. Effective for fiscal years beginning after June 15, 2021.
- GASB 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for fiscal years beginning after December 15, 2020.
- GASB 90 *Majority equity interests*. Effective for fiscal years beginning after December 15, 2019.
- GASB 91 *Conduit Debt Obligations*. Effective for fiscal years beginning after December 15, 2021.
- GASB 92 *Omnibus 2020*. This Statement has multiple effective dates which vary by topic.
- GASB 93 *Replacement of Interbank Offered Rates*. Effective for fiscal years beginning after June 15, 2021.
- GASB 94 *Public-Private and Public-Public Partnerships and Availability Payments Arrangements*. Effective for fiscal years beginning after June 15, 2022.

Notes to Basic Financial Statements, Continued

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GASB Statements No. 84 and 94 are not expected to have any significant impact on the financial statements of the City.

GASB Statement No. 87, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 89 requires interest costs incurred before the end of a construction period to be recognized as an expenditure or expense in the period in which the cost is incurred for financial statements prepared under the current financial resources measurement focus or the economic resource measurement focus.

GASB Statement No. 90 requires a majority equity interest in a legally separate entity should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. Those governments and funds should measure the majority interests at fair value. For all other holdings of majority interests in a legally separate entity, a government should report the legal separate entity as a component unit.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures

GASB Statement No. 92, the objectives of this Statement are to enhance comparability and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, addresses the fact that some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

## Required Supplementary Information

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**City of Seward, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Original and Final Budget and Actual**

<i>Year Ended December 31, 2019</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 6,922,900	6,922,900	7,906,241	983,341
Licenses and permits	144,450	144,450	226,052	81,602
Intergovernmental	741,560	741,560	1,213,515	471,955
Charges for services	3,011,839	3,011,839	3,127,545	115,706
Fines and bails	17,000	17,000	9,496	(7,504)
Investment income	31,000	31,000	234,551	203,551
Other	17,800	17,800	97,293	79,493
<b>Total Revenues</b>	<b>10,886,549</b>	<b>10,886,549</b>	<b>12,814,693</b>	<b>1,928,144</b>
<b>Expenditures</b>				
Current:				
General government	3,112,778	3,132,778	3,710,480	(577,702)
Public safety	3,822,923	3,822,923	4,005,450	(182,527)
Public works	1,196,206	1,374,525	1,181,051	193,474
Parks and recreation	1,524,660	1,524,660	1,503,635	21,025
Library	645,633	645,633	627,727	17,906
Debt service:				
Principal payments	320,784	320,784	210,000	110,784
Retirement benefits	595,045	595,045	-	595,045
Interest and other costs	244,106	244,106	244,106	-
<b>Total Expenditures</b>	<b>11,462,135</b>	<b>11,660,454</b>	<b>11,482,449</b>	<b>178,005</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(575,586)</b>	<b>(773,905)</b>	<b>1,332,244</b>	<b>2,106,149</b>
<b>Other Financing Uses</b>				
Transfers in	2,059,066	2,104,941	2,302,351	197,410
Transfers out	(1,510,675)	(1,379,067)	(2,143,176)	(764,109)
<b>Total Other Financing Sources (Uses)</b>	<b>548,391</b>	<b>725,874</b>	<b>159,175</b>	<b>(566,699)</b>
<b>Change in Fund Balance</b>	<b>\$ (27,195)</b>	<b>(48,031)</b>	<b>1,491,419</b>	<b>1,539,450</b>
<b>Fund Balance, beginning of year</b>			<b>8,540,289</b>	
<b>Fund Balance, end of year</b>			<b>\$ 10,031,708</b>	

## City of Seward, Alaska

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

## Public Employees' Retirement System (PERS)

December 31, 2019

Year	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 Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1853%	\$ 8,985,893	\$ 2,408,070	\$ 11,393,963	\$ 5,021,085	179%	63.96%
2016	0.2068%	\$ 11,558,576	\$ 1,457,718	\$ 13,016,294	\$ 4,968,887	233%	59.55%
2017	0.1565%	\$ 8,088,553	\$ 3,013,251	\$ 11,101,804	\$ 5,031,902	161%	63.37%
2018	0.1867%	\$ 9,276,595	\$ 2,687,289	\$ 11,963,884	\$ 5,141,955	180%	65.19%
2019	0.1569%	\$ 8,586,970	\$ 3,409,173	\$ 11,996,143	\$ 4,908,713	175%	63.42%

Notes to Schedule:

1. The plan measurement date is six months prior to fiscal year end for all years presented.
2. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

## City of Seward, Alaska

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

## Public Employees' Retirement System (PERS)

December 31, 2019

Year	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 Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
<b>Alaska Retiree Healthcare Trust Plan (ARHCT):</b>							
2017	0.1565%	\$ 1,321,817	\$ 492,356	\$ 1,814,173	\$ 4,902,901	26.96%	89.68%
2018	0.1866%	\$ 1,915,028	\$ 556,157	\$ 2,471,185	\$ 5,160,904	37.11%	88.12%
2019	0.1569%	\$ 232,830	\$ 92,538	\$ 325,368	\$ 4,908,713	4.74%	98.13%
<b>Occupational Death and Disability (ODD):</b>							
2017	0.2280%	\$ (32,352)	\$ -	\$ (32,352)	\$ 4,902,901	-0.66%	212.97%
2018	0.2258%	\$ (43,856)	\$ -	\$ (43,856)	\$ 5,160,904	-0.85%	270.62%
2019	0.2477%	\$ (60,055)	\$ -	\$ (60,055)	\$ 4,908,713	-1.22%	297.43%
<b>Retiree Medical Plan (RMP):</b>							
2017	0.2280%	\$ 11,890	\$ -	\$ 11,890	\$ 4,902,901	0.24%	93.98%
2018	0.2258%	\$ 28,734	\$ -	\$ 28,734	\$ 5,160,904	0.56%	88.71%
2019	0.2275%	\$ 54,424	\$ -	\$ 54,424	\$ 4,908,713	1.11%	83.17%

**Notes to Schedule:**

1. The plan measurement date is six months prior to fiscal year end for all years presented.
2. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

## City of Seward, Alaska

## Schedule of the City's Contributions (Pensions)

## Public Employees' Retirement System (PERS)

December 31, 2019

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
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%
2019	\$ 550,925	\$ (547,855)	\$ 3,070	\$ 4,838,355	11.39%

Notes to schedule

- Valuation date: June 30, 2018, which was rolled forward to June 30, 2019.
- Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

## Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal - level percentage of payroll.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, as a level of percentage of payroll.
- Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
- Inflation: 2.5% per annum.
- Salary increases: Ranges from 7.75% to 2.75% based on service for Peace Officers/Firefighters. Ranges from 6.75% to 2.75% based on age and service for all others.
- Investment rate of return: 7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.5% and a real rate of return of 4.88%.
- Retirement age: Retirement rates based upon the 2013-2017 actual experience.
- Mortality: Mortality rates based upon the 2013-2017 actual experience.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

## City of Seward Alaska

## Schedule of the City's Contributions (OPEB)

## Public Employees' Retirement System (PERS)

December 31, 2019

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>Alaska Retiree Healthcare Trust Plan (ARHCT):</b>					
2017	\$ 285,897	\$ (285,897)	\$ -	\$ 5,160,904	5.54%
2018	\$ 207,098	\$ (207,098)	\$ -	\$ 5,123,006	4.04%
2019	\$ 209,371	\$ (209,371)	\$ -	\$ 4,838,355	4.33%
<b>Occupational Death and Disability (ODD):</b>					
2017	\$ 5,285	\$ (5,285)	\$ -	\$ 5,160,904	0.10%
2018	\$ 7,742	\$ (7,742)	\$ -	\$ 5,123,006	0.15%
2019	\$ 10,726	\$ (10,726)	\$ -	\$ 4,838,355	0.22%
<b>Retiree Medical Plan (RMP):</b>					
2017	\$ 26,831	\$ (26,831)	\$ -	\$ 5,160,904	0.52%
2018	\$ 26,770	\$ (26,770)	\$ -	\$ 5,123,006	0.52%
2019	\$ 34,650	\$ (34,650)	\$ -	\$ 4,838,355	0.72%

Notes to schedule

- Valuation date: June 30, 2018, which was rolled forward to June 30, 2019.
- Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

## Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal - level percentage of payroll.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, as a level of percentage of payroll.
- Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
- Inflation: 2.5% per annum.
- Salary increases: Ranges from 7.75% to 2.75% based on service for Peace Officers/Firefighters. Ranges from 6.75% to 2.75% based on age and service for all others.
- Investment rate of return: 7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.5% and a real rate of return of 4.88%.
- Retirement age: Retirement rates based upon the 2013-2017 actual experience.
- Mortality: Mortality rates based upon the 2013-2017 actual experience.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.



## City of Seward, Alaska

## Schedule of the City's Contributions (Pensions)

## International Brotherhood of Electrical Workers (IBEW) Defined Benefit Pension Plan

December 31, 2019

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Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2010	\$ 59,231	\$ (59,231)	\$ -	\$ 649,553	9.12%
2011	\$ 65,956	\$ (65,956)	\$ -	\$ 697,056	9.46%
2012	\$ 70,686	\$ (70,686)	\$ -	\$ 661,071	10.69%
2013	\$ 88,389	\$ (88,389)	\$ -	\$ 719,381	12.29%
2014	\$ 72,669	\$ (72,669)	\$ -	\$ 806,727	9.01%
2015	\$ 81,964	\$ (81,964)	\$ -	\$ 668,257	12.27%
2016	\$ 102,429	\$ (102,429)	\$ -	\$ 752,587	13.61%
2017	\$ 129,627	\$ (129,627)	\$ -	\$ 790,348	16.40%
2018	\$ 103,547	\$ (103,547)	\$ -	\$ 958,591	10.80%
2019	\$ 113,631	\$ (113,631)	\$ -	\$ 862,937	13.17%

## Additional Supplementary Information

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## **General Fund**

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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**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**

<i>Year Ended December 31,</i>	2019		
	Final Budget	Actual	Variance
<b>Revenues</b>			
Taxes:			
Sales	\$ 5,050,000	5,674,689	624,689
Property	1,315,000	1,556,874	241,874
Hotel/motel room	500,000	591,674	91,674
Payments in lieu of taxes	56,400	76,694	20,294
Penalties and interest	1,500	6,310	4,810
<b>Total taxes</b>	<b>6,922,900</b>	<b>7,906,241</b>	<b>983,341</b>
Licenses and permits:			
Building permits	50,000	98,978	48,978
Taxi permits	1,200	1,317	117
Department of Motor Vehicles commissions	73,000	100,736	27,736
Animal control licenses	250	200	(50)
Business licenses	18,000	21,120	3,120
Miscellaneous	2,000	3,701	1,701
<b>Total licenses and permits</b>	<b>144,450</b>	<b>226,052</b>	<b>81,602</b>
Intergovernmental:			
Jail contract	350,000	368,952	18,952
Dispatch contracts	88,560	98,800	10,240
Raw fish tax	280,000	350,482	70,482
Shared fisheries business and landing tax	4,000	2,006	(1,994)
Liquor tax	19,000	20,050	1,050
Marijuana tax	-	300	300
Library grants	-	9,229	9,229
Community assistance program	-	111,593	111,593
PERS relief program	-	249,435	249,435
Other grants	-	2,668	2,668
<b>Total intergovernmental</b>	<b>741,560</b>	<b>1,213,515</b>	<b>471,955</b>
Charges for services:			
Administrative	1,944,039	1,944,039	-
Rents and leases	108,700	114,511	5,811
Copying charges	5,000	5,667	667
Work orders	4,200	2,721	(1,479)
Recreation	918,400	1,032,968	114,568
Library	31,500	27,639	(3,861)
<b>Total charges for services</b>	<b>\$ 3,011,839</b>	<b>3,127,545</b>	<b>115,706</b>

(continued)

**City of Seward, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2019		
	Final Budget	Actual	Variance
<b>Revenues, continued</b>			
Fines and bails	\$ 17,000	9,496	(7,504)
Investment income	31,000	234,551	203,551
Other revenues:			
Sale of land, equipment and gravel	-	90	90
Refuse contract	17,500	27,373	9,873
Insurance recovery	-	40,383	40,383
Other	300	29,447	29,147
Total other	17,800	97,293	79,493
<b>Total Revenues</b>	<b>10,886,549</b>	<b>12,814,693</b>	<b>1,928,144</b>
<b>Expenditures</b>			
General government:			
Mayor and Council:			
Salaries	36,797	29,524	7,273
Employee benefits	15,426	12,650	2,776
Audit	112,000	115,755	(3,755)
Legal	80,000	195,116	(115,116)
Purchased services	9,000	7,593	1,407
Supplies and maintenance	10,000	12,331	(2,331)
Legislative representation	182,000	176,508	5,492
General and administrative	58,800	48,405	10,395
Capital outlay	-	5,487	(5,487)
Total mayor and council	504,023	603,369	(99,346)
City manager:			
Salaries	194,452	248,386	(53,934)
Employee benefits	117,765	207,517	(89,752)
Legal	-	8,459	(8,459)
Purchased services	15,450	64,071	(48,621)
Supplies and maintenance	10,100	17,177	(7,077)
General and administrative	41,000	61,271	(20,271)
Total city manager	378,767	606,881	(228,114)
City clerk:			
Salaries	157,774	137,907	19,867
Employee benefits	122,608	167,137	(44,529)
Purchased services	16,500	25,594	(9,094)
Supplies and maintenance	-	139	(139)
General and administrative	14,200	10,892	3,308
Total city clerk	\$ 311,082	341,669	(30,587)

(continued)

**City of Seward, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2019		
	Final Budget	Actual	Variance
<b>Expenditures, continued</b>			
Management information systems:			
Salaries	\$ 192,131	166,285	25,846
Employee benefits	103,824	148,089	(44,265)
Purchased services	14,200	12,177	2,023
Supplies and maintenance	42,000	53,514	(11,514)
General and administrative	8,500	8,751	(251)
Capital outlay	-	5,408	(5,408)
<b>Total management information systems</b>	<b>360,655</b>	<b>394,224</b>	<b>(33,569)</b>
Finance:			
Salaries	551,016	513,131	37,885
Employee benefits	361,741	423,582	(61,841)
Purchased services	31,600	25,344	6,256
Supplies and maintenance	62,000	37,757	24,243
General and administrative	25,900	16,896	9,004
Capital outlay	3,500	-	3,500
<b>Total finance</b>	<b>1,035,757</b>	<b>1,016,710</b>	<b>19,047</b>
Community development:			
Salaries	144,874	130,473	14,401
Employee benefits	(52,853)	121,007	(173,860)
Purchased services	31,950	7,982	23,968
Supplies and maintenance	6,500	8,321	(1,821)
General and administrative	5,500	11,600	(6,100)
<b>Total community development</b>	<b>135,971</b>	<b>279,383</b>	<b>(143,412)</b>
General services:			
Purchased services	20,700	88,936	(68,236)
Supplies and maintenance	14,200	8,672	5,528
General and administrative	18,700	2,282	16,418
<b>Total general services</b>	<b>53,600</b>	<b>99,890</b>	<b>(46,290)</b>
Contributions to organizations:			
Senior Citizens	75,000	82,900	(7,900)
Chamber of Commerce	252,923	260,454	(7,531)
Boys and Girls Club	25,000	25,000	-
<b>Total contributions to organizations</b>	<b>352,923</b>	<b>368,354</b>	<b>(15,431)</b>
<b>Total general government</b>	<b>\$ 3,132,778</b>	<b>3,710,480</b>	<b>(577,702)</b>

(continued)

**City of Seward, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2019		
	Final Budget	Actual	Variance
<b>Expenditures, continued</b>			
Public safety:			
Police:			
Salaries	\$ 1,115,732	1,126,692	(10,960)
Employee benefits	836,108	1,019,276	(183,168)
Purchased services	115,300	105,765	9,535
Supplies and maintenance	59,000	54,232	4,768
General and administrative	37,000	23,543	13,457
<b>Total police</b>	<b>2,163,140</b>	<b>2,329,508</b>	<b>(166,368)</b>
Jail:			
Salaries	247,616	229,893	17,723
Employee benefits	247,495	249,627	(2,132)
Purchased services	32,200	55,350	(23,150)
Rent and lease	30,000	-	30,000
Supplies and maintenance	26,000	9,141	16,859
General and administrative	102,611	92,976	9,635
<b>Total jail</b>	<b>685,922</b>	<b>636,987</b>	<b>48,935</b>
Animal control:			
Salaries	59,992	70,156	(10,164)
Employee benefits	46,586	69,143	(22,557)
Purchased services	9,400	7,687	1,713
Supplies and maintenance	12,200	2,680	9,520
General and administrative	7,000	1,799	5,201
<b>Total animal control</b>	<b>135,178</b>	<b>151,465</b>	<b>(16,287)</b>
Fire:			
Salaries	179,055	177,129	1,926
Employee benefits	142,389	184,891	(42,502)
Purchased services	196,088	184,967	11,121
Supplies and maintenance	42,818	42,826	(8)
General and administrative	12,273	9,943	2,330
<b>Total fire</b>	<b>572,623</b>	<b>599,756</b>	<b>(27,133)</b>
Volunteer training:			
Employee benefits	4,500	3,834	666
Purchased services	24,631	25,439	(808)
Supplies and maintenance	31,543	16,708	14,835
General and administrative	46,840	53,436	(6,596)
Capital outlay	-	7,417	(7,417)
<b>Total volunteer training</b>	<b>\$ 107,514</b>	<b>106,834</b>	<b>680</b>

(continued)

**City of Seward, Alaska**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual, continued**

<i>Year Ended December 31,</i>	2019		
	Final Budget	Actual	Variance
<b>Expenditures, continued</b>			
Public safety, continued:			
Emergency preparedness:			
Purchased services	\$ 4,270	10,969	(6,699)
Supplies and maintenance	1,872	2,133	(261)
General and administrative	2,072	1,610	462
Capital outlay	-	2,984	(2,984)
<b>Total emergency preparedness</b>	<b>8,214</b>	<b>17,696</b>	<b>(9,482)</b>
Building inspection:			
Salaries	80,757	81,505	(748)
Employee benefits	54,381	71,814	(17,433)
Purchased services	6,243	4,224	2,019
Supplies and maintenance	4,732	3,835	897
General and administrative	4,219	1,826	2,393
<b>Total building inspection</b>	<b>150,332</b>	<b>163,204</b>	<b>(12,872)</b>
<b>Total public safety</b>	<b>3,822,923</b>	<b>4,005,450</b>	<b>(182,527)</b>
Public works:			
Roads and streets:			
Salaries	186,280	167,810	18,470
Employee benefits	160,413	189,191	(28,778)
Purchased services	185,000	137,383	47,617
Supplies and maintenance	161,800	124,785	37,015
General and administrative	8,450	4,286	4,164
Capital outlay	-	6,432	(6,432)
<b>Total roads and works</b>	<b>701,943</b>	<b>629,887</b>	<b>72,056</b>
City shop:			
Salaries	73,245	100,983	(27,738)
Employee benefits	58,393	84,162	(25,769)
Purchased services	68,000	62,732	5,268
Supplies and maintenance	47,300	50,555	(3,255)
General and administrative	5,000	1,798	3,202
<b>Total city shop</b>	<b>251,938</b>	<b>300,230</b>	<b>(48,292)</b>
Municipal building:			
Salaries	89,476	39,276	50,200
Employee benefits	89,568	58,675	30,893
Purchased services	209,300	134,994	74,306
Supplies and maintenance	30,600	13,732	16,868
General and administrative	1,700	117	1,583
Capital outlay	-	4,140	(4,140)
<b>Total municipal building</b>	<b>420,644</b>	<b>250,934</b>	<b>169,710</b>
<b>Total public works</b>	<b>\$ 1,374,525</b>	<b>1,181,051</b>	<b>193,474</b>

(continued)



## City of Seward, Alaska

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

Year Ended December 31,	2019		
	Final Budget	Actual	Variance
<b>Expenditures, continued</b>			
Parks and recreation:			
Salaries	\$ 558,351	554,222	4,129
Employee benefits	358,709	378,892	(20,183)
Purchased services	369,800	388,593	(18,793)
Supplies and maintenance	179,750	151,537	28,213
General and administrative	56,050	18,578	37,472
Capital outlay	2,000	11,813	(9,813)
<b>Total parks and recreation</b>	<b>1,524,660</b>	<b>1,503,635</b>	<b>21,025</b>
Library:			
Salaries	232,502	193,893	38,609
Employee benefits	165,971	185,833	(19,862)
Purchased services	167,102	166,781	321
Supplies and maintenance	62,158	73,650	(11,492)
General and administrative	17,900	7,570	10,330
<b>Total library</b>	<b>645,633</b>	<b>627,727</b>	<b>17,906</b>
Debt service:			
Principal payments	320,784	210,000	110,784
Retirement benefits	595,045	-	595,045
Interest and other costs	244,106	244,106	-
<b>Total debt service</b>	<b>1,159,935</b>	<b>454,106</b>	<b>705,829</b>
<b>Total Expenditures</b>	<b>11,660,454</b>	<b>11,482,449</b>	<b>178,005</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(773,905)</b>	<b>1,332,244</b>	<b>2,106,149</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	2,104,941	2,302,351	197,410
Transfers out	(1,379,067)	(2,143,176)	(764,109)
<b>Total Other Financing Sources (Uses)</b>	<b>725,874</b>	<b>159,175</b>	<b>(566,699)</b>
Change in fund balance	\$ <u>(48,031)</u>	1,491,419	<u>1,539,450</u>
<b>Fund Balance, beginning of year</b>		<u>8,540,289</u>	
<b>Fund Balance, end of year</b>		<u>\$ 10,031,708</u>	

## Nonmajor Governmental Funds

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### Nonmajor Special Revenue Funds

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

Litter Control (ALPAR) - To account for the cost of a City-administered litter control program.

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.

### 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.

Lowell Point Road - To account for all activities related to the construction and upkeep of the Lowell Point Road.

ASLC Seawall - To account for all activity related to the construction and upkeep of the ASLC seawall.

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

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

**City of Seward, Alaska**  
**Other Governmental Funds**  
**Combining Balance Sheet**

	Special Revenue Funds				Capital Project Funds		
	SCHC	Bus Transportation	Beachfront Erosion	Total Special Revenue Funds	Flood Mitigation	Street and Sidewalks	Energy Efficiency
<i>December 31, 2019</i>							
<b>Assets</b>							
Cash and investments	\$ -	-	2,150	2,150	400,000	502,749	132,551
Grants receivable	25,000	-	-	25,000	-	-	50,600
Prepaid expenses	-	107,556	-	107,556	-	-	-
<b>Total Assets</b>	<b>\$ 25,000</b>	<b>107,556</b>	<b>2,150</b>	<b>134,706</b>	<b>400,000</b>	<b>502,749</b>	<b>183,151</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	-	-	-	-	-	26,600
Due to other funds	25,000	102,785	-	127,785	-	-	-
<b>Total Liabilities</b>	<b>25,000</b>	<b>102,785</b>	<b>-</b>	<b>127,785</b>	<b>-</b>	<b>-</b>	<b>26,600</b>
<b>Fund Balances</b>							
Assigned:							
Capital projects	-	-	-	-	400,000	502,749	156,551
General government	-	4,771	-	4,771	-	-	-
Public works	-	-	2,150	2,150	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>4,771</b>	<b>2,150</b>	<b>6,921</b>	<b>400,000</b>	<b>502,749</b>	<b>156,551</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 25,000</b>	<b>107,556</b>	<b>2,150</b>	<b>134,706</b>	<b>400,000</b>	<b>502,749</b>	<b>183,151</b>

(continued)

**City of Seward, Alaska**  
**Other Governmental Funds**  
**Combining Balance Sheet, continued**

	Capital Project Funds				Total Capital Project Funds	Total Other Governmental Funds
	Lowell Pt. Road	ASLC Seawall	Animal Shelter	Capital Acquisition		
<i>December 31, 2019</i>						
<b>Assets</b>						
Cash and investments	\$ -	-	189,088	1,847,125	3,071,513	3,073,663
Grants receivable	66,945	244,628	-	-	362,173	387,173
Prepaid expenses	-	-	-	-	-	107,556
<b>Total Assets</b>	<b>\$ 66,945</b>	<b>244,628</b>	<b>189,088</b>	<b>1,847,125</b>	<b>3,433,686</b>	<b>3,568,392</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 28,853	10,194	4,900	134,499	205,046	205,046
Due to other funds	38,092	234,434			272,526	400,311
<b>Total Liabilities</b>	<b>66,945</b>	<b>244,628</b>	<b>4,900</b>	<b>134,499</b>	<b>477,572</b>	<b>605,357</b>
<b>Fund Balances</b>						
Assigned:						
Capital projects	-	-	184,188	1,712,626	2,956,114	2,956,114
General government	-	-	-	-	-	4,771
Public works	-	-	-	-	-	2,150
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>184,188</b>	<b>1,712,626</b>	<b>2,956,114</b>	<b>2,963,035</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 66,945</b>	<b>244,628</b>	<b>189,088</b>	<b>1,847,125</b>	<b>3,433,686</b>	<b>3,568,392</b>

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

<i>Year Ended December 31, 2019</i>	Special Revenue Funds				Total Special Revenue Funds	Capital Project Funds	
	Litter Control	SCHC	Bus Transportation	Beachfront Erosion		Flood Mitigation	Street and Sidewalks
<b>Revenues</b>							
Intergovernmental	\$ -	1,437,563	-	-	1,437,563	-	-
Local grants	3,000	-	-	-	3,000	-	-
Other	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>3,000</b>	<b>1,437,563</b>	<b>-</b>	<b>-</b>	<b>1,440,563</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>							
General Government	-	-	157,624	-	157,624	-	-
Parks and Recreation	3,000	-	-	-	3,000	-	-
Clinic	-	1,637,563	-	-	1,637,563	-	-
Capital outlay	-	-	-	-	-	-	49,825
<b>Total Expenditures</b>	<b>3,000</b>	<b>1,637,563</b>	<b>157,624</b>	<b>-</b>	<b>1,798,187</b>	<b>-</b>	<b>49,825</b>
Excess of revenues over (under) expenditures	-	(200,000)	(157,624)	-	(357,624)	-	(49,825)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	200,000	202,926	-	402,926	150,000	-
Transfers out	-	-	-	-	-	-	(107,556)
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>200,000</b>	<b>202,926</b>	<b>-</b>	<b>402,926</b>	<b>150,000</b>	<b>(107,556)</b>
Change in fund balances	-	-	45,302	-	45,302	150,000	(157,381)
<b>Fund Balances, beginning of year</b>	<b>-</b>	<b>-</b>	<b>(40,531)</b>	<b>2,150</b>	<b>(38,381)</b>	<b>250,000</b>	<b>660,130</b>
<b>Fund Balances, end of year</b>	<b>\$ -</b>	<b>-</b>	<b>4,771</b>	<b>2,150</b>	<b>6,921</b>	<b>400,000</b>	<b>502,749</b>

(continued)

**City of Seward, Alaska**  
**Other Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued**

<i>Year Ended December 31, 2019</i>	Capital Project Funds					Total Capital Project Funds	Total Other Governmental Funds
	Energy Efficiency	Lowell Pt. Road	ASLC Seawall	Animal Shelter	Capital Acquisition		
<b>Revenues</b>							
Intergovernmental	\$ 58,600	184,448	283,268	-	-	526,316	1,963,879
Local grants	-	-	-	-	-	-	3,000
Other	-	-	-	-	68,104	68,104	68,104
<b>Total Revenues</b>	58,600	184,448	283,268	-	68,104	594,420	2,034,983
<b>Expenditures</b>							
General Government	-	-	-	-	-	-	157,624
Parks and Recreation	-	-	-	-	-	-	3,000
Clinic	-	-	-	-	-	-	1,637,563
Capital outlay	59,546	184,448	283,268	11,900	214,398	803,385	803,385
<b>Total Expenditures</b>	59,546	184,448	283,268	11,900	214,398	803,385	2,601,572
Excess of revenues over (under) expenditures	(946)	-	-	(11,900)	(146,294)	(208,965)	(566,589)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	-	28,000	200,000	378,000	780,926
Transfers out	-	-	-	-	-	(107,556)	(107,556)
<b>Net Other Financing Sources (Uses)</b>	-	-	-	28,000	200,000	270,444	673,370
Change in fund balances	(946)	-	-	16,100	53,706	61,479	106,781
<b>Fund Balances, beginning of year</b>	157,497	-	-	168,088	1,658,920	2,894,635	2,856,254
<b>Fund Balances, end of year</b>	\$ 156,551	-	-	184,188	1,712,626	2,956,114	2,963,035

## Enterprise Funds and Internal Service Funds

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### Enterprise Funds

Enterprise Funds are established to account for the financing and 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.

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.

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

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.

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

### 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 accumulated cash reserves to pay compensated absences cash-outs for governmental funds.

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

<i>December 31, 2019</i>	Water	Wastewater	Parking	Total
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets</b>				
Cash and investments	\$ 2,761,859	2,739,839	1,236,943	6,738,641
Receivables				
Accounts	127,214	132,619	-	259,833
Other	-	8,020	170	8,190
Less allowance for doubtful accounts	(106,920)	(11,294)	-	(118,214)
Inventory	89,370	-	-	89,370
<b>Total Current Assets</b>	<b>2,871,523</b>	<b>2,869,184</b>	<b>1,237,113</b>	<b>6,977,820</b>
<b>Noncurrent Assets</b>				
Land	100,420	111,011	-	211,431
Property, plant and equipment, net of accumulated depreciation	9,148,748	5,571,817	145,354	14,865,919
<b>Total Assets</b>	<b>12,120,691</b>	<b>8,552,012</b>	<b>1,382,467</b>	<b>22,055,170</b>
<b>Deferred Outflows of Resources</b>				
Related to pensions and OPEB	44,262	43,917	-	88,179
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 12,164,953</b>	<b>8,595,929</b>	<b>1,382,467</b>	<b>22,143,349</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 22,224	16,990	393	39,607
Accrued payroll and related liabilities	13,468	9,564	-	23,032
Accrued interest	13,453	4,973	-	18,426
Current portion:				
Accrued compensated absences	4,342	6,945	-	11,287
Notes payable	139,232	57,270	-	196,502
<b>Total Current Liabilities</b>	<b>192,719</b>	<b>95,742</b>	<b>393</b>	<b>288,854</b>
<b>Noncurrent liabilities, net of current portion</b>				
Accrued compensated absences	11,926	21,769	-	33,695
Notes payable	1,034,891	966,911	-	2,001,802
Net pension and OPEB liabilities	310,789	288,472	-	599,261
<b>Total Noncurrent Liabilities</b>	<b>1,357,606</b>	<b>1,277,152</b>	<b>-</b>	<b>2,634,758</b>
<b>Total Liabilities</b>	<b>1,550,325</b>	<b>1,372,894</b>	<b>393</b>	<b>2,923,612</b>
<b>Deferred Inflows of Resources</b>				
Related to pensions and OPEB	38,522	27,469	-	65,991
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,588,847</b>	<b>1,400,363</b>	<b>393</b>	<b>2,989,603</b>
<b>Net Position</b>				
Net investment in capital assets	8,075,045	4,658,647	145,354	12,879,046
Unrestricted	2,501,061	2,536,919	1,236,720	6,274,700
<b>Total Net Position</b>	<b>10,576,106</b>	<b>7,195,566</b>	<b>1,382,074</b>	<b>19,153,746</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 12,164,953</b>	<b>8,595,929</b>	<b>1,382,467</b>	<b>22,143,349</b>



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

<i>Year Ended December 31, 2019</i>	Water	Wastewater	Parking	Total
<b>Operating Revenues - charges for services</b>	\$ 1,453,343	1,239,669	355,565	3,048,577
<b>Operating Expenses</b>				
Salaries and employee benefits	330,243	207,592	88,685	626,520
Purchased services	292,935	263,794	20,494	577,223
Supplies and maintenance	34,932	37,129	27,458	99,519
Administration	374,115	179,929	28,088	582,132
Depreciation	423,612	366,266	29,925	819,803
<b>Total Operating Expenses</b>	<b>1,455,837</b>	<b>1,054,710</b>	<b>194,650</b>	<b>2,705,197</b>
Earnings (loss) from operations	(2,494)	184,959	160,915	343,380
<b>Nonoperating Revenues</b>				
Intergovernmental - PERS on-behalf	(7,590)	(3,705)	-	(11,295)
Investment income	68,226	69,512	29,924	167,662
Interest expense	(18,303)	(16,007)	-	(34,310)
<b>Total Nonoperating Revenues</b>	<b>42,333</b>	<b>49,800</b>	<b>29,924</b>	<b>122,057</b>
<b>Income Before Transfers</b>	<b>39,839</b>	<b>234,759</b>	<b>190,839</b>	<b>465,437</b>
Transfers in	-	14,000	-	14,000
Transfers out	(122,240)	(105,147)	(28,443)	(255,830)
Change in net position	(82,401)	143,612	162,396	223,607
<b>Net Position, beginning of year</b>	<b>10,658,507</b>	<b>7,051,954</b>	<b>1,219,678</b>	<b>18,930,139</b>
<b>Net Position, end of year</b>	<b>\$ 10,576,106</b>	<b>7,195,566</b>	<b>1,382,074</b>	<b>19,153,746</b>

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

<i>Year Ended December 31, 2019</i>	Water	Wastewater	Parking	Total
<b>Cash Flows from (for) Operating Activities</b>				
Receipts from customers and users	\$ 1,533,393	1,227,458	363,203	3,124,054
Payments to suppliers	(413,955)	(310,396)	(51,677)	(776,028)
Payments to employees	(390,335)	(237,452)	(88,685)	(716,472)
Payments for interfund services used	(267,991)	(165,606)	(24,400)	(457,997)
<b>Net cash flows from (for) operating activities</b>	<b>461,112</b>	<b>514,004</b>	<b>198,441</b>	<b>1,173,557</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>				
Transfers in	-	14,000	-	14,000
Transfers out	(122,240)	(105,147)	(28,443)	(255,830)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(122,240)</b>	<b>(91,147)</b>	<b>(28,443)</b>	<b>(241,830)</b>
<b>Cash Flows from (for) Capital Financing Activities</b>				
Principal payments on notes payable	(137,175)	(56,422)	-	(193,597)
Interest payments on notes payable	(19,669)	(16,210)	-	(35,879)
Acquisition of property, plant and equipment	(18,441)	(43,800)	-	(62,241)
<b>Net cash flows from (for) capital financing activities</b>	<b>(175,285)</b>	<b>(116,432)</b>	<b>-</b>	<b>(291,717)</b>
<b>Cash Flows from Investing Activities</b>				
Investment income received	68,226	69,512	29,924	167,662
<b>Net increase in cash and investments</b>	<b>231,813</b>	<b>375,937</b>	<b>199,922</b>	<b>807,672</b>
<b>Cash and Investments, beginning of year</b>	<b>2,530,046</b>	<b>2,363,902</b>	<b>1,037,021</b>	<b>5,930,969</b>
<b>Cash and Investments, end of year</b>	<b>\$ 2,761,859</b>	<b>2,739,839</b>	<b>1,236,943</b>	<b>6,738,641</b>
Reconciliation of earnings (loss) from operations to net cash flows from (for) operating activities:				
Earnings (loss) from operations	\$ (2,494)	184,959	160,915	343,380
Adjustments to reconcile earnings (loss) from operations to net cash flows from (for) operating activities:				
Depreciation	423,612	366,266	29,925	819,803
Noncash State PERS relief	(7,590)	(3,705)	-	(11,295)
(Increase) decrease in assets and deferred outflows of resources:				
Receivables	80,050	(12,211)	7,638	75,477
Inventory	3,781	-	-	3,781
Deferred outflows of resources - pension and OPEB	21,308	10,379	-	31,687
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	16,255	4,850	(37)	21,068
Accrued payroll and related liabilities	7,506	(1,956)	-	5,550
Accrued compensated absences	(586)	4,745	-	4,159
Net pension and OPEB liabilities	(83,133)	(40,493)	-	(123,626)
Deferred inflows of resources - pension and OPEB	2,403	1,170	-	3,573
<b>Net cash flows from (for) operating activities</b>	<b>\$ 461,112</b>	<b>514,004</b>	<b>198,441</b>	<b>1,173,557</b>

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

<i>June 30, 2019</i>	Motor Pool	Compensated Annual Leave	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets</b>			
Cash and investments	\$ 2,548,815	348,613	2,897,428
Receivables			
Accrued interest	29,677		29,677
Other	34,477	-	34,477
Interfund loans - current portion	68,900	-	68,900
<b>Total Current Assets</b>	<b>2,681,869</b>	<b>348,613</b>	<b>3,030,482</b>
<b>Noncurrent Assets</b>			
Interfund loans, net of current portion	496,368	-	496,368
Property, plant and equipment, net			
Equipment and vehicles	7,661,631	-	7,661,631
Less accumulated depreciation	(5,810,648)	-	(5,810,648)
Net property, plant and equipment in service	1,850,983	-	1,850,983
<b>Total Noncurrent Assets</b>	<b>2,347,351</b>	<b>-</b>	<b>2,347,351</b>
<b>Total Assets</b>	<b>\$ 5,029,220</b>	<b>348,613</b>	<b>5,377,833</b>
<b>Liabilities and Net Position</b>			
<b>Current Liabilities</b>			
Accrued compensated absences - current portion	\$ -	88,526	88,526
<b>Noncurrent Liabilities</b>			
Accrued compensated absences, net of current portion	-	260,087	260,087
<b>Total Liabilities</b>	<b>-</b>	<b>348,613</b>	<b>348,613</b>
<b>Net Position</b>			
Net investment in capital assets	1,850,983	-	1,850,983
Unrestricted	3,178,237	-	3,178,237
<b>Total Net Position</b>	<b>5,029,220</b>	<b>-</b>	<b>5,029,220</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 5,029,220</b>	<b>348,613</b>	<b>5,377,833</b>

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

<i>Year Ended December 31, 2019</i>	Motor Pool	Compensated Annual Leave	Total
<b>Operating Revenues</b>			
Vehicle rental and interfund charges	\$ 357,000	360,485	717,485
<b>Operating Expenses</b>			
Salaries and employee benefits	-	360,485	360,485
Supplies and maintenance	77	-	77
Depreciation	398,971	-	398,971
<b>Total Operating Expenses</b>	<b>399,048</b>	<b>360,485</b>	<b>759,533</b>
Earnings (loss) from operations	(42,048)	-	(42,048)
<b>Nonoperating Revenues</b>			
Investment income	97,397	-	97,397
Gain on sale of equipment and vehicles	34,478	-	34,478
<b>Total Nonoperating Revenues</b>	<b>131,875</b>	<b>-</b>	<b>131,875</b>
<b>Income Before Transfers</b>	<b>89,827</b>	<b>-</b>	<b>89,827</b>
Transfers in	247,996	-	247,996
Transfers out	(160,600)	-	(160,600)
Change in net position	177,223	-	177,223
<b>Net Position, beginning of year</b>	<b>4,851,997</b>	<b>-</b>	<b>4,851,997</b>
<b>Net Position, end of year</b>	<b>\$ 5,029,220</b>	<b>-</b>	<b>5,029,220</b>

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

<i>Year Ended December 31, 2019</i>	Motor Pool	Compensated Annual Leave	Total
<b>Cash Flows from (for) Operating Activities</b>			
Receipts from vehicle rentals and interfund charges	\$ 322,523	360,485	683,008
Payments to suppliers	(2,577)	-	(2,577)
Payments to employees	-	(417,648)	(417,648)
Net cash flows from (for) operating activities	319,946	(57,163)	262,783
<b>Cash Flows from (for) Noncapital Financing Activities</b>			
Transfers in	247,996	-	247,996
Transfers out	(160,600)	-	(160,600)
Interfund loan receipts	653,513	-	653,513
Net cash flows from (for) noncapital and related financing activities	740,909	-	740,909
<b>Cash Flows from (for) Capital Financing Activities</b>			
Acquisition of equipment and vehicles	(564,770)	-	(564,770)
Proceeds from sale of equipment and vehicles	34,478	-	34,478
Net cash flows from (for) capital and related financing activities	(530,292)	-	(530,292)
<b>Cash Flows from Investing Activities</b>			
Investment income received	100,833	-	100,833
Net increase (decrease) in cash and investments	631,396	(57,163)	574,233
<b>Cash and Investments, beginning of year</b>	1,917,419	405,776	2,323,195
<b>Cash and Investments, end of year</b>	\$ 2,548,815	348,613	2,897,428
Reconciliation of earnings (loss) from operations to net cash flows from (for) operating activities:			
Income (loss) from operations	\$ (42,048)	-	(42,048)
Adjustments to reconcile earnings (loss) from operations to net cash flows from (for) operating activities:			
Depreciation	398,971	-	398,971
(Increase) decrease in assets - other accounts receivable	(34,477)	-	(34,477)
Increase (decrease) in liabilities:			
Accounts payable	(2,500)	-	(2,500)
Accrued compensated absences	-	(57,163)	(57,163)
Net cash flows from (for) operating activities	\$ 319,946	(57,163)	262,783

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

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<i>Year Ended December 31, 2019</i>	Balance at January 1, 2019	Additions	Deletions	Balance at December 31, 2019
<b>Current assets</b>				
Cash and investments	\$ 35,324	14,256	13,215	36,365
Other assets	150	-	-	150
<b>Total assets</b>	<b>\$ 35,474</b>	<b>14,256</b>	<b>13,215</b>	<b>36,515</b>
<b>Current liabilities</b>				
Accounts payable	\$ 964		740	224
Other accrued liabilities	16,765	-	-	16,765
Due to Teen Council	17,745	14,256	12,475	19,526
<b>Total liabilities</b>	<b>\$ 35,474</b>	<b>14,256</b>	<b>13,215</b>	<b>36,515</b>

City of Seward, Alaska  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2019

Federal Grantor	CFDA	Pass Through Grantor's Award Number	Program / Award Amount	Federal Expenditures
U.S. Department of Agriculture: Passed through the State of Alaska Department of Natural Resources - Cooperative Forestry Assistance	10.664	2019 VFA	\$ 2,668	2,668
U.S. Department of Interior: Passed through the State of Alaska Department of Fish and Game - Fish and Wildlife Cluster - Seward South Harbor Launch Ramp Renovation	15.605	COOP 17-068	1,725,000	1,692,839
Passed through the State of Alaska Kenai Mountain - Turnagain Arm National Heritage Area - Seward Museum Iditarod Exhibit Upgrade	15.914	None	979	979
Total Department of Interior			1,725,979	1,693,818
Institute of Museum and Library Services: Passed through the State of Alaska Department of Education and Early Development- Grants to States	45.310	CED-19-770-01	1,250	1,250
U.S. Department of Health and Human Services: Health Center Program Cluster Grants for New and Expanded Services under the Health Center Program	93.527	6H80CS26600	1,876,102	1,437,563
U.S. Department of Homeland Security: Passed through the State of Alaska Department of Military and Veterans Affairs - FEMA 2017 Storm Surge PW005 FEMA 2017 Storm Surge PW006	97.036 97.036	FEMA-DR-4369-AK FEMA-DR-4369-AK	2,751,657 232,289	138,336 212,451
Total Department of Homeland Security			2,983,946	350,787
Total Expenditures of Federal Awards			\$ 6,589,945	3,486,086
Reconciliation to Intergovernmental Revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance:				
Total Federal financial assistance per above schedule			\$ 3,486,086	
Total State financial assistance			2,333,139	
Less state cruise ship tax expenditures			(288,801)	
Federal Sports Fish Restoration recorded as a capital contribution in enterprise funds			(1,692,839)	
State SMIC Expansion including Breakwater recorded as a capital contribution in enterprise funds			(1,061,666)	
Intergovernmental contracts not included on SSFA or SEFA			467,752	
PERS supplement on-behalf recorded in the Enterprise funds prior to adjustment to match the measurement of the net pension and OPEB liabilities as required by GASB Statements 68 and 75.			(66,277)	
Total Intergovernmental Revenues in the Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit D-1).			\$ 3,177,394	

See accompanying notes to the Schedule.

**City of Seward, Alaska**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2019**

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**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of City of Seward, Alaska, under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of City of Seward, it is not intended to and does not present the basic financial statements of City of Seward.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**(3) Indirect Cost Rate**

City of Seward has elected not to use the 10% de minimis indirect cost rate allowed under the *Uniform Guidance*.

**(4) Subrecipients**

The City of Seward did not pass any federal funds through to subrecipients during the year ended December 31, 2019.



City of Seward, Alaska  
 Schedule of State Financial Assistance  
 Year Ended December 31, 2019

<u>Grantor</u>	<u>Pass Through Grantor's Award Number</u>	<u>Program / Award Amount</u>	<u>State Share of Expenditures</u>
Department of Commerce, Community and Economic Development:			
* Marine Expansion Including Breakwater	15-DC-145	\$ 5,900,000	1,061,666
Fisheries Resource Landing Tax	None	2,006	2,006
Community Assistance Program	None	111,593	111,593
Total Department of Commerce, Community and Economic Development		6,013,599	1,175,265
Alaska Energy Authority:			
Heat Pump System	7091242	725,000	58,600
Department of Administration:			
* PERS Relief	None	315,712	315,712
Department of Revenue:			
* Fisheries Business Tax	None	350,482	350,482
Liquor Licenses	None	20,050	20,050
Marijuana Licenses	None	300	300
Commercial Passenger Vessel Tax 2017	None	458,165	40,000
Passed through Kenai Peninsula Borough:			
* Commercial Passenger Vessel Tax 2016	None	458,750	238,498
Commercial Passenger Vessel Tax 2017	None	458,165	10,303
Total Department of Revenue		1,745,912	659,633
Department of Education and Early Development:			
Public Library Assistance	PLA-20-770-01	7,000	7,000
Department of Military and Veterans Affairs:			
FEMA 2017 Storm Surge PW005	FEMA-DR-4369-AK	917,219	46,112
FEMA 2017 Storm Surge PW006	FEMA-DR-4369-AK	77,429	70,817
Total Department of Military and Veterans Affairs		994,648	116,929
Total State Financial Assistance		\$ 9,801,871	2,333,139

See accompanying notes to the Schedule.

City of Seward, Alaska

Notes to the Schedule of State Financial Assistance

Year Ended December 31, 2019

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**(1) Basis of Presentation**

The accompanying Schedule of State Financial Assistance (the "Schedule") includes the state award activity of City of Seward, Alaska, under programs of the State of Alaska for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of City of Seward, it is not intended to and does not present the basic financial statements of City of Seward.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the State Single audit, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**(3) Subrecipients**

The City did not pass any state funds through to subrecipients during the year ended December 31, 2019.

**(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, 2019, the cumulative unspent vessel tax receipts were \$2,626,276. Total vessel tax funds expended in 2019 and reported on the schedule of state financial assistance were \$288,801.

**(5) PERS On-behalf**

The City has recorded \$315,712 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 2019 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.

City of Seward, Alaska

Notes to the Schedule of State Financial Assistance, Continued

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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 recognized the contributions. For the City of Seward, the PERS plan measurement period is July 1, 2018 through June 30, 2019, 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.

**(6) Major Programs**

\* denotes a major program for compliance audit purposes.

# 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)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 56,122	56,122	61,393	60,740	59,408	58,190	57,113	57,141	55,207	50,880
Restricted	-	3,730	26	26	2,442	-	-	-	-	-
Unrestricted	9,983	5,785	8,669	10,143	8,715	6,278	5,327	5,915	5,861	6,668
<b>Total Governmental Activities</b>										
<b>Net Position</b>	\$ 66,105	65,637	70,088	70,909	70,565	64,468	62,440	63,056	61,068	57,548
<b>Business-type Activities</b>										
Net investment in capital assets	\$ 67,773	68,657	65,910	70,569	82,209	91,783	108,513	111,762	113,424	117,621
Restricted	3,465	1,388	5,150	5,441	2,066	1,354	675	1,403	1,761	2,626
Unrestricted	10,290	15,649	10,944	10,892	15,516	17,582	10,576	12,969	16,213	20,572
<b>Total Business-type Activities</b>										
<b>Net Position</b>	\$ 81,528	85,694	82,004	86,902	99,791	110,719	119,764	126,134	131,398	140,819
<b>Primary Government</b>										
Net investment in capital assets	\$ 123,895	124,779	127,302	131,309	141,617	149,973	165,626	168,903	168,631	168,501
Restricted	3,465	5,118	5,176	5,467	4,508	1,354	675	1,403	1,761	2,626
Unrestricted	20,273	21,434	19,613	21,035	24,231	23,860	15,903	18,884	22,074	27,240
<b>Total Primary Government</b>										
<b>Net Position</b>	\$ 147,633	151,331	152,091	157,811	170,356	175,187	182,204	189,190	192,466	198,367

See Statement of Net Position (Exhibit A-1) of CAFR, pages 17-18.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 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	2,502,395
Public safety	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	3,596,487
Public works	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	1,775,480
Parks and recreation	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	1,477,450
Library	437,082	466,300	446,200	489,548	804,539	785,299	806,047	794,077	808,835	802,425
Clinic	-	-	-	-	1,454,476	1,682,532	1,846,150	1,660,050	1,637,780	1,654,018
Healthcare facilities	2,804,000	-	-	-	-	-	-	-	-	-
Sealife Center	731,528	51,939	965,206	848,940	1,279,570	1,457,308	1,355,558	1,465,285	1,556,943	1,398,053
Unallocated interest	1,505,248	173,993	206,778	208,840	157,984	153,950	149,966	232,290	251,372	225,493
<b>Total governmental activities expenses</b>	<b>12,901,285</b>	<b>9,249,196</b>	<b>10,691,392</b>	<b>10,447,686</b>	<b>13,415,869</b>	<b>14,415,603</b>	<b>15,401,709</b>	<b>13,389,103</b>	<b>14,320,821</b>	<b>13,431,801</b>
<b>Business-type activities:</b>										
Electric	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	11,865,052
Water	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	1,474,729
Wastewater	1,078,318	1,044,654	1,013,492	1,015,474	1,117,152	1,097,494	1,211,625	1,086,821	1,078,091	1,071,306
Harbor	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	3,508,574
Seward Marine Industrial Center	926,290	1,081,862	928,458	899,343	1,013,658	1,260,159	1,342,506	1,161,489	1,389,912	1,336,436
* 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	22,540,528
Parking	157,229	205,407	237,522	146,239	214,775	178,886	231,666	227,174	214,637	196,181
<b>Total business-type activities expenses</b>	<b>17,771,562</b>	<b>38,149,073</b>	<b>39,462,695</b>	<b>38,435,791</b>	<b>37,913,867</b>	<b>37,826,075</b>	<b>38,683,013</b>	<b>41,216,785</b>	<b>41,482,570</b>	<b>41,992,806</b>
<b>Total Primary Government Expenses</b>	<b>\$ 30,672,847</b>	<b>47,398,269</b>	<b>50,154,087</b>	<b>48,883,477</b>	<b>51,329,736</b>	<b>52,241,678</b>	<b>54,084,722</b>	<b>54,605,888</b>	<b>55,803,391</b>	<b>55,424,607</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 201,335	190,795	184,410	202,893	282,318	294,499	233,945	217,317	411,980	418,449
Public safety	682,906	740,204	809,645	897,319	937,659	817,995	614,253	576,829	589,388	477,448
Public works	168,196	40,910	36,721	30,565	20,383	22,278	27,985	32,359	25,814	27,373
Parks and recreation	608,361	620,943	609,342	653,054	663,298	778,350	913,970	914,318	960,186	1,032,968
Library	13,794	9,953	9,208	29,911	39,707	33,762	25,200	25,094	28,644	27,639
Clinic	-	-	-	-	62,306	75,085	69,134	60,000	60,000	-
* Healthcare facilities	2,569,886	-	-	-	-	-	-	-	-	-
Operating grants and contributions	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	1,415,242
Capital grants and contributions	1,709,977	3,573,497	3,442,599	23,034	819,241	621,712	1,278,997	3,101,498	584,688	594,420
<b>Total governmental activities program revenues:</b>	<b>6,574,765</b>	<b>6,304,580</b>	<b>6,129,636</b>	<b>2,839,210</b>	<b>3,973,036</b>	<b>3,800,436</b>	<b>4,565,621</b>	<b>6,027,912</b>	<b>4,079,470</b>	<b>3,993,539</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Electric	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	12,272,714
Water	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	1,453,343
Wastewater	851,416	864,740	929,514	960,591	1,016,890	1,096,290	1,151,763	1,193,276	1,244,542	1,239,669
Harbor	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	3,485,047
Seward Marine Industrial Center	296,139	413,454	414,737	391,954	469,793	593,307	608,810	531,842	1,076,575	666,303
* 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	24,587,000
Parking	192,046	268,105	293,443	312,248	293,379	318,223	328,347	330,625	352,617	355,565
Operating grants and contributions	2,674,610	401,734	154,295	170,531	472,944	113,439	91,380	85,831	297,410	(64,177)
Capital grants and contributions	1,988,430	2,291,919	1,732,343	4,125,258	14,713,420	13,559,150	12,059,662	7,254,741	5,935,187	2,754,505
<b>Total business-type activities program revenues</b>	<b>18,683,507</b>	<b>35,425,229</b>	<b>37,797,060</b>	<b>43,398,229</b>	<b>50,843,844</b>	<b>50,135,927</b>	<b>48,115,313</b>	<b>46,521,602</b>	<b>46,548,370</b>	<b>46,749,969</b>
<b>Total Primary Government Revenues</b>	<b>\$ 25,258,272</b>	<b>41,729,809</b>	<b>43,926,696</b>	<b>46,237,439</b>	<b>54,816,880</b>	<b>53,936,363</b>	<b>52,680,934</b>	<b>52,549,514</b>	<b>50,627,840</b>	<b>50,743,508</b>
<b>Net (Expenses)/Revenue</b>										
Governmental activities	\$ (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)	(9,438,262)
Business-type activities	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	4,757,163
<b>Total Primary Government Net Expense</b>	<b>\$ (5,414,575)</b>	<b>(5,668,460)</b>	<b>(6,227,391)</b>	<b>(2,646,038)</b>	<b>3,487,144</b>	<b>1,694,685</b>	<b>(1,403,788)</b>	<b>(2,056,374)</b>	<b>(5,175,551)</b>	<b>(4,681,099)</b>

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

(continued)

See Statement of Activities (Exhibit B-1) of CAFR, p. 19.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Sales tax	\$ 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	5,674,689
Property tax	960,397	999,737	1,025,266	1,261,276	989,910	1,013,370	1,152,116	1,208,090	1,473,199	1,556,874
Other tax	403,713	413,398	456,370	489,926	421,981	546,936	596,227	520,907	556,065	591,674
Grants and entitlements	753,653	1,346,755	1,250,895	1,491,511	1,766,622	850,297	608,651	880,255	768,250	570,325
Investment earnings	138,940	91,248	119,662	57,958	141,034	125,636	51,306	118,637	143,248	234,551
Other	347,281	-	-	-	-	-	-	-	-	-
Transfers	1,258,053	(1,290,998)	1,970,983	546,005	1,243,171	1,181,852	1,393,673	89,589	899,264	(2,710,077)
<b>Total governmental activities</b>	<b>7,604,788</b>	<b>5,707,150</b>	<b>9,012,506</b>	<b>8,429,733</b>	<b>9,098,425</b>	<b>8,602,087</b>	<b>8,806,965</b>	<b>7,977,822</b>	<b>9,166,463</b>	<b>5,918,036</b>
Business-type activities:										
Investment earnings	149,288	203,129	209,176	138,115	236,175	278,688	89,578	238,518	327,860	765,327
Grants and entitlements	720,040	1,411,435	343,265	343,265	961,178	1,242,072	917,500	916,330	1,044,510	1,188,868
Other	5,000	-	-	-	5,520	522	-	-	-	-
Transfers	(1,258,053)	1,290,998	(1,970,983)	(546,005)	(1,243,171)	(1,181,852)	(1,393,673)	(89,589)	(899,264)	2,710,077
<b>Total business-type activities</b>	<b>(383,725)</b>	<b>2,905,562</b>	<b>(1,418,542)</b>	<b>(64,625)</b>	<b>(40,298)</b>	<b>339,430</b>	<b>(386,595)</b>	<b>1,065,259</b>	<b>473,106</b>	<b>4,664,272</b>
<b>Total primary government</b>	<b>7,221,063</b>	<b>8,612,712</b>	<b>7,593,964</b>	<b>8,365,108</b>	<b>9,058,127</b>	<b>8,941,517</b>	<b>8,420,370</b>	<b>9,043,081</b>	<b>9,639,569</b>	<b>10,582,308</b>
<b>Changes in Net Position</b>										
Governmental activities	\$ 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)	(3,520,226)
Business-type activities	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	9,421,435
<b>Total Primary Government</b>	<b>\$ 1,806,488</b>	<b>2,944,252</b>	<b>1,366,573</b>	<b>3,884,713</b>	<b>12,545,271</b>	<b>10,636,202</b>	<b>7,016,582</b>	<b>6,986,707</b>	<b>4,464,018</b>	<b>5,901,209</b>
Beginning Net Position	\$ 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	192,466,735
Ending Net Position	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	198,367,944
<b>Change in Net Position</b>	<b>\$ 1,806,488</b>	<b>2,944,252</b>	<b>1,366,573</b>	<b>3,884,713</b>	<b>12,545,271</b>	<b>10,636,202</b>	<b>7,016,582</b>	<b>6,986,707</b>	<b>4,464,018</b>	<b>5,901,209</b>

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

See p. 19 (Exhibit B-1) 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>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Fund</b>										
Reserved	\$ 584,948									
Unreserved:										
Designated	2,126,418									
Undesignated	4,039,264									
<b>Total General Fund</b>	<b>\$ 6,750,630</b>									
<b>All Other Governmental Funds</b>										
Reserved - debt service	\$ 2,472,376									
Unreserved, reported in:										
Special revenue funds	75,369									
Capital projects funds	235,860									
<b>Total All Other Governmental Funds</b>	<b>\$ 2,783,605</b>									
<b>Total All Governmental Funds</b>	<b>\$ 9,534,235</b>									
<i>POST GASB 54</i>										
<b>General Fund</b>										
Nonspendable	\$ 397,406	457,897	481,449	351,045	600,308	622,337	394,161	392,169	439,653	
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	2,000,000	
Assigned	-	-	120,768	271,966	324,465	335,280	335,280	407,976	574,777	
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	7,017,278	
<b>Total General Fund</b>	<b>\$ 6,034,425</b>	<b>7,411,370</b>	<b>8,677,094</b>	<b>7,448,399</b>	<b>7,769,708</b>	<b>7,957,498</b>	<b>7,477,288</b>	<b>8,540,289</b>	<b>10,031,708</b>	
<b>All Other Governmental Funds</b>										
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	2,963,035	
Unassigned (deficit)	(12,880)	(12,880)	-	-	-	-	(8,383)	(40,531)	-	
<b>Total All Other Governmental Funds</b>	<b>\$ 3,997,158</b>	<b>905,065</b>	<b>890,551</b>	<b>2,768,865</b>	<b>2,517,417</b>	<b>2,802,992</b>	<b>2,837,505</b>	<b>2,856,254</b>	<b>2,963,035</b>	
<b>Total All Governmental Funds</b>	<b>\$ 10,031,583</b>	<b>8,316,435</b>	<b>9,567,645</b>	<b>10,217,264</b>	<b>10,287,125</b>	<b>10,760,490</b>	<b>10,314,793</b>	<b>11,396,543</b>	<b>12,994,743</b>	

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

See p. 20 (Exhibit C-1) of CAFR



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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes	\$ 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	7,906,241
Licenses and permits	148,948	160,096	159,114	204,926	185,925	206,365	158,174	125,690	144,462	226,052
Intergovernmental	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	3,177,394
Charges for Services	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	3,127,545
Investment earnings	138,940	25,744	56,752	5,359	80,658	78,716	10,354	65,059	87,248	234,551
Other revenues	3,334,671	167,034	708,556	186,662	693,177	208,397	247,101	183,793	330,898	177,893
<b>Total Revenues</b>	<b>14,987,430</b>	<b>15,104,934</b>	<b>14,875,669</b>	<b>12,454,950</b>	<b>13,560,245</b>	<b>13,109,240</b>	<b>13,290,868</b>	<b>15,605,987</b>	<b>14,192,721</b>	<b>14,849,676</b>
<b>Expenditures</b>										
General government	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	3,868,104
Public safety	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	4,005,450
Public works	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	1,181,051
Parks and Recreation	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	1,506,635
Library	1,026,797	2,364,176	7,291,434	535,747	572,512	553,272	543,123	573,535	573,595	627,727
Clinic	-	-	-	-	1,454,476	1,682,532	1,846,150	1,660,050	1,637,780	1,637,563
* Healthcare facilities	30,076	-	-	-	-	-	-	-	-	-
Retirement benefits	529,778	631,278	656,294	836,750	1,373,271	1,401,165	591,859	616,846	576,741	8
Capital outlay	-	-	-	378,147	775,862	647,858	756,498	5,844,519	575,008	803,385
Debt service:										
Principal	838,386	100,477	-	-	85,000	90,000	95,000	100,000	200,000	210,000
Interest	1,461,315	75,547	153,201	159,400	159,400	155,150	151,550	204,993	253,756	244,106
<b>Total Expenditures</b>	<b>14,064,631</b>	<b>14,571,968</b>	<b>18,561,800</b>	<b>11,749,745</b>	<b>14,153,797</b>	<b>14,074,219</b>	<b>14,138,868</b>	<b>19,149,280</b>	<b>14,010,235</b>	<b>14,084,021</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>922,799</b>	<b>532,966</b>	<b>(3,686,131)</b>	<b>705,205</b>	<b>(593,552)</b>	<b>(964,979)</b>	<b>(848,000)</b>	<b>(3,543,293)</b>	<b>182,486</b>	<b>765,655</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds from debt issuance:										
Par value	-	3,480,000	-	-	-	-	-	2,790,000	-	-
Premium	-	259,854	-	-	-	-	-	199,733	-	-
Transfers in	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	3,083,277
Transfers out	(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)	(2,250,732)
<b>Total Other Financing Sources (Uses)</b>	<b>1,258,053</b>	<b>2,448,856</b>	<b>1,970,983</b>	<b>546,005</b>	<b>1,243,171</b>	<b>1,034,840</b>	<b>1,321,365</b>	<b>3,097,596</b>	<b>899,264</b>	<b>832,545</b>
<b>Net Change in Fund Balance</b>	<b>\$ 2,180,852</b>	<b>2,981,822</b>	<b>(1,715,148)</b>	<b>1,251,210</b>	<b>649,619</b>	<b>69,861</b>	<b>473,365</b>	<b>(445,697)</b>	<b>1,081,750</b>	<b>1,598,200</b>
<b>Fund Balances, beginning</b>	<b>\$ 7,353,383</b>	<b>* 7,049,761</b>	<b>10,031,583</b>	<b>8,316,435</b>	<b>9,567,645</b>	<b>10,217,264</b>	<b>10,287,125</b>	<b>10,760,490</b>	<b>10,314,793</b>	<b>11,396,543</b>
<b>Fund Balances, ending</b>	<b>9,534,235</b>	<b>10,031,583</b>	<b>8,316,435</b>	<b>9,567,645</b>	<b>10,217,264</b>	<b>10,287,125</b>	<b>10,760,490</b>	<b>10,314,793</b>	<b>11,396,543</b>	<b>12,994,743</b>
<b>Net Change in Fund Balances</b>	<b>\$ 2,180,852</b>	<b>2,981,822</b>	<b>(1,715,148)</b>	<b>1,251,210</b>	<b>649,619</b>	<b>69,861</b>	<b>473,365</b>	<b>(445,697)</b>	<b>1,081,750</b>	<b>1,598,200</b>

Including Healthcare Facilities: #

Debt service as a percentage of noncapital expenditures (a ÷ b) ^

Total non-capital expenditures (b) \$ 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 \$ 13,280,636

Excluding Healthcare Facilities: #

Debt service as a percentage of noncapital expenditures (a ÷ b) ^

Total non-capital expenditures (b) \$ 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 \$ 13,280,636

\* 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.

& Retirement benefits expenditures were allocated functionally starting in 2019.

See p. 22 (Exhibit D-1) of CAFR

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

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Inter-governmental</b>	<b>Charges for Services</b>	<b>Fines and Bails</b>	<b>Interest</b>	<b>Other</b>	<b>Total</b>
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
2019	7,906,241	226,052	1,213,515	3,127,545	9,496	234,551	97,293	12,814,693

\* Includes one-time Exxon Valdez Oil Settlement Proceeds of \$331,791.

See CAFR Exhibit D-1, pg. 22 (Stmt of Rev/Exp/Change in Fund Balance for Governmental Funds)

**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>
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
2019	1,556,874	5,674,689	76,694	591,674	6,310	7,906,241

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>
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
2019	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 2020 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
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%
2019	1,552,098	1,486,245	95.757%	56,760	1,543,005	99.414%

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	
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%
2019	285,579,453	305,984,502	107,419,854	145,391,590	392,999,307	451,376,092	3.84	5.45	9.29	87.07%

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

Source: State of Alaska "Alaska Taxable 2019" (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, 2019**

<u>Taxpayer (2)</u>	<u>Type of Business</u>	2019			Percentage of Total Taxable Assessed		2010		Percentage of Total Taxable Assessed	
		<u>Value (1)</u>	<u>Rank</u>	<u>Value (2)</u>	<u>Value (1)</u>	<u>Rank</u>	<u>Value (1)</u>	<u>Rank</u>	<u>Value (2)</u>	
Leirer Enterprises, LLC	Property	\$ 13,843,900	1	3.5%						
Crowley Fuels, LLC	Petroleum Products	11,846,492	2	3.0%						
Carr Gottstein	Grocery	7,398,600	3	1.9%	8,059,161	3	2.6%			
Spartan Offshore Drilling, LLC	Petroleum Products	7,005,070	4	1.8%						
Four Seasons Marine Service Corp	Marine Services	6,924,322	5	1.8%						
GCI	Communications	6,676,770	6	1.7%	5,099,648	7	1.6%			
Harbor 360, LLC	Hotel/Retail	6,636,400	7	1.7%						
Mindenbergs Juris	Hotel/Retail	6,552,100	8	1.7%						
Y C Seward Hotel Group, LLC	Hotel/Retail	4,064,600	9	1.0%						
Brice Marine, LLC	Marine Services	3,908,179	10	1.0%						
Ciri Alaska Tourism	Tourism				17,532,370	1	5.6%			
Icicle Seafoods	Seafood Processing				10,110,768	2	3.2%			
Seward Hospitality, LLC	Hotel/Retail				6,481,200	4	2.1%			
Breeze Inn Motel	Hotel/Retail				6,413,700	5	2.1%			
Kishan Group, LLC	Hotel/Retail				5,505,551	6	1.8%			
Shoreside Petroleum	Petroleum Products				4,742,931	8	1.5%			
Crowley Marine Service	Marine Services				3,751,551	9	1.2%			
Pacific Park	Real Estate/Housing				3,292,600	10	1.1%			
Total		\$ 74,856,433		19.0%	\$ 70,989,480		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 \$311,277,229 in 2010 and \$392,999,307 in 2019.

**City of Seward, Alaska**  
**Principal Taxable Sales by Line of Business**  
**December 31, 2019**

Type of Business	CY19 Taxable Sales (1)	Percent of Total Taxable Sales	CY10 Taxable Sales (1)	Percent of Total Taxable Sales
Retail Trade	\$ 53,484,340	36.8%	\$ 40,294,830	41.5%
Accommodations, Food Service, Entertainment	34,405,443	23.7%	19,159,142	19.7%
Guiding Water	30,237,005	20.8%	16,764,212	17.3%
Public Administration	8,753,428	6.0%	6,792,903	7.0%
Wholesale Trade	5,641,793	3.9%	4,782,823	4.9%
Rental Property	4,014,211	2.8%	1,152,859	1.2%
Services	3,999,679	2.8%	1,248,602	1.3%
Transportation & Warehousing	1,058,321	0.7%	-	0.0%
Professional, Scientific	677,574	0.5%	-	0.0%
Manufacturing	587,545	0.4%	1,065,005	1.1%
Construction	490,711	0.3%	-	0.0%
Other	<u>1,922,801</u>	1.3%	<u>5,839,388</u>	6.0%
	<u>\$ 145,272,851</u>	100%	<u>\$ 97,099,764</u>	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)				Debt as a % of 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
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%
2019	5,856,500	-	-	-	25,643,187	-	2,198,304	33,697,991	4.4%	25.4%	2,301	13,241	7.47%

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](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 2019" (<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 Bonded Debt to Assessed Value and**  
**General 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		
2010	2693	311,277	2,426	59	2,485	0.81%	923
2011	2733	304,944	3,480	1,550	5,030	1.60%	1,840
2012	2754	314,828	3,729	710	4,439	1.12%	1,612
2013	2487	296,613 *	3,718	-	3,718	1.27%	1,495
2014	2768	292,233	3,622	-	3,622	1.13%	1,309
2015	2740	320,219	3,522	-	3,522	1.10%	1,285
2016	2663	348,138	3,210	-	3,210	0.92%	1,205
2017	2518	381,264	6,299	-	6,299	1.65%	2,502
2018	2584	367,824	6,082	-	6,082	1.65%	2,354
2019	2545	392,999	5,856	-	5,856	1.49%	2,301

# 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, 2019**

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Seward</u>	<u>Amount Applicable to City of Seward</u>
Direct:			
City of Seward	\$ 5,856,500	100%	5,856,500
Overlapping:			
Kenai Peninsula Borough (KPB)	<u>34,350,000</u>	4.6%	<u>1,593,067</u>
	<u>\$ 40,206,500</u>		<u>7,449,567</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 38,475,000 less Central Emergency Services unrelated to Seward.

3) Based on ratio of City of Seward assessed value (real and personal property = \$392,399,307)  
to total assessed value of the Kenai Peninsula Borough (\$8,460,986,742)

Source: "2019 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, 2019**

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No debt limit mandated by law.

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**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	
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
2019	12,544,308	9,801,084	2,743,224	165,000	180,199	345,199	7.95

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

2) Total operating expenses exclusive of depreciation and payments in lieu of taxes.

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	
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
2019	3,616,290	1,961,095	1,655,195	510,000	158,301	668,301	2.48

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

2) Total operating expenses exclusive of depreciation and payments in lieu of taxes.

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)
2010	2,693	549	111,409,410	41,569	39.4	53,578	9,145	10.00%
2011	2,733	552	117,950,814	44,313	40.6	55,400	9,148	9.50%
2012	2,754	593	125,312,508	47,121	40.6	56,369	9,083	8.60%
2013	2,768	574	129,976,976	48,485	41.4	56,756	8,892	7.90%
2014	2,768	588	128,545,920	48,728	40.0	56,862	8,832	7.80%
2015	2,740	605	136,876,700	50,760	41.1	57,763	9,132	7.80%
2016	2,663	634	135,125,946	52,639	40.8	58,060	9,141	8.20%
2017	2,518	582	123,188,114	51,081	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%
2019	2,545	599	132,519,283	52,015	41.8	58,367	8,881	7.00%

(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](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.

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	2019 Resident Workers	2010 Resident Workers
Trade, Transportation and Utilities	218	248
Leisure and Hospitality	159	167
Local Government	116	117
Educational and Health Services	111	111
State Government	103	116
Professional and Business Services	75	65
Manufacturing	46	36
Construction	37	38
Financial Activities	29	27
Other	22	33
Natural Resources and Mining	21	21
Information	4	6
	941	985

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

\* 2019 updated data unavailable from the Department of Labor and Workforce Development. Used most recent (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**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
City Clerk	3.00	2.90	3.00	3.20	3.00	3.00	3.11	3.23	3.53	3.00
City Manager and Legislative	3.40	4.10	4.40	4.10	4.00	4.00	3.00	3.00	4.15	3.44
M.I.S.	2.00	2.00	2.00	2.00	2.50	2.50	2.76	2.72	2.73	2.63
Finance	6.70	6.90	7.10	6.70	7.00	7.00	9.29	8.04	7.45	8.35
Police, Jail, Animal Control	24.60	24.90	24.20	24.30	25.50	25.50	24.34	23.73	23.15	23.20
Fire	2.80	2.75	2.80	2.75	2.75	2.75	2.93	2.74	2.75	2.97
Building Inspection	1.20	1.25	1.20	1.25	1.25	1.25	1.00	1.00	1.00	1.00
Public Works	7.00	6.90	7.20	5.90	5.94	5.94	6.45	7.11	5.83	4.46
Community Development	2.70	1.90	1.60	2.00	2.00	2.00	2.01	2.40	1.96	1.88
Maintenance	2.00	2.00	2.00	2.10	2.03	2.03	2.02	2.01	1.37	1.00
Parks & Recreation	15.80	16.00	14.20	14.90	15.24	14.10	13.74	14.46	14.26	13.53
Library	4.50	4.60	4.50	4.60	4.59	4.59	4.98	5.16	5.06	4.65
<b>General Fund Total</b>	<b>75.70</b>	<b>76.20</b>	<b>74.20</b>	<b>73.80</b>	<b>75.80</b>	<b>74.66</b>	<b>75.63</b>	<b>75.60</b>	<b>73.24</b>	<b>70.12</b>
Parking	2.50	2.30	2.10	1.60	3.29	3.09	1.04	1.67	1.62	0.96
Harbor and SMIC	11.20	11.70	12.00	11.60	11.65	11.65	11.72	12.12	11.77	12.25
Electric	10.10	10.10	10.90	11.30	11.00	11.00	10.82	11.89	11.46	10.63
Water	2.70	2.70	2.70	2.60	3.53	3.53	2.52	2.86	3.36	3.37
Wastewater	2.70	2.60	2.50	2.60	2.53	2.53	2.18	1.74	2.37	2.30
<b>Total All Funds</b>	<b>104.90</b>	<b>105.60</b>	<b>104.40</b>	<b>103.50</b>	<b>107.80</b>	<b>106.46</b>	<b>103.91</b>	<b>105.88</b>	<b>103.82</b>	<b>99.63</b>

Source: City of Seward finance department

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Public Safety</b>										
Police Services:										
Physical arrests	253	300	251	345	289	270	322	244	242	97
Traffic violations/warnings	1,633	1,466	1,129	1,400	1,225	2,042	785	944	1,149	1,180
Parking violations	101	30	150	79	29	63	74	79	249	336
Fire and Emergency Services:										
Number of calls answered (a)	311	323	307	339	349	376	359	361	264	300
<b>Harbor</b>										
Registered vessels	3,549	3,348	3,608	3,992	4,928	4,860	5,193	5,053	5,565	5,813
Number on waiting list for slips	262	206	192	171	183	184	161	171	147	161
Number of boat lifts	477	507	467	551	590	602	509	553	576	526
General cargo tonnage (b)	45	79	20,421	27	140	112	-	-	-	2,044
Fish product tonnage	20,647	13,471	17,119	24,563	10,862	21,632	10,085	8,702	15,670	13,410
Petroleum (gallons) (c)	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	2,423,856
<b>Water and Wastewater Systems:</b>										
Water service connections	946	950	949	961	958	973	976	982	980	981
Daily average consumption (gallons)	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	971,670
Sewer service connections	918	922	922	935	934	948	950	954	952	955
Daily average treatment (gallons)	598,457	723,896	681,749	657,821	519,132	519,132	652,321	609,545	653,872	591,175
<b>Electric System:</b>										
Number of service connections	3,194	3,224	3,218	2,706	2735	2,759	2,796	2,818	2,821	2,855
Total kilowatt hour sales	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	51,672,753

(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**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Lane miles of street</b>	53.00	54.40	54.40	54.40	54.4	54.8	54.8	55	55	55
<b>Number of street lights</b>	265	265	265	265	265	265	265	265	265	265
<b>Public Safety</b>										
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Fire rating (ISO)	5/9	5/9	5/9	5/9	4/9	4/9	4/9	4/9 *	4/4x *	3/3y
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
<b>Number of Facilities</b>										
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	69	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 beginning 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
2019	305,984,502	19	10,577,917	20	1,406,850	80,659,000

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, 2019

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	31,999
Fire Department - Number of volunteers	22
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	89
Temporary Employees - Full-time equivalent	10
Demographics:	
School Enrollment, City of Seward (3)	599
Unemployment Rate - Borough-Wide (1)	6.8%
Population (2)	2,545
Per-capita Personal Income (4)	52,015
Qualified Voters	1,833
Facilities and Services not included in the reporting entity:	
Education:	
Elementary School	
Number of students enrolled	287
Number of teachers	21
Middle School	
Number of students enrolled	147
Number of teachers	9
High School	
Number of students enrolled	165
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	19
Non-Exempt (includes non-staff rotating physicians)	111

(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](http://www.bea.gov/iTable/index_regional.cfm)) KPB per-capita personal income used, as Seward specific data not available

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

**Independent Auditor's Report**

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, 2019, 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 dated October 9, 2020. Our report includes a reference to other auditors who audited the financial statements of the Providence Seward Medical and Care Center, as described in our report of City of Seward's basic financial statements. Providence Seward Medical and Care Center was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on of internal control over financial reporting or instances of reportable noncompliance associated with the operating account of Providence Seward Medical and Care Center.

**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.

Honorable Mayor and City Council  
City of Seward, Alaska

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying federal schedule of findings and questioned costs as Findings 2019-001 and 2019-002, that we consider to be material weaknesses.

### **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*.

### **City of Seward's Response to Findings**

City of Seward's responses to the findings identified in our audit are described in the accompanying federal schedule of findings and questioned costs and corrective action plan. City of Seward's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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



Anchorage, Alaska  
October 9, 2020

**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

**Independent Auditor's Report**

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, 2019. City of Seward's major federal programs are identified in the summary of auditor's results section of the accompanying federal schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of 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 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 City of Seward's compliance.



### Opinion on Each Major Federal Program

In our opinion, 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, 2019.

### Report on Internal Control over Compliance

Management of 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 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 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.



Anchorage, Alaska  
October 9, 2020

City of Seward, Alaska

Federal Schedule of Findings and Questioned Costs

Year Ended December 31, 2019

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

Financial Statements

Type of auditors' report issued: Unmodified

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

Internal control over financial reporting:

Material weakness(es) identified?   X   Yes        No

Significant deficiency(ies) identified?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

Federal Awards

Internal control over major programs (Section .510 (a)(1)):

Material weakness(es) identified?        Yes   X   No

Significant deficiency(es) identified?        Yes   X   None reported

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u> 97.036 15.605	<u>Name of Federal Program or Cluster</u> FEMA 2017 Storm Surge PW005 and PW006 Seward South Harbor Launch Ramp Renovation
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?   X   Yes        No

Federal Schedule of Findings and Questioned Costs, Continued

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**Section II - Financial Statement Findings**

**Finding 2019-001**  
**Material Weakness**

**Lack of Internal Controls over Year End Inventory Balances**

**Criteria:** Internal controls should be in place over inventory to ensure year end balances are properly recorded in the general ledger. Pricing of the physical inventory should be consistent and documented to ensure that inventory is properly stated. Physical inventory counts should be done by two or more employees to reduce the risk of counting errors, unintentional losses, and misappropriation of assets. One person should perform the initial count and another person should review and approve the count. Inventory count sheets should be recalculated for accuracy.

**Condition and Context:** During the audit we noted that the inventory count sheet for both the Electric and Water Enterprise Funds lacked supporting documentation and approval over the count. Support for the cost of multiple items could not be located. Additionally, the Electric inventory count sheet was incorrectly calculating the ending inventory balance causing the general ledger to be understated by \$300,000.

**Cause:** The City does not have adequate processes and controls in place to ensure that the inventory balance is accurately recorded at year end.

**Effect:** Without effective controls in place, ending inventory could be misstated. Prior to adjustment, the general ledger balance was understated by \$300,000.

**Repeat Finding:** This is not a repeat finding; therefore, we believe this finding is an isolated instance.

**Recommendation:** We recommend the City strengthen processes and controls surrounding inventory.

**Management's Response:** Management agrees with this finding. See Corrective Action Plan.

City of Seward, Alaska

Federal Schedule of Findings and Questioned Costs, Continued

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**Finding 2019-002**  
**Material Weakness**

**Lack of Internal Controls over Year End Close Procedures**

- Criteria:** Internal controls should be in place to ensure proper and accurate financial reporting in accordance with Generally Accepted Accounting Principles (GAAP).
- Condition and Context:** A number of general ledger accounts were not properly reconciled at the start of the audit. As a result the balances for capital assets, accrued interest, cash, debt, inventory, and sales tax receivable required adjustments.
- Cause:** The City does not have adequate processes and controls in place to ensure that general ledger account balance are reconciled at year end.
- Effect:** A number of account balances were misstated prior to being adjusted by management.
- Repeat Finding:** This is not a repeat finding; however, due to the number of account balances that were misstated, we believe this to be a systematic issue.
- Recommendation:** We recommend the City strengthen its processes and controls related to year end close procedures.
- Management's Response:** Management agrees with this finding. See Corrective Action Plan.

**Section III - Federal Award Findings**

The City of Seward did not have any findings that relate to Federal awards.

**Report on Compliance For Each Major State Program; Report on Internal Control over Compliance;  
and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit  
Guide and Compliance Supplement for State Single Audits***

**Independent Auditor's Report**

Honorable Mayor and City Council  
City of Seward, Alaska

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

We have audited 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 City of Seward's major state programs for the year ended December 31, 2019. 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of 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 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 City of Seward's compliance.

Honorable Mayor and City Council  
City of Seward, Alaska

### Opinion on Each Major State Program

In our opinion, 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, 2019.

### Report on Internal Control over Compliance

Management of 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 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 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.



Anchorage, Alaska  
October 9, 2020

City of Seward, Alaska

State Schedule of Findings and Questioned Costs

Year Ended December 31, 2019

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

**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X Yes      No

Significant deficiency(ies) identified?

     Yes X None reported

Noncompliance material to financial statements?

     Yes X No

**State Awards**

Internal control over major programs:

Material weakness(es) identified?

     Yes X No

Significant deficiency(ies) identified?

     Yes X None reported

Type of auditor's report issued on compliance

for major program:

Unmodified

Dollar threshold used to distinguish a state major program:

\$ 150,000

**Section II - Financial Statement Findings**

See the Federal Schedule of Findings and Questioned Costs for all reported financial statement findings.

**Section III - State Award Findings**

The City of Seward did not have any findings that relate to State awards.

# CITY OF SEWARD

P.O. Box 167  
410 Adams Street  
Seward, Alaska 99664-0167



- Main Office (907) 224-4050
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- City Clerk (907) 224-4046
- Community Development (907) 224-4049
- Utilities (907) 224-4050
- Fax (907) 224-4038

## Corrective Action Plan

Year Ended December 31, 2019

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### Financial Statement Findings

#### Finding 2019-001

Material Weakness

#### Lack of Internal Controls over Year End Inventory Balances

Name of Contact Person: Sam Hickok, Deputy Finance Director

Corrective Action Plan: Management will implement appropriate procedures in order to ensure that timely and accurate year-end inventory counts are performed. Furthermore, count sheets will be reviewed and approved by appropriate personnel and reconciled to the general ledger to warrant that year-end inventory balances are materially stated.

Proposed Completion Date: September 30, 2020.

#### Finding 2019-002

Material Weakness

#### Lack of Internal Controls over Year End Close Procedures

Name of Contact Person: Sam Hickok, Deputy Finance Director

Corrective Action Plan: Management will implement appropriate procedures in order to ensure that timely and accurate year-end close process is achieved. Specific personnel will be assigned to complete certain year-end reconciliations and those reconciliations will be reviewed and approved by appropriate personnel to warrant that all material general ledger accounts are materially stated.

Proposed Completion Date: September 30, 2020.