

# City of Seward, Alaska



## Comprehensive Annual Financial Report

For the Year Ended December 31, 2017

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, 2017

David Squires  
MAYOR

Jim Hunt  
CITY MANAGER

Prepared by the Finance Department

Kristin M. Erchinger, CGFM, MPA  
FINANCE DIRECTOR

Sam Hickok, BA  
DEPUTY 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

September 14, 2018

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, 2017 is hereby submitted in accordance with Alaska Statutes 29.35.120 and the Seward City Code. This report satisfies the requirement that the City issue an annual report on its financial position and activities audited by an independent firm of certified public accountants.

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

The City's financial statements have been audited by BDO USA, LLP, a firm of independent certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall presentation of the financial statements. The independent auditor concluded, based on the audit, that there was a reasonable basis upon which to render an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented in the financial section of this report.

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

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

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



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

## **PROFILE OF THE GOVERNMENT**

The City was incorporated on June 1, 1912, and became a first-class City under Alaska Statute's home rule provisions (AS 29.04.010) upon adoption of the City Charter by a referendum vote on January 5, 1960. The community is located on the eastern side of the Kenai Peninsula in Southcentral Alaska, 125 highway miles south of Anchorage. Year-round access is available by road, rail, water and two small-aircraft runways. The City has an area of 22 square miles and a population of 2,518. The form of government established by the Charter is the Council-Manager plan. The Council exercises legislative power and determines all matters of policy for the City. The Council is composed of a Mayor and six council members who are elected at-large on a non-partisan basis. At the October 2017 election, voters agreed to change the term of Council members and the Mayor from a two-year term to a three-year term.

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 assessed to enterprise funds, intergovernmental revenues, property tax, recreation and camping fees, hotel/motel tax, land rent and leases, and other revenues. 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 \$50,000. Council action is required for transfers between funds, for all single-item purchases exceeding \$50,000 (and all purchases of new motor vehicles regardless of cost) and for all new appropriations. 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 also relatively low for Alaska, and taxes are low and stable. The cost of utilities is relatively high in Seward as in most of Alaska, and the City Council has implemented seasonal energy rates for residential and small business customers to provide winter energy rate relief to residents and businesses. The City continues to investigate renewable

energy opportunities following the Alaska Sealife Center's successful project converting abundant seawater for heating. Recent temperature studies on bore holes along the waterfront demonstrate the feasibility of geothermal technology to heat City-owned buildings in the downtown corridor and as a result of a recent grant award of \$750,000, the City will soon pursue a pilot project.

Seward has a fairly diversified economy, although it remains dependent on the visitor industry for jobs and tax revenues. Strong tourism, commercial and recreational fishing, boat tours and recreational opportunities bring outside money into Seward resulting in strong visitor-related sales. The unemployment rate is 8.2%, which is lower than the prior year 8.8%, and compares to the national rate of 3.9%. The unemployment rate is higher than the statewide average given Seward's seasonal tourism and fishing economy.

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, upgrades to electrical infrastructure, 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. 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 the Trump administration's planned infrastructure spending may offer federal funding opportunities for marine-related projects.

The recent sale of the shipyard facility from Vigor to JAG Alaska, is expected to result in increased marine repair activity and increased employment opportunities for local tradespeople. This transaction may 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. The City Council recently adopted Code changes to support smaller-size housing units and continues to seek ways to extend utilities to undeveloped areas to increase the availability of buildable lots. 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 2017, Seward saw 14 commercial construction permits issued at a value of \$2.3 million, representing both the lowest number and value of commercial construction permits in ten years. At the same time, 21 residential building permits were issued at a value of \$1.07 million, the third 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, 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 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.

Compared to other communities in the Kenai Peninsula Borough, Seward's taxable sales growth outpaced in 2011, 2012 and 2013, slowed in 2014, outperformed all but Seldovia in 2015 and all but Seldovia and Homer in 2016. In 2017 however, Seward's growth at 3.61% was lower than Soldotna (17.1%), the Borough (4.8%) and Homer (4.4%), but higher than Seldovia (1.0%) and Kenai (0.5%). The bulk of Seward's sales tax (approx. 49%) is generated during the period June, July and August, with the influx of summer visitors.

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, and account for approximately 25% 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 reviews of financial and budget policies. In 2017, the City conducted an Electric rate review to assess the success of seasonal utility rates for residential and small businesses. The end result was to retain seasonal utility rates but to reduce the magnitude of variation between summer and winter rates. A major change was also made to the rate structure to separate out the cost of power from Chugach Electric Association (reflected on the new bill as COPA) versus the rate representing Seward Public Utility costs (reflected on the new bill as Seward Utility Charge). This improves transparency as customers can more clearly discern when rate changes result from City costs or are direct costs passed to the utility related to purchased power.

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 holding steady at 4.1 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 developing significant challenge which will affect the City well into the future is operational shortfalls at the hospital and long-term care facility, which threaten the viability of the previous plan developed 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 at the highest census 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 are likely to require the immediate use of funds previously expected to be available to make future bond payments. This necessitates a course correction requiring the City to set aside future proceeds from the 1% sales tax for the City's primary priority, future bond payment as legally mandated by 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) makes long-term economic stability uncertain. As the state struggles to balance a multi-billion-dollar budget gap, cities expect to continue to be adversely impacted by the downstream budgetary impacts. State funding formerly relied on by the City (revenue sharing, PERS relief, community jail, capital grants) is at greater risk and cuts in these areas has already led to significant 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 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 declined in 2017 by (\$252,034) to \$4,621,421 representing 4.1 months' reserves, down from 4.6 months' in 2016. The primary reason for the decline is the transfer of prior year surplus funds 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 emergencies, unbudgeted needs, and capital repairs and replacement. The City has no identified revenue source to replace major governmental fund infrastructure. The General Fund reserves, while still at the low end of the target range, are still higher than in the past, 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 (\$1,312,335) 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. The City's reserve levels may also be called on to cover growing health system financial shortfalls, Alaska Sealife Center funding uncertainty, enterprise fund critical needs, unforeseen emergencies and natural disasters, and other similar risks. Any of 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 seven years and aggressive pursuit of grants. The Water and Wastewater Funds have insufficient resources to meet ongoing capital needs, although their most crucial capital infrastructure needs were addressed over the past few

years. Significant recent infrastructure improvements and corresponding demand for land leases at SMIC, suggest that improvements in that Fund's financial condition are likely. This will be an important turnaround given that the General Fund has subsidized costs of SMIC for many years.

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

### **Major Projects**

The City completed a number of major projects this year including 1) extensive Army Corps of Engineers repairs to the Lowell Canyon tunnel; 2) City Hall carpet replacement and ADA restroom upgrades; 3) development of SMIC complex to include: expanding the 330-ton Travelift dock and widening the pit; utility upgrades; construction of fishing pier; completion of new breakwater; and installation of new linear moorage float; 4) ADA sidewalk improvements; 5) waterfront erosion repair; 6) cemetery upgrades and expansion; 7) replacement of backstop at Little League ballfield; 8) addition of Wi-Fi to campgrounds and harbor; 9) purchase of Battle Creek low-cost hydro power; 10) removal of overhead electric lines and poles and undergrounding electric lines along the lagoon; and 11) a \$5.5 million community-wide major road initiative and paving project which improved roads in nearly every neighborhood, to name just a few.

Other major capital projects in the works, include: 1) new CT scanner at the hospital requiring building modifications to lab and x-ray; 2) new 10-ton crane and fencing at SMIC, adding heat to the wash down pad, and repairs to North Dock; 3) South harbor launch ramp replacement; 4) refurbish Lowell Canyon water storage tank; 5) repairs to City Hall and Annex roof and boiler; 6) replace fire department air packs; 7) mass exchange of electric utility meters to facilitate automated meter reading; 8) underground heat loop system to use sea water to heat City facilities in the downtown corridor; 9) erosion repairs to waterfront and Lowell Point Road facilitated through FEMA; 10) installation of additional utility sites in the campgrounds; 11) new heat-loop project to heat downtown City facilities; and 12) construction of a new waterfront shower house and restroom.

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

### **Pension and Other Post-employment Benefits**

The City provides pension 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. In addition, the FY2015 State Legislature enacted HB385 and SB119, changing 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 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 healthcare liabilities of the PERS system. The total net pension liability attributed to the City of Seward is \$11.1 million in 2017, with \$3.0 million considered to be the State's proportionate share of the City's liability based on present legislation. This NPL is down from \$13.0 million in 2016, where \$1.5 million was considered to be the State's proportionate share of the City's liability. This net pension liability currently reflects only pension liabilities, not including retiree healthcare liabilities. In the future, the City will be required to report additional liabilities associated with retiree healthcare.

### **Financial and Budget Reporting Awards**

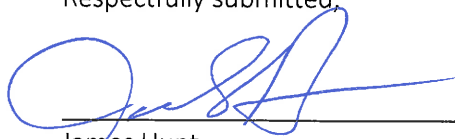
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Seward for its comprehensive annual financial report (CAFR) for the year ended December 31, 2016. This is the 23rd consecutive year that the City of Seward has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

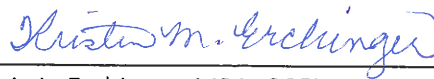
In 2018, the City also received from the GFOA, the Distinguished Budget Presentation Award for the 2018/2019 Biennial Budget, for publishing a budget document that meets the program criteria as a policy document, an operations guide, a financial plan and a communications device. This is the first year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

### **Acknowledgments**

We would like to take this opportunity to thank the members of the Seward 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,

  
\_\_\_\_\_  
James Hunt  
City Manager

  
\_\_\_\_\_  
Kristin Erchinger, MPA, CGFM  
Finance Director

City of Seward, Alaska

GFOA Certificate

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**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, 2016**

*Christopher P. Morill*

Executive Director/CEO

# City of Seward, Alaska

## List of Principal Officials

---

### CITY OF SEWARD

#### LIST OF PRINCIPAL OFFICIALS

##### COUNCIL MEMBERS

		Term Expires
David Squires	Mayor	2019
Marianna Keil	Vice Mayor	2018
Jeremy Horn	Council Member	2019
Ristine Casagrande	Council Member	2018
Sue McClure	Council Member	2019
Sharyl Seese	Council Member	2018
Suzanne Towsley	Council Member	2019

##### ADMINISTRATION

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

##### CITY CLERK

Brenda Ballou	City Clerk
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##### ATTORNEY

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

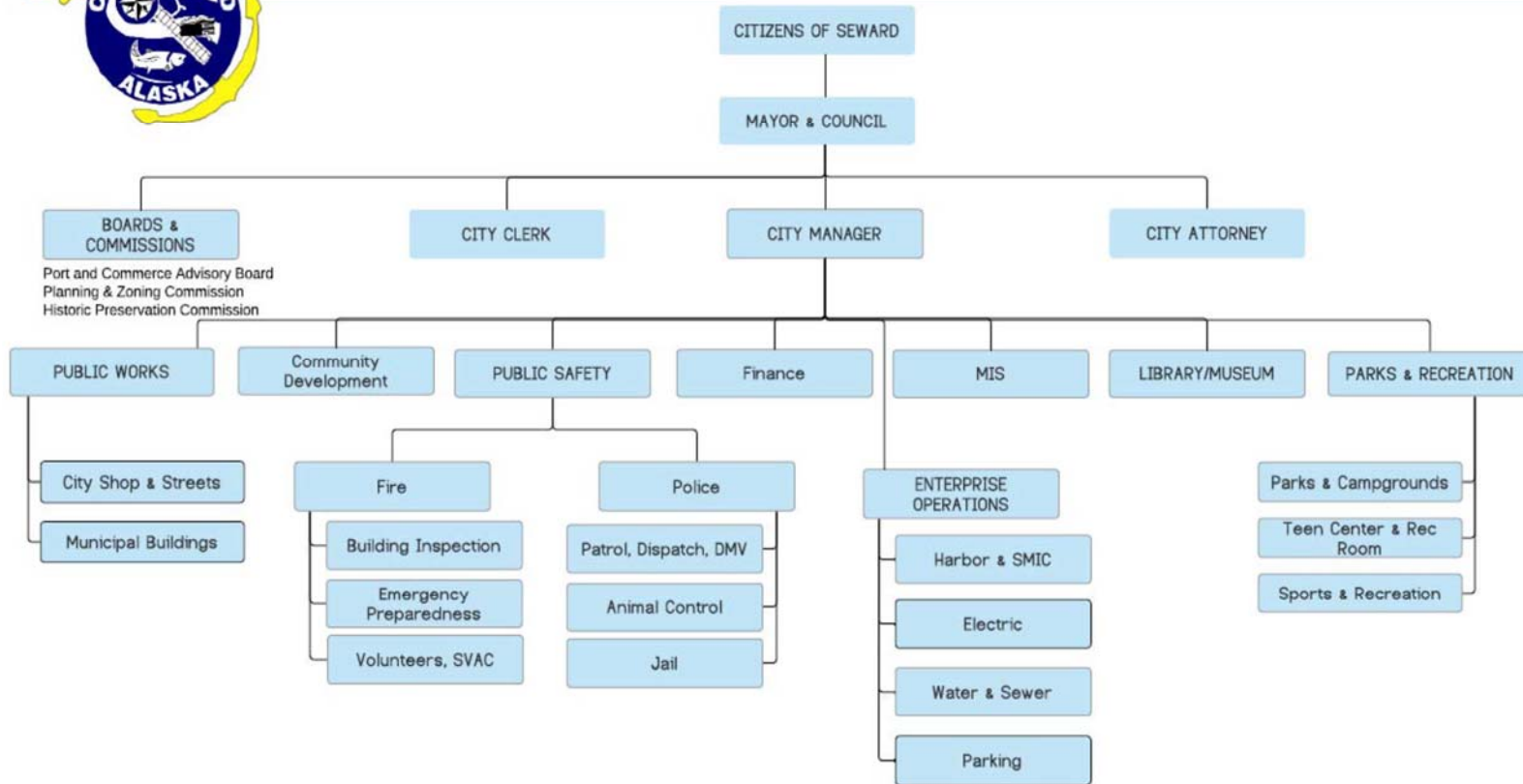


# City of Seward, Alaska

## Organizational Chart



CITY OF SEWARD ORGANIZATION CHART





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

3601 C Street, Suite 600  
Anchorage, AK 99503

## Independent Auditor's Report

Honorable Mayor and City Council  
City of Seward, Alaska

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Seward, Alaska, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise 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 20% and 99% respectively, of the assets and revenues of the Healthcare Facilities Enterprise Fund, and 3% and 41% respectively, of the assets, 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 Providence Seward Medical and Care Center, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-18 and the schedules of net pension liability and pension contributions on pages 64-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit for the year ended December 31, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seward's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, the Schedule of State Financial Assistance, the combining and individual fund financial statements and schedules, and the introductory and statistical sections for the year ended December 31, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance are required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, respectively.

The accompanying Schedule of Expenditures of Federal Awards, the Schedule of State Financial Assistance and the combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2017 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Seward, Alaska as of and for the year ended December 31, 2016 (not presented herein) and have issued our report thereon dated August 28, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended December 31, 2016 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2016.

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 September 14, 2018 on our consideration of the City of Seward's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Seward's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Seward's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
September 14, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

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, 2017. It is designed to focus on significant financial issues, provide an overview of the City's financial activities, highlight changes in the City's financial position, identify material changes from the original budget and explain any specific issues or concerns. In addition to this discussion and analysis (MD&A), readers are encouraged to read the Letter of Transmittal found on pages VI-XII of this report, which provides additional summary information.

### FINANCIAL HIGHLIGHTS

- At December 31, 2017, the City of Seward's assets and deferred outflows exceeded liabilities and deferred inflows by \$189.2 million (net position). Of this amount, \$168.9 million represents net investment in capital assets, \$1,402,847 is restricted for capital projects, bond retirement and commercial passenger vessel tax, and the remaining \$18.9 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 \$63 million. Of this amount, \$5.9 million in unrestricted net position is legally unreserved and available to meet the government's ongoing financial obligations, although the Council has earmarked a portion of these funds for specific purposes. Implementation of Governmental Accounting Standards Board Statement No 68 (GASB 68) resulted in recording net pension liabilities totaling \$5.6 million, pension-related deferred outflows of \$422,010, and pension-related deferred inflows of \$940,942.
- The City's total net position increased by \$7 million. Governmental activities increased by \$616,631 and business-type activities increased by \$6.4 million. The bulk of the increase in business-type activity net position is due to \$7.3 million in capital grants and contributions largely related to the Seward Marine Industrial Center. Overall, the new GASB 68 pension reporting requirement reduced total net position by \$8.8 million entity-wide.
- The City's governmental funds reported combined ending fund balances of \$10.3 million representing a decrease of (\$445,697) compared to the prior year. While \$9.9 million of the fund balance is legally available for spending, only \$4.6 million has not already been earmarked for specific purposes (*unassigned fund balance*). This reflects a slight decrease in available unassigned fund balance of (\$260,417).
- The total debt of governmental activities increased by \$3.2 million or 101% excluding the effect on net pension liability. This was comprised of a new \$2.9 million road improvements general obligation bond, payments on one bond and a reduction in the value of accrued leave. The total debt of business-type activities decreased by (\$3 million) or (9%) primarily as a result of the complete payoff of a US Department of Defense loan in the amount of \$1.2 million, a slight increase in the value of accrued annual leave, and bond and notes payments. These figures exclude the debt associated with net pension liability which is newly required to be reported in the financial statements. Net pension liability of governmental activities declined by \$2.4 million, from \$8.1 million to \$5.6 million, and of business-type activities, declined by \$1.0 million from \$3.4 million to \$2.4 million, for combined total net pension liability debt of \$8.0 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 20-21 of this report.

### Fund Financial Statements

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

**Governmental Funds**

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

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds, with similar information presented for governmental activities in the government-wide financial statements. Such a comparison enables the reader to better understand the long-term impact of a government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City of Seward maintains twelve (12) individual governmental funds. The General Fund and the Street and Sidewalk Capital Project Fund are the only Major Governmental Funds presented as 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 ten governmental funds aggregated and shown in the Non-major Funds column on these same two statements. Individual fund information for the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report (see pages 90-91 and 94-95).

The City of Seward adopts a 2-year budget for the General Fund. A budgetary comparison statement (page 26) 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 22-25 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 98-131 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 134-140 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 141 of this report.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

City of Seward

## 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 32-63 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* on the City's retirement plans on pages 64-67 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, 2017, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$189.2 million. A significant portion of the City's net position (89.3%) 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, 2017 and 2016**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 13,382,077	13,672,507	32,555,756	29,271,646	45,937,833	42,944,153
Capital assets	<u>63,440,404</u>	<u>60,528,542</u>	<u>138,626,892</u>	<u>137,196,337</u>	<u>202,067,296</u>	<u>197,724,879</u>
Total assets	76,822,481	74,201,049	171,182,648	166,467,983	248,005,129	240,669,032
Deferred outflows	<u>422,010</u>	<u>1,409,823</u>	<u>2,363,732</u>	<u>2,930,433</u>	<u>2,785,742</u>	<u>4,340,256</u>
Total assets & deferred outflows	<u>\$ 77,244,491</u>	<u>75,610,872</u>	<u>173,546,380</u>	<u>169,398,416</u>	<u>250,790,871</u>	<u>245,009,288</u>
Long-term liabilities outstanding	12,352,313	11,976,497	34,360,432	38,496,991	46,712,745	50,473,488
Other liabilities	<u>895,036</u>	<u>1,103,519</u>	<u>12,649,217</u>	<u>11,099,497</u>	<u>13,544,253</u>	<u>12,203,016</u>
Total liabilities	13,247,349	13,080,016	47,009,649	49,596,488	60,256,998	62,676,504
Deferred inflows	<u>940,942</u>	<u>91,287</u>	<u>402,281</u>	<u>37,554</u>	<u>1,343,223</u>	<u>128,841</u>
Total liabilities & deferred inflows	<u>14,188,291</u>	<u>13,171,303</u>	<u>47,411,930</u>	<u>49,634,042</u>	<u>61,600,221</u>	<u>62,805,345</u>
Net position:						
Net investment in capital assets,	57,141,278	57,112,823	111,762,067	108,512,733	168,903,345	165,625,556
Restricted	-	-	1,402,847	675,181	1,402,847	675,181
Unrestricted	<u>5,914,922</u>	<u>5,326,746</u>	<u>12,969,536</u>	<u>10,576,460</u>	<u>18,884,458</u>	<u>15,903,206</u>
Total net position	<u>\$ 63,056,200</u>	<u>62,439,569</u>	<u>126,134,450</u>	<u>119,764,374</u>	<u>189,190,650</u>	<u>182,203,943</u>

At the end of 2017, 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, 2017*

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, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,825,917	1,884,487	39,181,030	35,964,271	41,006,947	37,848,758
Operating grants / contributions	1,100,497	1,402,137	85,831	91,380	1,186,328	1,493,517
Capital grants / contributions	3,101,498	1,278,997	7,254,741	12,059,662	10,356,239	13,338,659
General revenues:						
Sales taxes	5,160,344	5,004,992	-	-	5,160,344	5,004,992
Property taxes	1,208,090	1,152,116	-	-	1,208,090	1,152,116
Payments in lieu of tax	107,157	90,382	-	-	107,157	90,382
Other	<u>1,412,642</u>	<u>1,165,802</u>	<u>1,154,848</u>	<u>1,007,078</u>	<u>2,567,490</u>	<u>2,172,880</u>
Total revenues	<u>13,916,145</u>	<u>11,978,913</u>	<u>47,676,450</u>	<u>49,122,391</u>	<u>61,592,595</u>	<u>61,101,304</u>
Expenses:						
General government	1,909,713	3,473,276	-	-	1,909,713	3,473,276
Public safety	3,642,114	3,902,294	-	-	3,642,114	3,902,294
Public works	2,174,105	2,421,447	-	-	2,174,105	2,421,447
Parks and recreation	1,511,469	1,446,971	-	-	1,511,469	1,446,971
Library	794,077	806,047	-	-	794,077	806,047
Clinic	1,660,050	1,846,150	-	-	1,660,050	1,846,150
Unallocated interest	232,290	149,966	-	-	232,290	149,966
Alaska SeaLife Center	1,465,285	1,355,558	-	-	1,465,285	1,355,558
Electric	-	-	12,120,052	11,023,942	12,120,052	11,023,942
Water	-	-	1,373,707	1,189,786	1,373,707	1,189,786
Wastewater	-	-	1,086,821	1,211,625	1,086,821	1,211,625
Harbor	-	-	4,093,848	4,353,766	4,093,848	4,353,766
SMIC	-	-	1,161,489	1,342,506	1,161,489	1,342,506
Healthcare Facilities	-	-	21,153,694	19,329,722	21,153,694	19,329,722
Parking	-	-	227,174	231,666	227,174	231,666
Total expenses	<u>13,389,103</u>	<u>15,401,709</u>	<u>41,216,785</u>	<u>38,683,013</u>	<u>54,605,888</u>	<u>54,084,722</u>
Increase (decrease) in net assets before transfers	527,042	(3,422,796)	6,459,665	10,439,378	6,986,707	7,016,582
Transfers	<u>89,589</u>	<u>1,393,673</u>	<u>(89,589)</u>	<u>(1,393,673)</u>	<u>-</u>	<u>-</u>
Change in net position	616,631	(2,029,123)	6,370,076	9,045,705	6,986,707	7,016,582
Beginning net position	<u>62,439,569</u>	<u>64,468,692</u>	<u>119,764,374</u>	<u>110,718,669</u>	<u>182,203,943</u>	<u>175,187,361</u>
Ending net position	\$ <u>63,056,200</u>	<u>62,439,569</u>	<u>126,134,450</u>	<u>119,764,374</u>	<u>189,190,650</u>	<u>182,203,943</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

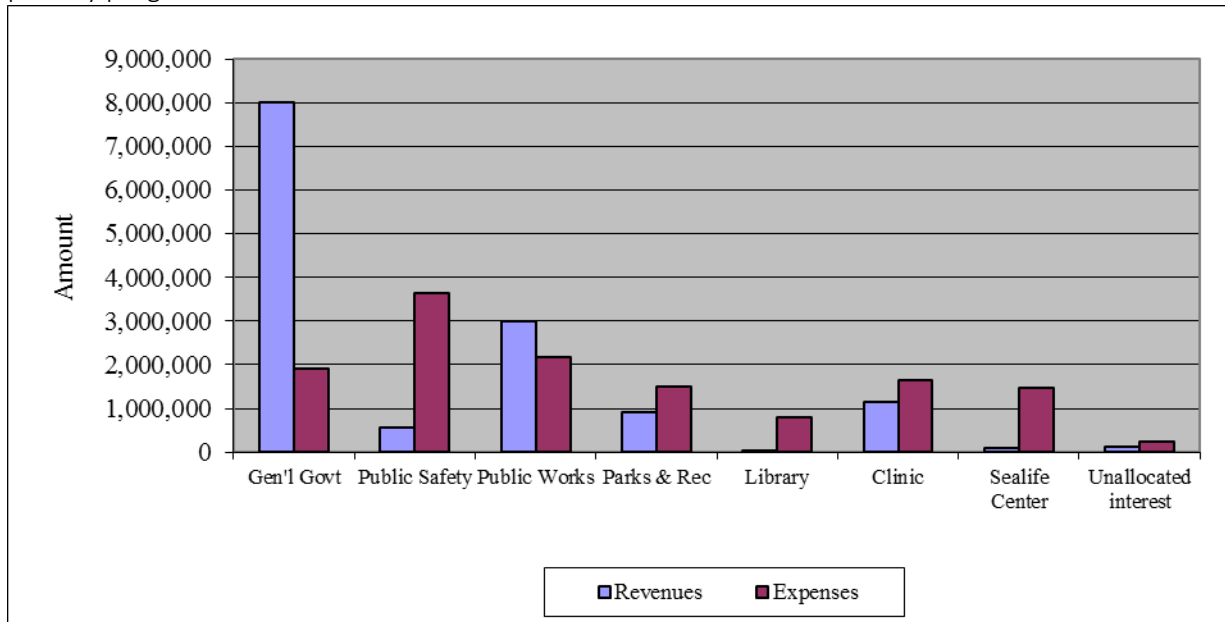
City of Seward

## Governmental Activities

The City of Seward's net position in Governmental activities increased by \$616,631. The following items are of particular note:

- Overall revenues for governmental activities were up by \$1.5 million or 32% compared with the prior year, due to an increase in operating and capital grants.
- Overall expenses were down by \$2.0 million or 13.1% largely due to a decrease in general government and clinic costs.
- Capital and operating grants brought in \$4,201,995 – approximately \$1.5 million higher than the prior year, primarily due to a federal road improvement grant.
- Governmental funds experienced net transfers-in of \$89,589 in 2017 versus net transfers-in of \$1,393,673 in 2016.
- The City does not generate sufficient tax revenues to cover depreciation on general government assets. To replace capital assets in the future, the City will need to rely on external financing sources such as grants, or incurring debt to finance construction.

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



## Business-type Activities

Business-type activities increased the net position of the City by \$6,370,076, including adjustments for Motor Pool Internal Service Fund activities. As is the case with governmental activities, a substantial portion (90.6%) of the \$119.8 million in net position is invested in capital assets. The increase in net position is comprised of the following:

Net position increased in three enterprise funds: Electric Enterprise Fund by \$97,170 (\$199,595 in capital contributions); Seward Marine Industrial Center Fund by \$6.2 million (\$6.73 million in capital contributions); and Non-Major Enterprise Funds, by \$446,224 (\$85,868 in capital contributions). The Non-Major Enterprise Funds include increases in net position of Water Enterprise Fund of \$250,428 (\$20,683 capital contributions); increase in net position of Wastewater Enterprise Fund of \$108,629 (\$65,185 capital contributions); and increase in Parking Enterprise Fund of \$87,167 (with no capital contributions). Net position decreased in two enterprise funds, as follows: Healthcare Facilities Enterprise Fund net position decreased by (\$64) despite \$233,493 in capital contributions, and Harbor Enterprise Fund by (\$69,469) with no capital contributions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Allocations of Motor Pool Internal Service Fund to business-type activities decreased net position by (\$231,979).
- The Electric Enterprise Fund experienced earnings from operations of \$588,667, a decrease of (\$177,328) from the prior year. Operating revenues were higher by \$861,294 or 7.6% and operating costs were up by \$1.0 million or 9.8%. The operating performance was impacted by a net increase of \$1.0 million in services and supplies. The increased cost of services and supplies were primarily related to higher power costs of \$912,395.
- The Electric Enterprise Fund (excluding associated capital projects) experienced an increase in cash during the year of \$280,429, from a prior cash balance of \$5.5 million to a balance of \$5.8 million. Including related capital projects, the ending electric utility-related cash balance is \$7.7 million with \$349,739 restricted by bond covenants and grant agreements. 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 2.4% in 2017, 2.1% in 2018 and 1.6% in 2019.
- The net increase in Seward Marine Industrial Center (SMIC) net position of \$6.2 million is an uncommon result in this Fund, resulting entirely from capital contributions of \$6.7 million in grant funding, combined with an operating loss of (\$629,647), which includes depreciation expense of \$756,543. The cash balance in the SMIC Enterprise Fund (excluding associated capital projects) is negative at (\$44,570), and including associated capital projects is \$0.
- The net increase in Water Enterprise Fund net position of \$250,428 includes capital contributions of \$20,683 from the State and earnings from operations of \$59,624. Salary and benefit costs were lower than the prior year by (\$78,142), primarily due to the replacement of a long-term retiree with a new hire. The water utility ends the year with \$1.6 million in cash (excluding water-related capital projects) representing a slight increase of \$390,511 or 34% from 2016. Including related capital projects, the ending Water utility cash balance is \$2.6 million.
- The net decrease in Harbor Enterprise Fund net position of (\$69,469) results from a combination of loss from operations (\$513,170), no capital grant contributions, Commercial Passenger Vessel Tax proceeds of \$916,330, net transfers to other funds (\$394,950), and other non-operating items of (\$77,679). The harbor paid off a loan with the US Army Corps related to the breakwater project, in an amount of \$1.2 million. In the past two years the Fund has brought in \$297,274 in grant contributions. The Harbor Enterprise Fund (excluding capital projects) ended the year with a cash balance of \$2.8 million, but the amount of cash set aside for debt service reserves is \$690,198 leaving the Harbor with an available cash balance of \$2.1 million at year-end. Including capital project funds and bond reserves, the ending harbor cash balance is \$4.0 million, with \$1.9 million restricted entirely for bond and capital project covenants.
- The decrease in net position of the Healthcare Facilities Enterprise Fund of (\$64) is due primarily to a loss from operations of (\$1.0 million), debt service interest payments of \$736,386 for Seward Mountain Haven (SMH) long-term care facility bonds and old pension-related debt, \$400,000 contributed to the community health center, and incoming contributions from the City sales tax of \$1.9 million. The financial stability of the Healthcare Facilities Fund continues to depend in large part, on the census at the long-term care facility, since census is the primary driver of patient service revenue. These revenues are pledged to repay revenue bonds issued to construct the long-term care facility. Recently, the hospital and long-term care facilities are experiencing growing operational shortfalls. This results from a combination of factors including 1) inadequate reimbursement rates resulting from a rebase year in which census was too low to achieve full reimbursement rates for the subsequent three-year period; 2) medical costs exceeding inflationary rate increases; and 3) census improvements resulting in higher operating costs than reimbursements

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

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will cover. For the next three years, the City can expect a significant adverse impact from these medical facility shortfalls, necessitating a restructuring of the long-term plan for funding repayment of the long-term care facility bonded debt.

- Other non-major enterprise funds experienced the following: 1) increase in Parking Enterprise Fund net position of \$87,167 and an increase in cash of \$117,726 with parking revenues higher than the prior year by \$2,278 (0.7%); and 2) an increase in Wastewater Enterprise Fund net position of \$108,629 resulting primarily from earnings from operations of \$120,187, capital contributions of \$65,185 and net transfers-out of (\$89,414). The Fund has taken on debt service payments of approximately \$79,000 per year, to repay loans needed to complete repairs and dredging to the City's two sewage lagoons. Wastewater cash reserves ended the year at \$1.9 million, up from the prior year balance of \$1.7 million, including \$1.2 million from the Wastewater Enterprise Fund and \$740,000 from the Wastewater Major Repair and Replacement Fund. The increase in cash resulted primarily from the receipt of \$65,185 in capital grants. To address the depleted reserves, rate increases were 4.4% in 2017 and are proposed to increase 2.1% in 2018 and 1.6% 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 \$10.3 million. Of this amount: \$394,161 is *nonspendable* (prepaid items); none is currently *restricted*; \$2,126,418 has been *committed* by the City Council for working capital, hospital line of credit, and insurance reserves; \$3,181,168 has been *assigned* by the administration for payment of grant-related projects and insurance; and \$4,613,046 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 decreased by (\$445,697), representing a net decrease in the General Fund of (\$480,210), increase in the Streets and Sidewalks Capital Project Fund of \$518,420 and decrease in other governmental funds of (\$483,907).

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

#### General Fund

General Fund revenues were \$495,346 higher than expenditures, and after subtracting net transfers of (\$975,556), fund balance decreased by (\$480,210). General Fund revenues came in \$433,165 higher than in 2016, and expenditures came in \$418,501 higher.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*For the year ended December 31, 2017*

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three and six months' expenditures and routine transfers-out to other funds. The General Fund unassigned fund balance at the end of 2017 is \$4.6 million, equal to approximately 4.1 months' reserves, down from 4.6 months at the end of 2016. 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 2017 actuals), which results in the General Fund currently being on the low-to-mid range of the desired level of unassigned fund balance.

### Special Revenue Funds

Special revenue funds experienced a decrease in fund balance of (\$260,756) to \$1,906, with all projects except the Seward Community Health Center Fund maintaining positive fund balance. The largest project, the Bus Transportation project, has fund balance of \$5,641, Two Lakes Park has \$2,498, Beachfront Erosion has \$2,150, and the Seward Community Health Center clinic has a negative fund balance of (\$8,383).

### Non-Major Capital Project Funds

All capital project funds combined experienced a net increase in fund balance of \$295,269 to \$2.8 million with all projects maintaining a positive fund balance, as follows: Capital Acquisition Fund \$1.7 million; Street Projects Fund \$818,420; Kawabe Park project \$5,929; and Flood mitigation \$250,000.

### **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 \$125 million with \$112 million invested in capital assets net of related debt, leaving unrestricted net position of approximately \$11.6 million and restricted net position of \$1.4 million. Of the unrestricted net position, \$3.8 million is restricted cash (bond reserve funds, bond proceeds, etc.) not available for appropriation, and current liabilities total \$15.7 million. The most material current liability is \$7.3 million due from the Healthcare Enterprise Fund to Providence Health and Services. 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 \$1.7 million, reflecting an increase of \$352,753. However, the Motor Pool maintains outstanding loans receivable from other funds of \$1.38 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 2017 is \$407,017.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

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### 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 related to increased sales tax revenue (\$300,000), property tax (\$230,000), State payments on behalf of the City for PERS (\$142,880); camping fees (\$75,000); and various general government grants (\$28,896); and a reduction in expected fish tax revenues of \$100,000.
- Expenditure budgets were increased \$788,171 during the year. 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: \$230,399 for a new road bond; \$178,263 related to restoration of 2.5% merit increases and other mid-year salary and benefit changes; \$142,880 related to state-paid PERS costs; \$50,466 higher utility costs due to delayed fire hydrant rate increases; \$24,307 for sander/plow truck; \$70,799 for health insurance costs; and other grant-related expenditures totaling \$91,057.

On a budgetary basis, General Fund revenues came in \$514,798 or 4.7% higher than budget primarily due to taxes exceeding budget by \$343,221, intergovernmental revenues by \$85,725, investment income by \$39,559, charges for services by \$50,467, "other" revenues by \$47,926, and licenses and permits coming in under budget by \$58,102.

### General Fund *Actual* Highlights

General Fund revenues exceeded expenditures by \$495,346, and after transfers between funds were accounted for, there was a net decrease in fund balance of (\$480,210).

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of December 31, 2017, the City had \$202,067,296 invested in capital assets net of accumulated depreciation, representing an overall increase of \$4,342,417 from the previous year.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and improvements	\$ 5,510	5,510	30,703	30,639	36,213	36,149
Buildings	42,098	43,610	18,717	20,039	60,815	63,649
Improvements other than buildings	12,546	7,321	64,295	67,975	76,841	75,296
Machinery and equipment	3,230	3,965	5,056	5,430	8,286	9,395
Construction in progress	<u>56</u>	<u>123</u>	<u>19,855</u>	<u>13,113</u>	<u>19,911</u>	<u>13,236</u>
Total net capital assets	<u>\$ 63,440</u>	<u>60,529</u>	<u>138,626</u>	<u>137,196</u>	<u>202,066</u>	<u>197,725</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*For the year ended December 31, 2017*

City of Seward

**Long-term Debt**

As of December 31, 2017, the City had total debt outstanding of \$44,282,327. Of this amount, \$6 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 \$26.8 million represents: revenue bonds backed by operating revenues from the harbor enterprise fund (\$3.9 million), the electric enterprise fund (\$5.0 million), and long-term care facility (\$17.9 million). The remaining debt represents water and wastewater loans (\$2.6 million), compensated absences (\$563,410) and net pension liabilities of \$8.1 million.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 6,000	3,210	-	-	6,000	3,210
Revenue bonds	-	-	26,830	28,370	26,830	28,370
Capital leases	-	-	-	-	-	-
Loans	-	-	2,630	4,085	2,630	4,085
Compensated absences	407	487	156	145	563	632
Net pension liability	<u>5,646</u>	<u>8,074</u>	<u>2,442</u>	<u>3,485</u>	<u>8,088</u>	<u>11,559</u>
Total outstanding debt	\$ <u>12,053</u>	<u>11,771</u>	<u>32,058</u>	<u>36,085</u>	<u>44,111</u>	<u>47,856</u>

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

**Economic Factors and Next Year’s Budget and Rates**

The past few years have seen strong economic growth in Seward, driven largely by 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, 2017*

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As part of the FY2016 State of Alaska budget, the Alaska State Legislature passed HB385 and SB119 which had the immediate positive effect of reducing the unfunded liability of the Public Employees Retirement System by \$1 Billion; the Unfunded Actuarial Accrued Liability at June 30, 2017 was \$5.1 Billion, up from \$4.9 Billion at June 30, 2016. This represents a funded ratio of 76.7% at June 30, 2017. The FY2016 cash infusion came with an extension of the amortization period by nine years, and a change in amortization method from level dollar to level percent of pay. These Plan modifications effectively delay contributions into the future, adding significantly higher overall costs to both the State and participating employers. The result is that Seward could pay \$13.8 million in added retirement contributions over the extended nine-year period.

The extension of amortization period has the overall effect of reducing the annual required contribution rate (i.e. from 44.03% in 2015; 27.19% in 2016; 26.14% in 2017; 25.17% in 2018. When the annual required contribution rate exceeds 22%, the State currently pays the amount in excess of 22% on-behalf of municipal employers. As the required contribution rate declines, more of the contributions fall below this level to be paid by cities rather than the State. Rates can be expected to fall in the short term, while overall contributions will increase to municipalities.

The City operates on a Biennial Budget passed in November 2017 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 seek 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 decrease in 2018 by \$160,344 or (3.1%) from 2017 actuals of \$5,160,344 to \$5,000,000. 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, but has slowed more recently. 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 is prudent. Property tax revenues are budgeted to increase \$91,373 or 7.5%, from \$1,213,627 in 2017 to \$1,305,000 in 2018, primarily due to the imposition of an increase in the mill rate from 3.12 to 3.84 mills to cover new bonds on road improvements. Parks and recreation revenues are budgeted to decrease 1.8% from \$914,318 in 2017 to \$897,700 in 2018, based primarily on record-setting revenues in the campgrounds which are unlikely to be sustainable given how full the campgrounds have been, and given new RV parks developing outside of the City limits. Bed tax revenues are budgeted to decrease by \$20,907 from 2017 actuals of \$520,907 to the 2018 budget of \$500,000. During the economic downturn of 2009, bed tax revenues were one of the first revenues to show

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*For the year ended December 31, 2017*

City of Seward

significant decline, and one of the last revenues to rebound. It is reasonable to assume however, that 2018 budget targets will be met.

On the General Fund cost side, expenditures were budgeted at \$11,549,800 or \$572,692 higher than 2017 actuals. The General Fund budget was balanced with a combination of budget cuts (reduced staffing levels, overtime, standby, delay hiring, building-in a personnel vacancy factor of \$150,000, reduced motor pool contributions) and revenue enhancements (retained a portion of raw fish tax), and with the utilization of \$250,469 in reserves.

Tax rates are maintained at 2017 levels with the exception of 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% and the hotel/motel bed tax rate remains at 4.0%. The harbor tariffs include a 2.1% rate increase in 2018 and 1.6% in 2019, 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 to cover the \$98,008 per year debt to purchase a replacement 330-Ton Travelift. It is expected that the General Fund may be called on to satisfy this debt when SMIC earns insufficient revenues to cover the debt costs.

The electric tariff rates will also increase by 2.1% in 2018 and 1.6% in 2019 primarily to address significant capital infrastructure needs, including utility pole replacement, underground line replacement, etc. A seasonal rate was implemented to provide rate relief to year-round residents by increasing rates in the summer when residential consumption tends to be lower, and reducing rates in the winter. Special contracts were renegotiated with Icicle Seafoods and the Alaska Sealife Center, implementing a glide path to reduce electric subsidies to those users. The Electric Fund will make no contributions toward replacement of aging infrastructure, in order to shore up operating reserves.

The water tariff will increase rates 2.1% in 2018 and 1.6% in 2019 as funds are needed to repay \$159K annual debt on the Third Avenue Water Main upgrade. 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 will increase rates 2.1% in 2018 and 1.6% in 2019 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 2017, 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.

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

Statement of Net Position

Statement of Activities

Governmental Funds - Balance Sheet

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

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

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

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

Proprietary Funds - Statement of Net Position

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

Proprietary Funds - Statement of Cash Flows

Statement of Fiduciary Net Position

Notes to Basic Financial Statements

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

<i>December 31, 2017</i>	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 11,127,314	\$ 19,388,345	\$ 30,515,659
Receivables, net of allowance for doubtful accounts:			
Taxes	620,201	-	620,201
Accounts	18,746	4,140,760	4,159,506
Grants, shared revenues, and loans	15,133	2,506,566	2,521,699
Accrued interest	81,239	-	81,239
Other	-	893,243	893,243
Prepaid items	394,161	99,487	493,648
Inventories	-	1,481,145	1,481,145
Restricted cash and investments	-	3,842,493	3,842,493
Other assets	-	1,329,000	1,329,000
Internal balances	1,125,283	(1,125,283)	-
Capital assets not being depreciated	5,565,394	50,558,107	56,123,501
Capital assets being depreciated, net of depreciation	57,875,010	88,068,785	145,943,795
<b>Total Assets</b>	<b>76,822,481</b>	<b>171,182,648</b>	<b>248,005,129</b>
<b>Deferred Outflows of Resources</b>			
Pension related	422,010	178,486	600,496
Unamortized deferred loss on refunding	-	2,185,246	2,185,246
<b>Total Deferred Outflows of Resources</b>	<b>422,010</b>	<b>2,363,732</b>	<b>2,785,742</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 77,244,491</b>	<b>\$ 173,546,380</b>	<b>\$ 250,790,871</b>
<b>Liabilities</b>			
Accounts payable	\$ 357,905	\$ 1,840,408	\$ 2,198,313
Payable to Providence Health and Services - Washington	-	7,312,000	7,312,000
Due to contractual agencies	-	17,000	17,000
Accrued payroll and related liabilities	336,568	976,185	1,312,753
Accrued interest	66,243	452,485	518,728
Other accrued liabilities	29,318	-	29,318
Customer deposits	104,417	773,391	877,808
Unearned revenue	585	1,277,748	1,278,333
Noncurrent liabilities:			
Due within one year:			
Annual leave	107,992	51,045	159,037
Notes payable	-	192,880	192,880
Bonds payable	200,000	1,595,000	1,795,000
Due in more than one year:			
Annual leave	299,025	105,348	404,373
Notes payable	-	2,436,484	2,436,484
Bonds payable, including bond premium	6,099,126	27,480,650	33,579,776
Net pension liability	5,646,170	2,442,383	8,088,553
Other	-	56,642	56,642
<b>Total Liabilities</b>	<b>13,247,349</b>	<b>47,009,649</b>	<b>60,256,998</b>
<b>Deferred Inflows of Resources - pension related</b>	<b>940,942</b>	<b>402,281</b>	<b>1,343,223</b>
<b>Net Position</b>			
Net investment in capital assets	57,141,278	110,842,789	167,984,067
Restricted for commercial passenger vessel tax	-	1,402,847	1,402,847
Unrestricted	5,914,922	13,888,814	19,803,736
<b>Total Net Position</b>	<b>63,056,200</b>	<b>126,134,450</b>	<b>189,190,650</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 77,244,491</b>	<b>\$ 173,546,380</b>	<b>\$ 250,790,871</b>

*See accompanying notes to basic financial statements.*

**City of Seward, Alaska**  
**Statement of Activities**  
**Year Ended December 31, 2017**

Functions/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 1,909,713	\$ 217,317	\$ 25,407	\$ -	\$ (1,666,989)	\$ -	\$ (1,666,989)
Public safety	3,642,114	576,829	-	-	(3,065,285)	-	(3,065,285)
Public works	2,174,105	32,359	(27,246)	2,996,257	827,265	-	827,265
Parks and recreation	1,511,469	914,318	7,500	-	(589,651)	-	(589,651)
Library	794,077	25,094	15,383	-	(753,600)	-	(753,600)
Clinic	1,660,050	60,000	1,079,453	-	(520,597)	-	(520,597)
SeaLife Center	1,465,285	-	-	105,241	(1,360,044)	-	(1,360,044)
Interest expense	232,290	-	-	-	(232,290)	-	(232,290)
<b>Total Governmental Activities</b>	<b>13,389,103</b>	<b>1,825,917</b>	<b>1,100,497</b>	<b>3,101,498</b>	<b>(7,361,191)</b>	<b>-</b>	<b>(7,361,191)</b>
<b>Business-type Activities</b>							
Electric	12,120,052	12,892,924	33,742	199,595	-	1,006,209	1,006,209
Water	1,373,707	1,411,320	9,095	20,683	-	67,391	67,391
Wastewater	1,086,821	1,193,276	6,171	65,185	-	177,811	177,811
Harbor	4,093,848	3,437,043	22,823	-	-	(633,982)	(633,982)
SMIC	1,161,489	531,842	-	6,735,785	-	6,106,138	6,106,138
Healthcare Facilities	21,153,694	19,384,000	14,000	233,493	-	(1,522,201)	(1,522,201)
Parking	227,174	330,625	-	-	-	103,451	103,451
<b>Total Business-type Activities</b>	<b>41,216,785</b>	<b>39,181,030</b>	<b>85,831</b>	<b>7,254,741</b>	<b>-</b>	<b>5,304,817</b>	<b>5,304,817</b>
<b>Total Primary Government</b>	<b>\$54,605,888</b>	<b>\$41,006,947</b>	<b>\$ 1,186,328</b>	<b>\$ 10,356,239</b>	<b>(7,361,191)</b>	<b>5,304,817</b>	<b>(2,056,374)</b>
<b>General Revenues</b>							
Taxes:							
Sales taxes					5,160,344	-	5,160,344
Property taxes					1,208,090	-	1,208,090
Other taxes					520,907	-	520,907
Payment in lieu of taxes					107,157	-	107,157
Grants and entitlements not restricted to a specific purpose					773,098	916,330	1,689,428
Investment income					118,637	238,518	357,155
Transfers					89,589	(89,589)	-
<b>Total General Revenues and Transfers</b>					<b>7,977,822</b>	<b>1,065,259</b>	<b>9,043,081</b>
<b>Change in Net Position</b>					<b>616,631</b>	<b>6,370,076</b>	<b>6,986,707</b>
<b>Net Position, beginning</b>					<b>62,439,569</b>	<b>119,764,374</b>	<b>182,203,943</b>
<b>Net Position, ending</b>					<b>\$ 63,056,200</b>	<b>\$ 126,134,450</b>	<b>\$ 189,190,650</b>

*See accompanying notes to basic financial statements.*

City of Seward, Alaska  
Governmental Funds  
Balance Sheet

	Major Fund General	Major Fund Streets and Sidewalks Capital Project Fund	Nonmajor Funds	Total Governmental Funds
<i>December 31, 2017</i>				
<b>Assets</b>				
Cash and investments	\$ 6,123,009	\$ 818,420	\$ 2,027,468	\$ 8,968,897
Receivables, net of allowance for doubtful accounts:				
Taxes	620,201	-	-	620,201
Accounts	18,746	-	-	18,746
Grants and shared revenues	-	-	15,133	15,133
Accrued interest	44,860	-	-	44,860
Prepaid items	394,161	-	-	394,161
Due from other funds	1,115,149	-	-	1,115,149
<b>Total Assets</b>	<b>\$ 8,316,126</b>	<b>\$ 818,420</b>	<b>\$ 2,042,601</b>	<b>\$ 11,177,147</b>
<b>Liabilities</b>				
Accounts payable	\$ 356,600	\$ -	\$ 1,305	\$ 357,905
Accrued payroll and related liabilities	336,568	-	-	336,568
Accrued liabilities	29,318	-	-	29,318
Deposits	104,417	-	-	104,417
Due to other funds	-	-	22,211	22,211
Unearned revenue	585	-	-	585
<b>Total Liabilities</b>	<b>827,488</b>	<b>-</b>	<b>23,516</b>	<b>851,004</b>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	11,350	-	-	11,350
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>838,838</b>	<b>-</b>	<b>23,516</b>	<b>862,354</b>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid items	394,161	-	-	394,161
Committed:				
Working capital	1,500,000	-	-	1,500,000
Insurance	126,418	-	-	126,418
Hospital line of credit	500,000	-	-	500,000
Assigned:				
Parks and recreation	-	-	2,498	2,498
Public works	-	-	2,150	2,150
General government	-	-	5,641	5,641
Capital projects	-	818,420	2,017,179	2,835,599
Insurance	235,280	-	-	235,280
Other assignments	100,000	-	-	100,000
Unassigned (deficit)	4,621,429	-	(8,383)	4,613,046
<b>Total Fund Balances</b>	<b>7,477,288</b>	<b>818,420</b>	<b>2,019,085</b>	<b>10,314,793</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 8,316,126</b>	<b>\$ 818,420</b>	<b>\$ 2,042,601</b>	<b>\$ 11,177,147</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, 2017**

Total fund balances for governmental funds		\$ 10,314,793
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation consist of:		
	Governmental	Internal Service
Land	\$ 5,509,589	\$ -
Construction in progress	55,805	-
Buildings	71,580,262	-
Improvements other than buildings	28,262,644	-
Machinery and equipment	9,410,905	6,874,272
Accumulated depreciation	(53,045,299)	(5,207,774)
	\$ 61,773,906	\$ 1,666,498
Total capital assets		63,440,404
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
		11,350
An internal service fund is used by the City to charge the cost of vehicles and heavy equipment to individual funds. The net position of the internal service fund attributable to governmental activities is included in the governmental column on the Statement of Net Position.		
Net position related to governmental activities		\$ 3,486,622
Less amount reported with capital assets		(1,666,498)
Plus amount reported with long-term liabilities		407,017
		2,227,141
Long-term liabilities, including bonds payable, the related accrued interest and accrued leave are not due and payable in the current period and are therefore not reported as fund liabilities. These liabilities consist of:		
	Governmental	Internal Service
General obligation bonds payable	\$ (6,000,000)	\$ -
Accrued interest on bonds	(66,243)	-
Accrued leave	-	(407,017)
Unamortized bond premium	(299,126)	-
Net pension liability	(5,646,170)	-
	\$ (12,011,539)	\$ (407,017)
Total long-term liabilities		(12,418,556)
Certain changes connected with the net pension liability are deferred rather than recognized immediately. These items are amortized over time:		
Deferred outflows of resources related to pensions	\$ 422,010	
Deferred inflows of resources related to pensions	(940,942)	
Total deferred pension items		(518,932)
<b>Total Net Position of Governmental Activities</b>		<b>\$ 63,056,200</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, 2017</i>	Major Fund General	Major Fund Streets and Sidewalks Capital Project Fund	Nonmajor Funds	Total Governmen- tural Funds
<b>Revenues</b>				
Taxes	\$ 7,003,205	\$ -	\$ -	\$ 7,003,205
Licenses and permits	125,690	-	-	125,690
Intergovernmental	1,229,617	3,196,257	852,207	5,278,081
Charges for services	2,950,159	-	-	2,950,159
Fines and bails	17,006	-	-	17,006
Investment income	65,059	-	-	65,059
Other	81,718	-	85,069	166,787
<b>Total Revenues</b>	<b>11,472,454</b>	<b>3,196,257</b>	<b>937,276</b>	<b>15,605,987</b>
<b>Expenditures</b>				
Current:				
General government	3,069,234	-	248,944	3,318,178
Public safety	3,489,111	-	-	3,489,111
Public works	1,501,390	-	400,000	1,901,390
Parks and recreation	1,421,999	-	18,659	1,440,658
Library	573,535	-	-	573,535
Clinic	-	-	1,660,050	1,660,050
Debt service:				
Principal payments	100,000	-	-	100,000
Retirement benefits	616,846	-	-	616,846
Interest and other costs	204,993	-	-	204,993
Capital outlay:				
General government	-	-	198,000	198,000
Public works	-	5,646,519	-	5,646,519
<b>Total Expenditures</b>	<b>10,977,108</b>	<b>5,646,519</b>	<b>2,525,653</b>	<b>19,149,280</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>495,346</b>	<b>(2,450,262)</b>	<b>(1,588,377)</b>	<b>(3,543,293)</b>
<b>Other Financing Sources (Uses)</b>				
Bond proceeds	-	2,989,733	-	2,989,733
Transfers in	2,147,501	37,142	1,108,729	3,293,372
Transfers out	(3,123,057)	(58,193)	(4,259)	(3,185,509)
<b>Net Other Financing Sources (Uses)</b>	<b>(975,556)</b>	<b>2,968,682</b>	<b>1,104,470</b>	<b>3,097,596</b>
<b>Net Change in Fund Balances</b>	<b>(480,210)</b>	<b>518,420</b>	<b>(483,907)</b>	<b>(445,697)</b>
<b>Fund Balances, beginning</b>	<b>7,957,498</b>	<b>300,000</b>	<b>2,502,992</b>	<b>10,760,490</b>
<b>Fund Balances, ending</b>	<b>\$ 7,477,288</b>	<b>\$ 818,420</b>	<b>\$ 2,019,085</b>	<b>\$ 10,314,793</b>

*See accompanying notes to basic financial statements.*

**City of Seward, Alaska**  
**Reconciliation of the Change in Fund Balances of Governmental Funds**  
**to Statement of Activities**  
**Year Ended December 31, 2017**

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Net change in fund balances - total governmental funds \$ (445,697)

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 capital outlay of \$5,963,938 exceeded depreciation of \$2,619,677 and loss on sale of equipment of \$183. 3,344,078

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in other long-term assets. (6,707)

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

Accrued interest payable	\$ (17,310)	
Amortization of bond premium	6,326	
Proceeds from bond issuance	(2,989,733)	
Principal payments on long-term debt	<u>100,000</u>	
		(2,900,717)

Certain changes connected with the net pension liability are deferred and amortized over time. This is the overall decrease in the net pension liability and related deferred outflows of resources and deferred inflows of resources. 590,370

An internal service fund is used by the City to charge the cost of vehicles and heavy equipment to individual funds. A portion of the net revenue of these activities is reported with governmental activities. 35,304

**Change in Net Position of Governmental Activities \$ 616,631**

*See accompanying notes to basic financial statements.*

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

<i>Year Ended December 31, 2017</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Taxes	\$ 6,130,000	\$ 6,659,984	\$ 7,003,205	\$ 343,221
Licenses and permits	183,800	183,792	125,690	(58,102)
Intergovernmental	1,072,110	1,143,892	1,229,617	85,725
Charges for services	2,843,309	2,899,692	2,950,159	50,467
Fines and bails	11,000	11,004	17,006	6,002
Investment income	25,500	25,500	65,059	39,559
Other	15,200	33,792	81,718	47,926
<b>Total Revenues</b>	<b>10,280,919</b>	<b>10,957,656</b>	<b>11,472,454</b>	<b>514,798</b>
<b>Expenditures</b>				
Current:				
General government	3,126,851	3,304,220	3,069,234	234,986
Public safety	3,466,001	3,811,246	3,489,111	322,135
Public works	1,383,728	1,460,458	1,501,390	(40,932)
Parks and recreation	1,339,490	1,436,516	1,421,999	14,517
Library	621,058	652,883	573,535	79,348
Debt service:				
Principal payments	100,000	237,500	100,000	137,500
Retirement benefits	753,994	583,579	616,846	(33,267)
Interest and other costs	146,800	239,691	204,993	34,698
<b>Total Expenditures</b>	<b>10,937,922</b>	<b>11,726,093</b>	<b>10,977,108</b>	<b>748,985</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(657,003)</b>	<b>(768,437)</b>	<b>495,346</b>	<b>1,263,783</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,023,616	2,026,572	2,147,501	120,929
Transfers out	(1,366,613)	(1,562,705)	(3,123,057)	(1,560,352)
<b>Net Other Financing Sources (Uses)</b>	<b>657,003</b>	<b>463,867</b>	<b>(975,556)</b>	<b>(1,439,423)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (304,570)</b>	<b>(480,210)</b>	<b>\$ (175,640)</b>
Fund Balance, beginning			<u>7,957,498</u>	
Fund Balance, ending			<u>\$ 7,477,288</u>	

*See accompanying notes to basic financial statements.*

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

	Enterprise Funds						Internal Service Funds
	Major Funds				Nonmajor Funds	Total Enterprise Funds	
	Electric	Harbor	SMIC	Healthcare Facilities			
<i>December 31, 2017</i>							
<b>Assets</b>							
<b>Current Assets</b>							
Cash and investments	\$ 7,391,690	\$ 2,119,462	\$ -	\$ 4,234,662	\$ 5,642,531	\$ 19,388,345	\$ 2,158,417
Receivables:							
Accounts	1,102,554	146,957	22,256	3,804,000	316,388	5,392,155	-
Accrued interest	-	-	-	-	-	-	36,379
Interfund loans	-	-	-	-	-	-	160,206
Grants and loans	-	916,330	1,577,173	-	13,063	2,506,566	-
Other receivables	89,035	21	-	804,000	187	893,243	-
Less allowance for doubtful accounts	(49,615)	(39,543)	-	(1,148,000)	(14,237)	(1,251,395)	-
Prepaid expenses	99,096	-	391	-	-	99,487	-
Inventory	1,386,756	-	-	-	94,389	1,481,145	-
Other assets	-	-	-	563,000	-	563,000	-
<b>Total Current Assets</b>	<b>10,019,516</b>	<b>3,143,227</b>	<b>1,599,820</b>	<b>8,257,662</b>	<b>6,052,321</b>	<b>29,072,546</b>	<b>2,355,002</b>
<b>Noncurrent Assets</b>							
Restricted cash and investments	349,739	1,877,748	-	1,615,006	-	3,842,493	-
Other assets	-	-	-	766,000	-	766,000	-
Interfund loans, net of current portion	-	-	-	-	-	-	1,218,781
Property, plant and equipment:							
Total capital assets not being depreciated	230,951	18,259,222	31,856,503	-	211,431	50,558,107	-
Total capital assets being depreciated	67,279,896	40,120,293	42,814,599	37,144,324	30,550,663	217,909,775	6,874,272
Less accumulated depreciation	(41,908,288)	(19,921,756)	(30,934,330)	(21,989,756)	(15,086,860)	(129,840,990)	(5,207,774)
<b>Total Noncurrent Assets</b>	<b>25,952,298</b>	<b>40,335,507</b>	<b>43,736,772</b>	<b>17,535,574</b>	<b>15,675,234</b>	<b>143,235,385</b>	<b>2,885,279</b>
<b>Total Assets</b>	<b>35,971,814</b>	<b>43,478,734</b>	<b>45,336,592</b>	<b>25,793,236</b>	<b>21,727,555</b>	<b>172,307,931</b>	<b>5,240,281</b>
<b>Deferred Outflows of Resources</b>							
Related to pensions	85,437	55,902	-	-	37,147	178,486	-
Unamortized deferred loss on refunding	438,972	175,147	-	1,571,127	-	2,185,246	-
<b>Total Deferred Outflows of Resources</b>	<b>524,409</b>	<b>231,049</b>	<b>-</b>	<b>1,571,127</b>	<b>37,147</b>	<b>2,363,732</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$36,496,223</b>	<b>\$43,709,783</b>	<b>\$ 45,336,592</b>	<b>\$ 27,364,363</b>	<b>\$ 21,764,702</b>	<b>\$174,671,663</b>	<b>\$ 5,240,281</b>

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

<i>December 31, 2017</i>	Enterprise Funds						Total Enterprise Funds	Internal Service Funds
	Major Funds				Healthcare Facilities	Nonmajor Funds		
	Electric	Harbor	SMIC	-				
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Accounts payable	\$ 664,524	\$ 76,607	\$ 863,816	\$ 189,000	\$ 46,461	\$ 1,840,408	\$ -	
Payable to Providence Health and Services - Washington	-	-	-	7,312,000	-	7,312,000	-	
Due to contractual agencies	-	-	-	17,000	-	17,000	-	
Accrued payroll and related liabilities	32,960	23,332	628	906,000	13,265	976,185	-	
Accrued interest	76,200	38,775	-	316,248	21,262	452,485	-	
Current portion:								
Accrued annual leave	21,706	18,107	-	-	11,232	51,045	107,992	
Bonds payable	160,000	490,000	-	945,000	-	1,595,000	-	
Notes payable	-	-	-	-	192,880	192,880	-	
Interfund loans	-	-	98,008	62,198	-	160,206	-	
Deposits	255,050	41,720	14,600	462,021	-	773,391	-	
Unearned revenue	-	540,061	2,687	735,000	-	1,277,748	-	
Due to other funds	-	-	1,092,938	-	-	1,092,938	-	
<b>Total Current Liabilities</b>	<b>1,210,440</b>	<b>1,228,602</b>	<b>2,072,677</b>	<b>10,944,467</b>	<b>285,100</b>	<b>15,741,286</b>	<b>107,992</b>	
<b>Noncurrent Liabilities, net of current portion</b>								
Accrued annual leave	30,290	48,594	-	-	26,464	105,348	299,025	
Bonds payable, including unamortized premium	5,190,521	3,873,886	-	18,416,243	-	27,480,650	-	
Notes payable	-	-	-	-	2,436,484	2,436,484	-	
Net pension liability	1,160,197	770,300	-	-	511,886	2,442,383	-	
Interfund loans	-	-	588,050	630,731	-	1,218,781	-	
Other	-	-	-	56,642	-	56,642	-	
<b>Total Noncurrent Liabilities</b>	<b>6,381,008</b>	<b>4,692,780</b>	<b>588,050</b>	<b>19,103,616</b>	<b>2,974,834</b>	<b>33,740,288</b>	<b>299,025</b>	
<b>Total Liabilities</b>	<b>7,591,448</b>	<b>5,921,382</b>	<b>2,660,727</b>	<b>30,048,083</b>	<b>3,259,934</b>	<b>49,481,574</b>	<b>407,017</b>	
<b>Deferred Inflows of Resources -</b>								
related to pensions	188,913	127,812	-	-	85,556	402,281	-	
<b>Net Position</b>								
Net investment in capital assets	20,984,539	34,959,218	42,886,767	(1,020,542)	13,032,807	110,842,789	1,666,498	
Restricted for commercial passenger vessel tax	-	1,402,847	-	-	-	1,402,847	-	
Unrestricted (deficit)	7,731,323	1,298,524	(210,902)	(1,663,178)	5,386,405	12,542,172	3,166,766	
<b>Total Net Position</b>	<b>28,715,862</b>	<b>37,660,589</b>	<b>42,675,865</b>	<b>(2,683,720)</b>	<b>18,419,212</b>	<b>124,787,808</b>	<b>4,833,264</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$36,496,223</b>	<b>\$43,709,783</b>	<b>\$45,336,592</b>	<b>\$27,364,363</b>	<b>\$21,764,702</b>	<b>\$ 5,240,281</b>	<b>\$ 5,240,281</b>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						1,346,642		
<b>Net Position of Business-type Activities</b>						<b>\$ 126,134,450</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, 2017	Enterprise Funds					Total Enterprise Funds	Internal Service Funds
	Major Funds				Nonmajor Funds		
	Electric	Harbor	SMIC	Healthcare Facilities			
<b>Operating Revenues</b>							
Charges for services	\$ 12,207,955	\$ 3,425,401	\$ 531,842	\$ 19,384,000	\$ 2,935,221	\$ 38,484,419	\$ -
Vehicle rental and interfund charges	-	-	-	-	-	-	578,588
<b>Total Operating Revenues</b>	<b>12,207,955</b>	<b>3,425,401</b>	<b>531,842</b>	<b>19,384,000</b>	<b>2,935,221</b>	<b>38,484,419</b>	<b>578,588</b>
<b>Operating Expenses</b>							
Salaries and employee benefits	1,778,486	1,010,541	74,271	13,660,000	722,689	17,245,987	403,588
Services and supplies	7,345,292	809,634	169,824	3,444,000	694,971	12,463,721	935
Administration	910,060	312,796	160,851	1,369,003	451,554	3,204,264	9,574
Depreciation	1,585,450	1,805,600	756,543	1,944,305	782,745	6,874,643	425,878
<b>Total Operating Expenses</b>	<b>11,619,288</b>	<b>3,938,571</b>	<b>1,161,489</b>	<b>20,417,308</b>	<b>2,651,959</b>	<b>39,788,615</b>	<b>839,975</b>
<b>Earnings (Loss) from Operations</b>	<b>588,667</b>	<b>(513,170)</b>	<b>(629,647)</b>	<b>(1,033,308)</b>	<b>283,262</b>	<b>(1,304,196)</b>	<b>(261,387)</b>
<b>Nonoperating Revenues (Expenses)</b>							
Intergovernmental - PERS on-behalf	33,742	22,823	-	-	15,266	71,831	-
Investment income	117,434	43,133	1,344	22,530	54,077	238,518	53,578
Salary credits - work orders	200,428	-	-	-	-	200,428	-
Supply credits - work orders	62,987	-	-	-	-	62,987	-
Gain (loss) on sale of capital assets	-	11,642	-	-	-	11,642	(5,896)
Bond issue costs	(41,137)	-	-	-	-	(41,137)	-
Interest expense	(192,344)	(155,277)	-	(736,386)	(35,743)	(1,119,750)	-
Commercial passenger vessel tax	-	916,330	-	-	-	916,330	-
Nonoperating grant revenue	-	-	-	14,000	-	14,000	-
Other revenue	421,554	-	-	-	-	421,554	-
<b>Net Nonoperating Revenues (Expenses)</b>	<b>602,664</b>	<b>838,651</b>	<b>1,344</b>	<b>(699,856)</b>	<b>33,600</b>	<b>776,403</b>	<b>47,682</b>
<b>Earnings (Loss) Before Contributions and Transfers</b>	<b>1,191,331</b>	<b>325,481</b>	<b>(628,303)</b>	<b>(1,733,164)</b>	<b>316,862</b>	<b>(527,793)</b>	<b>(213,705)</b>
Capital contributions	199,595	-	6,735,785	233,493	85,868	7,254,741	-
Transfers in	19,756	18,274	172,033	1,899,607	290,049	2,399,719	-
Transfers out	(1,313,512)	(413,224)	(116,017)	(400,000)	(246,555)	(2,489,308)	(18,274)
<b>Change in Net Position</b>	<b>97,170</b>	<b>(69,469)</b>	<b>6,163,498</b>	<b>(64)</b>	<b>446,224</b>	<b>6,637,359</b>	<b>(231,979)</b>
<b>Net Position, beginning</b>	<b>28,618,692</b>	<b>37,730,058</b>	<b>36,512,367</b>	<b>(2,683,656)</b>	<b>17,972,988</b>		<b>5,065,243</b>
<b>Net Position, ending</b>	<b>\$ 28,715,862</b>	<b>\$ 37,660,589</b>	<b>\$ 42,675,865</b>	<b>\$ (2,683,720)</b>	<b>\$ 18,419,212</b>		<b>\$ 4,833,264</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(267,283)	
<b>Change in Net Position of Business-type Activities</b>						<b>\$ 6,370,076</b>	

See accompanying notes to basic financial statements.

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

Year Ended December 31, 2017	Enterprise Funds						Internal Service Funds
	Major Funds				Nonmajor Funds	Total Enterprise Funds	
	Electric	Harbor	SMIC	Healthcare Facilities			
<b>Cash Flows from Operating Activities</b>							
Receipts from customers and users	\$ 12,414,800	\$ 3,400,683	\$ 525,988	\$ 19,292,000	\$ 2,917,060	\$ 38,550,531	\$ -
Payments to suppliers	(7,690,640)	(807,302)	(160,093)	(2,758,570)	(757,719)	(12,174,324)	(8,625)
Payments to employees	(1,658,528)	(1,061,592)	(76,443)	(13,677,000)	(754,455)	(17,228,018)	(483,341)
Payments for interfund services used	(910,060)	(312,796)	(160,851)	(1,369,003)	(451,554)	(3,204,264)	(9,574)
Receipts from vehicle rentals and interfund charges	-	-	-	-	-	-	578,588
<b>Net cash flows from operating activities</b>	<b>2,155,572</b>	<b>1,218,993</b>	<b>128,601</b>	<b>1,487,427</b>	<b>953,332</b>	<b>5,943,925</b>	<b>77,048</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>							
Transfers in	19,756	18,274	172,033	1,899,607	290,049	2,399,719	-
Transfers out	(1,313,512)	(413,224)	(116,017)	(400,000)	(246,555)	(2,489,308)	(18,274)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(1,293,756)</b>	<b>(394,950)</b>	<b>56,016</b>	<b>1,499,607</b>	<b>43,494</b>	<b>(89,589)</b>	<b>(18,274)</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>							
Principal payments on long-term debt	(150,000)	(1,681,196)	-	(910,000)	(255,215)	(2,996,411)	-
Interest payments on long-term debt	(186,049)	(193,098)	-	(744,486)	(38,151)	(1,161,784)	-
Acquisition of property, plant and equipment	(874,696)	(83,351)	(6,325,754)	(236,490)	(68,222)	(7,588,513)	(2,800)
Capital contributions received	1,913,355	-	6,825,339	247,493	72,805	9,058,992	-
Payment to refunding bond escrow agent	(41,137)	-	-	-	-	(41,137)	-
Proceeds from sale of capital assets	-	11,642	-	-	-	11,642	3,242
Decrease in due to other funds	-	-	(587,538)	-	-	(587,538)	-
Interfund loan payments	-	-	(98,008)	(59,095)	-	(157,103)	-
Commercial passenger vessel tax receipts	-	917,500	-	-	-	917,500	-
<b>Net cash flows from (for) capital and related financing activities</b>	<b>661,473</b>	<b>(1,028,503)</b>	<b>(185,961)</b>	<b>(1,702,578)</b>	<b>(288,783)</b>	<b>(2,544,352)</b>	<b>442</b>
<b>Cash Flows from Investing Activities</b>							
Investment income received	117,434	43,133	1,344	22,530	54,077	238,518	56,680
Interfund loan receipts	-	-	-	-	-	-	157,104
<b>Net cash flows from investing activities</b>	<b>117,434</b>	<b>43,133</b>	<b>1,344</b>	<b>22,530</b>	<b>54,077</b>	<b>238,518</b>	<b>213,784</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>1,640,723</b>	<b>(161,327)</b>	<b>-</b>	<b>1,306,986</b>	<b>762,120</b>	<b>3,548,502</b>	<b>273,000</b>
<b>Cash and Investments, beginning</b>	<b>6,100,706</b>	<b>4,158,537</b>	<b>-</b>	<b>4,542,682</b>	<b>4,880,411</b>	<b>19,682,336</b>	<b>1,885,417</b>
<b>Cash and Investments, ending</b>	<b>\$ 7,741,429</b>	<b>\$ 3,997,210</b>	<b>\$ -</b>	<b>\$ 5,849,668</b>	<b>\$ 5,642,531</b>	<b>\$ 23,230,838</b>	<b>\$ 2,158,417</b>
<b>Reconciliation of Cash and Investments to Statement of Net Position</b>							
Current assets	\$ 7,391,690	\$ 2,119,462	\$ -	\$ 4,234,662	\$ 5,642,531	\$ 19,388,345	\$ 2,158,417
Restricted assets	349,739	1,877,748	-	1,615,006	-	3,842,493	-
<b>Total Cash and Investments</b>	<b>\$ 7,741,429</b>	<b>\$ 3,997,210</b>	<b>\$ -</b>	<b>\$ 5,849,668</b>	<b>\$ 5,642,531</b>	<b>\$ 23,230,838</b>	<b>\$ 2,158,417</b>

*See accompanying notes to basic financial statements.*

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

<i>Year Ended December 31, 2017</i>	Enterprise Funds						Total Enterprise Funds	Internal Service Funds	
	Major Funds				Nonmajor Funds				
	Electric	Harbor	SMIC	Healthcare Facilities					
<b>Reconciliation of Earnings (Loss) from Operations to Net Cash Flows from (for) Operating Activities</b>									
Earnings (loss) from operations	\$ 588,667	\$ (513,170)	\$ (629,647)	\$ (1,033,308)	\$ 283,262	\$ (1,304,196)	\$ (261,387)		
Adjustments to reconcile earnings (loss) from operations to net cash flows from (for) operating activities:									
Depreciation	1,585,450	1,805,600	756,543	1,944,305	782,745	6,874,643	425,878		
Other nonoperating revenues	421,554	-	-	-	-	421,554	-		
Other nonoperating revenues - workorder reimbursements:									
Salaries	200,428	-	-	-	-	200,428	-		
Supplies	62,987	-	-	-	-	62,987	-		
Noncash expense - PERS on-behalf	33,742	22,823	-	-	15,266	71,831	-		
Increase in allowance for doubtful accounts	8,297	625	-	104,000	882	113,804	-		
(Increase) decrease in assets and deferred outflows of resources:									
Receivables	(212,158)	23,015	34,065	(196,000)	(19,043)	(370,121)	-		
Prepaid expenses	(99,096)	-	(391)	-	-	(99,487)	-		
Inventory	(393,168)	-	-	-	(2,287)	(395,455)	-		
Other assets	-	-	-	(298,411)	-	(298,411)	-		
Deferred outflows of resources related to pensions	199,189	134,728	-	-	90,116	424,033	-		
Increase (decrease) in liabilities and deferred inflows of resources:									
Accounts payable	83,929	2,332	10,121	94,000	(60,461)	129,921	(7,690)		
Other payables	-	-	-	1,149,841	-	1,149,841	-		
Accrued payroll and related liabilities	2,228	3,359	(2,171)	(17,000)	1,092	(12,492)	(79,753)		
Accrued annual leave	2,607	3,287	-	-	5,733	11,627	-		
Customer deposits	(10,848)	(4,057)	1,000	-	-	(13,905)	-		
Due to contractual agencies	-	-	-	(260,000)	-	(260,000)	-		
Unearned revenue	-	(44,300)	(40,919)	-	-	(85,219)	-		
Net pension liability	(489,566)	(331,134)	-	-	(221,485)	(1,042,185)	-		
Deferred inflows of resources related to pensions	171,330	115,885	-	-	77,512	364,727	-		
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 2,155,572</b>	<b>\$ 1,218,993</b>	<b>\$ 128,601</b>	<b>\$ 1,487,427</b>	<b>\$ 953,332</b>	<b>\$ 5,943,925</b>	<b>\$ 77,048</b>		
<b>Noncash Capital and Related Financing Activities</b>									
Purchase of capital assets included in accounts payable	\$ 56,210	\$ -	\$ 850,005	\$ -	\$ 13,063	\$ 919,278	\$ -		
Capital Contributions	\$ -	\$ -	\$ 1,577,173	\$ -	\$ 13,063	\$ 1,590,236	\$ -		

*See accompanying notes to basic financial statements.*



City of Seward, Alaska  
Fiduciary Fund  
Statement of Fiduciary Net Position

<i>December 31, 2017</i>	Teen Council Agency Fund
<b>Assets</b>	
Cash and investments	\$ 39,507
Other assets	150
<b>Total Assets</b>	<b>\$ 39,657</b>
<b>Liabilities</b>	
Accounts payable	\$ 3,014
Other accrued liabilities	16,765
Due to Teen Council	19,878
<b>Total Liabilities</b>	<b>\$ 39,657</b>

*See accompanying notes to basic financial statements.*

**City of Seward, Alaska**  
**Notes to Basic Financial Statements**  
**December 31, 2017**

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## 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 accompanying financial statements present the City of Seward. In 2011 the City adopted the provisions of GASB Statement number 61, *The Financial Reporting Entity: Omnibus*. In connection therewith, the City reviewed its legal and contractual arrangements with the Providence Seward Medical Center which was previously reported as a discreetly presented component unit, and determined that, for financial reporting purposes in accordance with generally accepted accounting principles, this activity is appropriately recorded as an enterprise fund of the City. In 2013, the City entered into a contractual agreement with a non-profit organization as co-signees to a federally funded health clinic program. The non-profit 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. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *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.

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*.

# City of Seward, Alaska

## Notes to Basic Financial Statements

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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.

### *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 also 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 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.

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.

The *Streets and Sidewalks Capital Project Fund* accounts for all activities related to street and sidewalk capital costs.

#### 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.

# City of Seward, Alaska

## Notes to Basic Financial Statements

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

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.

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.

### *Central Treasury*

A central treasury is used to account for the City's cash and investments to maximize investment income. Investments are stated at fair value. Investment income is allocated among the funds based on their respective cash balances.

### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the proprietary funds consider all cash and investments to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

### *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).

# City of Seward, Alaska

## Notes to Basic Financial Statements

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### *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).

### *Receivables and Payables*

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.”

### *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.

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

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### *Accrued Annual Leave*

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

# City of Seward, Alaska

## Notes to Basic Financial Statements

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### *Long-term Debt*

In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method.

### *Fund Balances*

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

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

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

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

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

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

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

### *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, 2017. Outstanding purchase orders, if any, at December 31, are cancelled and new ones are issued in the subsequent year.

# City of Seward, Alaska

## Notes to Basic Financial Statements

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### *Unearned Grant Revenue*

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

### *Grant and Other Intergovernmental Revenues*

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

### *Pension Plans*

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

### *Deferred Outflows of Resources and Deferred Inflows of Resources*

In addition to assets, the statement of financial 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 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 related items as deferred inflows of resources. These items are amortized as a reduction of expense over varying periods of time based on their nature.

### *Property Taxes*

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

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

# City of Seward, Alaska

## Notes to Basic Financial Statements

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### 2. Stewardship, Compliance, and Accountability

#### *Budgetary Information*

An operating budget is adopted each fiscal year 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.

#### *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 three 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 which is rated AAAM for credit risk purposes. 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.



# City of Seward, Alaska

## Notes to Basic Financial Statements

### *Reconciliation of Deposit and Investment Balances*

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of December 31, 2017:

	Government-Wide Statement of Net Position	Fiduciary Fund Statement of Fiduciary Net Position	Totals
Cash and investments	\$ 30,515,659	\$ 39,507	\$ 30,555,166
Restricted cash and investments	3,842,493	-	3,842,493
<b>Total Cash and Investments</b>	<b>\$ 34,358,152</b>	<b>\$ 39,507</b>	<b>\$ 34,397,659</b>

### *Restricted Cash and Investments*

The City maintains bond redemption and reserve accounts as required by bond covenants. The balances at December 31, 2017 are as follows:

Harbor Enterprise Fund	\$ 690,198
Healthcare Enterprise Facilities Fund	1,615,006
Electric Enterprise Fund	349,739
<b>Total Restricted for Bond Retirement</b>	<b>\$ 2,654,943</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	\$ 1,187,550
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### *Custodial 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 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.

# City of Seward, Alaska

## Notes to Basic Financial Statements

### *Interest Rate Risk*

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

Investment types and their maturities at December 31, 2017 are as follows:

Investment	Fair Value	Investment Maturities (in Years)		
		Less than 1 year	1 to 5 years	Over 5 years
Certificates of deposit	\$ 5,576,644	\$ 1,344,700	\$ 4,231,944	\$ -
U.S. government agencies	2,667,034	-	2,667,034	-
U.S. treasury SLGS	248,518	-	248,518	-
U.S. government bonds	7,336,285	2,497,310	4,838,975	-
<b>Total Subject to Interest Rate Risk</b>	<b>15,828,481</b>	<b>\$ 3,842,010</b>	<b>\$11,986,471</b>	<b>\$ -</b>
Pooled investments	1,608,911			
Money market account	2,931,879			
<b>Total investments</b>	<b>20,369,271</b>			
Bank deposits	14,028,388			
<b>Total Cash and Investments</b>	<b>\$ 34,397,659</b>			

### *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 Risk*

The City’s investment policy places no limit on the amount that can be invested in any one issuer. Approximately 50% of the total portfolio is invested in securities issued by federal agencies and approximately 14% is held with the Federal Home Loan Bank.

# City of Seward, Alaska

## Notes to Basic Financial Statements

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### *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. The investments in U.S. government agencies include Federal Home Loan Bank and U.S. Treasuries. All of the U.S. government agencies investments are rated AAA by Standard and Poor's.

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

### *Fair Value Measurement*

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

The City has the following recurring fair value measurements as of December 31, 2017:

- U.S. government agency securities of \$2,915,552 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs)
- U.S. government bonds of \$7,336,285 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs)

The City has investments in money market funds, certificates of deposits, and pooled investments totaling \$10,117,434 that are valued at amortized cost as of December 31, 2017.

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# City of Seward, Alaska

## Notes to Basic Financial Statements

### 4. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

Governmental Activities	Balance January 1, 2017	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 5,509,589	\$ -	\$ -	\$ 5,509,589
Construction in progress	123,104	55,805	123,104	55,805
<b>Total assets not being depreciated</b>	<b>5,632,693</b>	<b>55,805</b>	<b>123,104</b>	<b>5,565,394</b>
<i>Capital assets being depreciated:</i>				
Buildings	71,339,751	240,511	-	71,580,262
Improvements other than buildings	22,616,125	5,646,519	-	28,262,644
Machinery and equipment	16,236,585	147,007	98,415	16,285,177
<b>Total assets being depreciated</b>	<b>110,192,461</b>	<b>6,034,037</b>	<b>98,415</b>	<b>116,128,083</b>
Less accumulated depreciation for:				
Buildings	27,730,244	1,751,649	-	29,481,893
Improvements other than buildings	15,295,032	421,339	-	15,716,371
Machinery and equipment	12,271,336	872,567	89,094	13,054,809
<b>Total accumulated depreciation</b>	<b>55,296,612</b>	<b>3,045,555</b>	<b>89,094</b>	<b>58,253,073</b>
<b>Total capital assets being depreciated, net</b>	<b>54,895,849</b>	<b>2,988,482</b>	<b>9,321</b>	<b>57,875,010</b>
<b>Governmental Activity Capital Assets, net</b>	<b>\$ 60,528,542</b>	<b>\$ 3,044,287</b>	<b>\$ 132,425</b>	<b>\$ 63,440,404</b>

\* The ending balances include \$6,874,272 and \$5,207,774 of equipment cost and accumulated depreciation, respectively, related to the Motor Pool Internal Service Fund.

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# City of Seward, Alaska

## Notes to Basic Financial Statements

Business-type Activities	Balance January 1, 2017	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 30,639,257	\$ 63,999	\$ -	\$ 30,703,256
Construction in progress	13,113,477	6,741,374	-	19,854,851
<b>Total assets not being depreciated</b>	<b>43,752,734</b>	<b>6,805,373</b>	<b>-</b>	<b>50,558,107</b>
<i>Capital assets being depreciated:</i>				
Buildings	37,170,592	18,500	-	37,189,092
Infrastructure	970,606	-	-	970,606
Improvements other than buildings	159,975,112	864,817	-	160,839,929
Machinery and equipment	18,395,754	616,508	102,114	18,910,148
<b>Total assets being depreciated</b>	<b>216,512,064</b>	<b>1,499,825</b>	<b>102,114</b>	<b>217,909,775</b>
<i>Less accumulated depreciation for:</i>				
Buildings	17,131,490	1,340,224	-	18,471,714
Infrastructure	536,689	72,827	-	609,516
Improvements other than buildings	92,434,758	4,470,912	-	96,905,670
Machinery and equipment	12,965,524	990,680	102,114	13,854,090
<b>Total accumulated depreciation</b>	<b>123,068,461</b>	<b>6,874,643</b>	<b>102,114</b>	<b>129,840,990</b>
<b>Total capital assets being depreciated, net</b>	<b>93,443,603</b>	<b>(5,374,818)</b>	<b>-</b>	<b>88,068,785</b>
<b>Business-type Capital Assets, net</b>	<b>\$ 137,196,337</b>	<b>\$ 1,430,555</b>	<b>\$ -</b>	<b>\$ 138,626,892</b>

Depreciation for the year ended December 31, 2017 was charged to the functions as follows:

Governmental Activities	Depreciation Excluding Internal Service Fund	Internal Service Fund Allocation	Total Depreciation
General government	\$ 246,990	\$ 111,966	\$ 358,956
Public safety	237,485	127,287	364,772
Public works	337,483	157,097	494,580
Parks and recreation	90,006	29,528	119,534
Library	242,428	-	242,428
SeaLife Center	1,465,285	-	1,465,285
<b>Total Governmental Activities</b>	<b>\$ 2,619,677</b>	<b>\$ 425,878</b>	<b>\$ 3,045,555</b>

# City of Seward, Alaska

## Notes to Basic Financial Statements

<b>Business-type Activities</b>	<b>Depreciation Excluding Internal Service Fund</b>
Electric	\$ 1,585,450
Water	396,426
Wastewater	364,306
Harbor	1,805,600
SMIC	756,543
Parking	22,013
Healthcare facilities	1,944,305
<b>Total Business-type Activities</b>	<b>\$ 6,874,643</b>

### 5. Interfund Receivables, Payables and Transfers

A schedule of interfund balances and transfers as of and for the year ended December 31, 2017, follows. Interfund balances typically result from short-term operating or capital advances. Transfers typically result from capital matching, operating subsidies, and payment in lieu of taxes.

#### *Due From Other Funds*

Due to the General Fund from the SMIC Enterprise Fund	\$ 1,092,938
Due to the General Fund from Nonmajor Governmental Funds	22,211
<b>Total Due From Other Funds</b>	<b>\$ 1,115,149</b>

#### *Transfers*

<i>From General Fund to:</i>	
SMIC Enterprise Fund	\$ 172,033
Electric Enterprise Fund	19,756
Healthcare Facilities Enterprise Fund	1,899,607
Streets and Sidewalks Capital Project Fund	37,142
Nonmajor enterprise funds	290,049
Nonmajor governmental funds	704,470
<b>Total transfers from General Fund</b>	<b>3,123,057</b>
From Harbor Enterprise Fund to General Fund	413,224
From Healthcare Facilities Enterprise Fund to nonmajor governmental funds	400,000
From SMIC Enterprise Fund to General Fund	116,017
From Electric Enterprise Fund to General Fund	1,313,512
From Internal Service Funds to Harbor Enterprise Fund	18,274
From nonmajor enterprise funds to General Fund	246,555
From Streets and Sidewalks Capital Project Fund to General Fund	58,193
From nonmajor governmental funds to other nonmajor governmental funds	4,259
<b>Total Transfers to Other Funds</b>	<b>\$ 5,693,091</b>

# City of Seward, Alaska

## Notes to Basic Financial Statements

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The City has four outstanding interfund loans.

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

Also in 2006, the Motor Pool Fund loaned \$220,258 to the Harbor Enterprise Fund for the purpose of purchasing a 50-ton Boat Lift. The loan was for ten years and bore interest at 5.5% and was retired in 2016.

In 2014, the Motor Pool Fund loaned \$1,029,087 to the SMIC Fund for the purpose of purchasing a 330-ton Boat Lift. The loan is to be repaid in seven annual installments of \$147,012 for a total amount of \$1,029,087.

Amounts outstanding at December 31, 2017 follow:

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Payable from the Healthcare Facilities Enterprise Fund to:	
Motor Pool Internal Service Fund	\$ 692,929
Payable from the SMIC Enterprise Fund to Motor Pool Internal Service Fund	686,058
<b>Total Interfund Loans</b>	<b>\$ 1,378,987</b>

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# City of Seward, Alaska

## Notes to Basic Financial Statements

### 6. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended December 31, 2017:

Governmental Activities	Balance at January 1, 2017	Additions	Retirements	Balance at December 31, 2017	Due Within One Year
General obligation bonds - \$3,480,000 2012 General Obligation bonds, due in annual installments of \$105,000 to \$240,000, plus interest at 4.0% to 5.0% through September 1, 2036	\$ 3,210,000	\$ -	\$ 100,000	\$ 3,110,000	\$ 105,000
\$2,890,000 2017 General Obligation bonds, due in annual installments of \$95,000 to \$240,000, plus interest at 3.0% to 5.0% through May 1, 2037	-	2,890,000	-	2,890,000	95,000
Accrued leave	486,770	536,890	616,643	407,017	107,992
Net pension liability	8,074,004	-	2,427,834	5,646,170	-
<b>Total Governmental Activities Long-term Liabilities</b>	<b>\$ 11,770,774</b>	<b>\$ 3,426,890</b>	<b>\$ 3,144,477</b>	<b>12,053,187</b>	<b>\$ 307,992</b>
Plus unamortized bond premium				299,126	
				<b>\$ 12,523,313</b>	

Liquidation of governmental accrued annual leave is made by the Compensated Annual Leave Internal Service Fund. All other debt service payments above are made by the General Fund.

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# City of Seward, Alaska

## Notes to Basic Financial Statements

Business-type Activities	Balance at January 1, 2017	Additions	Retirements	Balance at December 31, 2017	Due Within One Year
Revenue bonds:					
\$6,000,000 2008 electric revenue bonds, due in final installment of \$140,000, plus interest at 4.0% to 6.0% on June 1, 2018	\$ 275,000	\$ -	\$ 135,000	\$ 140,000	\$ 140,000
\$27,000,000 2008 Series One long-term care facility bonds, due in final installment of \$945,000, plus interest at 4.0% to 5.0% on April 1, 2018	1,855,000	-	910,000	945,000	945,000
\$17,135,000 refunding long-term care facility bonds, due in annual installments of \$830,000 to \$1,405,000, plus interest at 2.0% to 5.0% through August 1, 2038	16,910,000	-	-	16,910,000	-
\$5,045,000 refunding electric revenue bonds, due in annual installments of \$20,000 to \$330,000 at 2.0% to 5.0%, through August 1, 2038	4,935,000	-	15,000	4,920,000	20,000
\$1,055,000 refunding harbor revenue bonds, due in annual installments of \$200,000 to 230,000 at 2.0% to 4.0%, through December 1, 2021	1,055,000	-	200,000	855,000	200,000
\$3,405,000 2014 refunding harbor revenue bonds, due in annual installments of \$290,000 to \$320,000, plus interest at 1.25% to 5.00% through October 1, 2025	3,340,000	-	280,000	3,060,000	290,000
Notes payable:					
\$678,740 sewer note payable to State of Alaska Department of Environmental Conservation, due in annual installment of \$30,240 to \$38,949, plus interest at 1.5% through September 11, 2035	649,387	-	29,793	619,594	30,240

# City of Seward, Alaska

## Notes to Basic Financial Statements

Business-type Activities	Balance at January 1, 2017	Additions	Retirements	Balance at December 31, 2017	Due Within One Year
Notes payable, continued:					
\$685,232 sewer note payable to State of Alaska Department of Environmental Conservation, due in annual installment of \$30,078 to \$39,322, including interest at 1.5% through September 11, 2035	\$ 655,599	\$ -	\$ 92,273	\$ 563,326	\$ 27,493
\$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	1,579,595	\$ -	133,151	1,446,444	135,147
\$1,201,196 harbor note payable to U.S. Department of Defense, paid in full December 31, 2017	1,201,196	-	1,201,196	-	-
Accrued leave	144,766	212,532	200,905	156,393	51,045
Net pension liability	3,484,568	-	1,042,185	2,442,383	-
<b>Total Business type Activities Long-term Liabilities</b>	<b>\$ 36,085,111</b>	<b>\$ 212,532</b>	<b>\$ 4,239,503</b>	<b>32,058,140</b>	<b>\$1,838,925</b>
Plus unamortized bond premiums				2,245,650	
				<b>\$34,303,790</b>	

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# City of Seward, Alaska

## Notes to Basic Financial Statements

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

<i>General Obligation Bonds</i> <i>Year Ending December 31,</i>	Governmental Activities		
	Principal	Interest	Total
2018	\$ 200,000	\$ 253,756	\$ 453,756
2019	210,000	244,106	454,106
2020	220,000	234,581	454,581
2021	230,000	223,456	453,456
2022	240,000	211,831	451,831
2023-2027	1,375,000	884,319	2,259,319
2028-2032	1,695,000	561,084	2,256,084
2033-2037	1,830,000	186,631	2,016,631
	<b>\$ 6,000,000</b>	<b>\$ 2,799,764</b>	<b>\$ 8,799,764</b>

<i>Revenue Bonds</i> <i>Year Ending December 31,</i>	Business-type Activities		
	Principal	Interest	Total
2018	\$ 1,595,000	\$ 1,031,206	\$ 2,626,206
2019	1,505,000	987,506	2,492,506
2020	1,570,000	914,356	2,484,356
2021	1,650,000	838,006	2,488,006
2022	1,490,000	757,806	2,247,806
2023-2027	8,030,000	2,643,281	10,673,281
2028-2032	7,770,000	1,224,875	8,994,875
2033-2037	2,890,000	249,963	3,139,963
2038	330,000	11,550	341,550
	<b>\$ 26,830,000</b>	<b>\$ 8,658,549</b>	<b>\$ 35,488,549</b>

<i>Notes Payable</i> <i>Year Ending December 31,</i>	Business- type Activities		
	Principal	Interest	Total
2018	\$ 192,880	\$ 39,441	\$ 232,321
2019	195,774	36,547	232,321
2020	198,711	33,611	232,322
2021	201,691	30,630	232,321
2022	204,716	27,605	232,321
2023-2027	1,070,575	91,031	1,161,606
2028-2032	345,213	32,174	377,387
2033-2035	219,804	6,627	226,431
	<b>\$ 2,629,364</b>	<b>\$ 297,666</b>	<b>\$ 2,927,030</b>

# City of Seward, Alaska

## Notes to Basic Financial Statements

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### *Debt Issued*

During 2016, the City issued \$17,135,000 in advance refunding revenue bonds to refinance \$20,530,000 of the outstanding 2008 Long-Term Care Facility Revenue bonds. The new bonds were issued at a premium of \$1,694,523 and will result in a total cash flow savings of \$8,221,963 and an economic gain of \$3,957,504. In addition, in 2016, the City issued \$5,045,000 in advance refunding revenue bonds to refinance \$4,840,000 of the outstanding 2008 Electric Revenue Bonds. These bonds were issued at a premium of \$318,189 and will result in a total cash flow savings of \$1,043,700 and an economic gain of \$426,522. The City also issued \$1,055,000 in advance refunding G.O. bonds to refinance \$1,075,000 of the outstanding 2007 refunding harbor revenue bonds. These bonds were issued at a premium of \$25,424 and will result in a total cash savings of \$54,707 and an economic gain of \$45,840.

During 2017, the City issued \$2,890,000 in general obligation bonds for Road Improvements. The new bonds were issued at a premium of \$99,733.

### 7. Revenue Bond Requirements

Certain covenants of the revenue bonds require establishment of bond redemption and reserve accounts. The balances are reflected as restricted cash and investments at December 31, 2017 as follows:

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Long-term care facility bond reserves	\$ 1,615,006
Electric bond reserves	349,739
Harbor bond reserves	690,198

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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 2017. The bond coverage calculations are as follows:

### *Electric Revenue Bonds*

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Total revenues, excluding grants	\$ 13,010,358
Total operating expenses, excluding depreciation	(10,267,321)
<b>Available for Debt Service</b>	<b>\$ 2,743,037</b>
Debt service payments:	
Principal	\$ 150,000
Interest	193,118
<b>Total Debt Service Payments</b>	<b>\$ 343,118</b>
<b>Debt Coverage</b>	<b>7.99</b>

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# City of Seward, Alaska

## Notes to Basic Financial Statements

### *Harbor Revenue Bonds*

Total revenues, excluding grants	\$	3,480,176
Total operating expenses, excluding depreciation		(2,132,971)
<b>Available for Debt Service</b>		<b>\$ 1,347,205</b>
Debt service payments:		
Principal	\$	480,000
Interest		193,100
<b>Total Debt Service Payments</b>		<b>\$ 673,100</b>
<b>Debt Coverage</b>	<b>\$</b>	<b>2.00</b>

### 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	Streets and Sidewalks Capital Project Fund	Nonmajor Funds	Totals
<b>Nonspendable:</b>				
Prepaid items	\$ 394,161	\$ -	\$ -	\$ 394,161
<b>Committed:</b>				
Working capital	1,500,000	-	-	1,500,000
Insurance	126,418	-	-	126,418
Hospital line of credit	500,000	-	-	500,000
<hr/>				
<b>Total committed</b>	<b>2,126,418</b>	<b>-</b>	<b>-</b>	<b>2,126,418</b>
<b>Assigned:</b>				
Park and recreation	-	-	2,498	2,498
Public works	-	-	2,150	2,150
General government	-	-	5,641	5,641
Insurance	235,280	-	-	235,280
Capital projects	-	818,420	2,017,179	2,835,599
Other assignments	100,000	-	-	100,000
<hr/>				
<b>Total assigned</b>	<b>335,280</b>	<b>818,420</b>	<b>2,027,468</b>	<b>3,181,168</b>
<hr/>				
<b>Unassigned (deficit)</b>	<b>4,621,429</b>	<b>-</b>	<b>(8,383)</b>	<b>4,613,046</b>
<hr/>				
<b>Total Fund Balances</b>	<b>\$ 7,477,288</b>	<b>\$ 818,420</b>	<b>\$ 2,019,085</b>	<b>\$ 10,314,793</b>

# City of Seward, Alaska

## Notes to Basic Financial Statements

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### 9. Defined Benefit (DB) Pension Plan

#### General Information About the Plan

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

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

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

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

#### *Historical Context and Special Funding Situation*

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

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

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

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

# City of Seward, Alaska

## Notes to Basic Financial Statements

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### *Employee Contribution Rates*

Regular employees are required to contribute 6.75% of their annual covered salary. Police and firefighters are required to contribute 7.5% of their annual covered salary.

### *Employer and Other Contribution Rates*

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

*Employer Effective Rate:* This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate is calculated on *all* PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

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

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

*GASB Rate:* This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY17, the rate uses an 8% pension discount rate and a 4.3% healthcare discount rate.

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

# City of Seward, Alaska

## Notes to Basic Financial Statements

Contribution rates for the years ended June 30, 2017 and June 30, 2018 were determined in the June 30, 2014 and June 30, 2015 actuarial valuations, respectively. City contribution rates for the 2017 calendar year were as follows:

<i>January 1, 2017 to June 30, 2017</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	14.96%	20.34%	4.14%	24.49%
Other postemployment benefits (see Note 11)	7.04%	5.80%	0.00%	56.64%
<b>Total Contribution Rates</b>	<b>22.00%</b>	<b>26.14%</b>	<b>4.14%</b>	<b>81.13%</b>

<i>July 1, 2017 to December 31, 2017</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01%	24.49%
Other postemployment benefits (see Note 11)	4.88%	3.11%	0.00%	56.64%
<b>Total Contribution Rates</b>	<b>22.00%</b>	<b>25.01%</b>	<b>3.01%</b>	<b>81.13%</b>

In 2017, the City was credited with the following contributions into the pension plan.

	Measurement Period July 1, 2016 to June 30, 2017	City Fiscal Year January 1, 2017 to December 31, 2017
Employer contributions (including DBUL)	\$ 593,189	\$ 645,662
Nonemployer contributions (on-behalf)	230,174	204,214
<b>Total Contributions</b>	<b>\$ 823,363</b>	<b>\$ 849,876</b>

In addition, employee contributions to the Plan totaled \$188,743 during the City's fiscal year.

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# City of Seward, Alaska

## Notes to Basic Financial Statements

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

At December 31, 2017, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected an increase for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	2017
City proportionate share of NPL	\$ 8,088,553
State's proportionate share of NPL associated with the City	3,013,251
<b>Total Net Pension Liability</b>	<b>\$ 11,101,804</b>

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 to calculate the net pension liability as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2017 measurement date, the City's proportion was 0.15647 percent, which was a decrease of 0.05032 from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$32,043. Of this amount, \$230,174 was recorded as on-behalf revenue and expense for additional contributions paid by the State. The total employer pension expense was (\$198,131), which consists of the proportionate share of pension of \$642,001 and the amortization of deferred amounts of (\$840,132). At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (145,424)
Net difference between projected and actual earnings on pension plan investments	216,963	-
Changes in proportion and differences between City contributions and proportionate share of contributions	40,483	(1,197,799)
City contributions subsequent to the measurement date	343,050	-
<b>Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions</b>	<b>\$ 600,496</b>	<b>\$ (1,343,223)</b>

# City of Seward, Alaska

## Notes to Basic Financial Statements

The \$343,050 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

*Year Ending December 31,*

2018	\$ (1,287,604)
2019	225,925
2020	101,421
2021	(125,519)

### *Actuarial Assumptions*

The total pension liability for the measurement period ended June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2017. The actuarial assumptions used in the June 30, 2016 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial cost method	Entry age normal; level dollar normal cost basis
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for peace officer/ firefighter Graded by age and service, from 8.55% to 4.34% for all others
Allocation Methodology	Amounts for FY17 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.

# City of Seward, Alaska

## Notes to Basic Financial Statements

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

<i>Asset Class</i>	Long-term Expected Real Rate of Return
Domestic equity	8.83%
Global ex-U.S. equity	7.79%
Intermediate Treasuries	1.29%
Opportunistic	4.76%
Real assets	4.94%
Absolute return	4.76%
Private equity	12.02%
Cash equivalents	0.63%

### *Discount Rate*

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

### *Discount Rate Sensitivity*

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	0.15647%	\$ 10,625,061	\$ 8,088,553	\$ 5,946,570

### *Pension Plan Fiduciary Net Position*

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

# City of Seward, Alaska

## Notes to Basic Financial Statements

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### 10. Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/dr/pers>.

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

#### *Benefit Terms*

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

#### *Employee Contribution Rate*

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

#### *Employer Contribution Rate*

For the year ended December 31, 2017, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended December 31, 2017 were \$121,684 and \$194,694, respectively. The City contribution amount was recognized as pension expense/expenditures.

### 11. Other Post-Employment Benefit (OPEB) Plans

#### *Defined Benefit OPEB Plan*

As part of its participation in the PERS DB Plan (Tiers I, II, III), the City participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

#### *Employer Contribution Rate*

For the year ended December 31, 2017, the City was required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute.

# City of Seward, Alaska

## Notes to Basic Financial Statements

### *Annual Postemployment Healthcare Cost*

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. On-behalf contributions to the OPEB Plan in 2017, 2016, and 2015, were zero, \$46,475, and \$39,797, respectively.

<i>Year Ended December 31,</i>	Annual OPEB Costs	City Contributions	% of Costs Contributed
2017	\$ 240,234	\$ 240,234	100%
2016	302,388	302,388	100%
2015	371,054	371,054	100%

### *Defined Contribution OPEB Plans*

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

### *Employer Contribution Rates*

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended December 31, 2017 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.03%	1.03%
Occupational death and disability benefits	0.16%	0.43%
<b>Total Contribution Rates</b>	<b>1.19%</b>	<b>1.46%</b>

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2017, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,084 per year for each full-time employee, and \$1.34 per hour for part-time employees.

### *Annual Postemployment Healthcare Cost*

In 2017, the City contributed \$128,033 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

# City of Seward, Alaska

## Notes to Basic Financial Statements

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### 12. International Brotherhood of Electrical Workers

Certain Electric Fund employees are members of the International Brotherhood of Electrical Workers (IBEW), which maintains its own defined contribution pension plan, called the Alaska Electrical Pension Fund (AEPF) and Alaska Electrical Workers Money Purchase Pension Plan (AEWMPP), pursuant to an agreement between the IBEW and the Alaska Chapter of the National Electrical Contractors Association, Inc. The Plan is a defined benefit, multi-employer plan, administered by the Alaska Electrical Trust Funds.

AEPT issues a publicly available financial report. To obtain a copy of the annual report, please call or write to the administrative office:

Alaska Electrical Pension Trust  
2600 Denali Street, suite 200  
Anchorage, Alaska 99503

The Plan provides for retirement, death and disability, and post-employment healthcare benefits. Benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary times number of years of services. The multiplier is increased at longevity milestones for most employees. The City has six participating employees.

Contributions rates are set through a collective bargaining agreement. The current agreement became effective July 1, 2016 and expires June 30, 2019, but will continue in force thereafter year to year; provided however, that either party can give the other party written notice of its desire to terminate the agreement or to effect changes therein.

Effective July 1, 2016, the City pays into the AEPF the sum of \$6.71 for each compensable hour earned in a month by an eligible employee. Effective July 1, 2017, the rate increased to \$6.85. Effective July 1, 2015 the monthly payment for an employee will not exceed \$1,110 for each month, with no maximum payment going into effect July 1, 2016 going forward.

The City pays into the AEWMPP \$225 per month for eligible employees.

The City contributes to the Alaska Electrical Health and Welfare Trust Fund (AEHWTF) for selected benefits. The City contributes \$1,853 per month, per employee beginning July 1, 2016 and increasing up to 5% each year subsequent.

There are no future minimum contributions and no withdrawal provisions, provided the required hourly contributions are contributed.

The total City contribution for the year ended December 31, 2017 was \$129,627. Employees are not required to contribute. The City had no required contribution payments in arrears at December 31, 2017.

# City of Seward, Alaska

## Notes to Basic Financial Statements

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### 13. 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.

### 14. Risk Management

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

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

The JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based on each member's deposit contribution in comparison to the aggregate deposit contributions of all members. The Association made no supplemental assessments during the year ended December 31, 2017.

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

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

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

# City of Seward, Alaska

## Notes to Basic Financial Statements

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### 15. Commitments and Contingencies

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

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

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.

The City has a pending lawsuit that if an unfavorable outcome was determined the estimated total cost could range from \$0 to \$450,000.

### 16. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 75 will result in the biggest reporting change. However, actual impacts have not yet been determined.

*GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - Effective for year-end December 31, 2018, with earlier application encouraged - This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

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

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



# City of Seward, Alaska

## Notes to Basic Financial Statements

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GASB 85 - *Omnibus* - Effective for year-end December 31, 2018, with earlier application encouraged - This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. Issues covered include blending of component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB 86 - *Certain Debt Extinguishment Issues* - Effective for year-end December 31, 2018, with earlier application encouraged - This statement addresses accounting and financial reporting for in-substance defeasance of debt when only existing resources are used, as well as accounting and financial reporting for prepaid insurance on extinguished debt.

GASB 87 - *Leases* - Effective for year-end December 31, 2020, with earlier application encouraged - This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. 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.

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

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

## Required Supplementary Information

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**City of Seward, Alaska**  
**Public Employees Retirement System**  
**Schedule of the City's Information on the Net Pension Liability**

<i>Year Ended December 31,</i>	<i>Measurement Period Ended June 30,</i>	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2008	2008	*	*	*	*	*	*	*
2009	2009	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2015	2015	0.18528%	\$ 8,985,893	\$ 2,408,070	\$ 11,393,963	\$ 5,021,085	178.96%	63.96%
2016	2016	0.20679%	11,558,576	1,457,718	13,016,294	4,968,887	232.62%	59.55%
2017	2017	0.15647%	8,088,553	3,013,251	11,101,804	5,031,902	160.75%	63.37%

\* Information not available

See accompanying notes to Required Supplementary Information.

**City of Seward, Alaska**  
**Public Employees Retirement System**  
**Schedule of City Contributions**

<i>Year Ended December 31,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2008	*	*	*	*	*
2009	*	*	*	*	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	\$ 485,647	\$ 485,647	\$ -	\$ 5,098,436	9.53%
2016	541,407	541,407	-	4,902,901	11.04%
2017	645,662	645,662	-	5,160,904	12.51%

\* Information not available

**City of Seward, Alaska**  
**International Brotherhood of Electrical Workers (IBEW)**  
**Schedule of City Contributions**

<i>Year Ended December 31,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2008	\$ 89,252	\$ 89,252	\$ -	\$ 596,705	14.96%
2009	62,313	62,313	-	649,553	9.59%
2010	59,231	59,231	-	697,056	8.50%
2011	65,956	65,956	-	661,071	9.98%
2012	70,686	70,686	-	719,381	9.83%
2013	88,389	88,389	-	806,727	10.96%
2014	72,669	72,669	-	668,257	10.87%
2015	81,964	81,964	-	752,587	10.89%
2016	102,429	102,429	-	790,348	12.96%
2017	129,627	129,627	-	958,591	13.52%

*See accompanying notes to Required Supplementary Information.*

# City of Seward, Alaska

## Notes to Required Supplementary Information December 31, 2017

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### 1. Public Employees Retirement System

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

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

#### *Schedule of City's Information on the Net Pension Liability*

- This table is presented based on the Plan measurement date. For December 31, 2017, the Plan measurement date is June 30, 2017.
- There were no changes in benefit terms from the prior measurement period.
- There were no changes in assumptions from the prior measurement period.
- There were no changes to the allocation methodology.

#### *Schedule of City Contributions*

- This table is based on the City's contributions for each year presented. A portion of these contributions are included in the plan measurement results, while a portion of the contributions are reported as a deferred outflow of resources on the statements of net position.

### 2. International Brotherhood of Electrical Workers (IBEW)

#### *Schedule of City's Contributions*

- This table is based on the City's contributions based on the City's fiscal year. All contributions are recognized in expense when paid. There is no net pension liability associated with this plan at this time.

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## Supplementary Information

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

<i>December 31, 2017</i>	Special Revenue	Capital Projects	Total
<b>Assets</b>			
Cash and investments	\$ 10,289	\$ 2,017,179	\$ 2,027,468
Grants receivable	15,133	-	15,133
<b>Total Assets</b>	<b>\$ 25,422</b>	<b>\$ 2,017,179</b>	<b>\$ 2,042,601</b>
<b>Liabilities</b>			
Accounts payable	\$ 1,305	\$ -	\$ 1,305
Due to other funds	22,211	-	22,211
<b>Total Liabilities</b>	<b>23,516</b>	<b>-</b>	<b>23,516</b>
<b>Fund Balances</b>			
Assigned:			
Parks and recreation	2,498	-	2,498
Public works	2,150	-	2,150
General government	5,641	-	5,641
Capital projects	-	2,017,179	2,017,179
Unassigned (Deficit)	(8,383)	-	(8,383)
<b>Total Fund Balances</b>	<b>1,906</b>	<b>2,017,179</b>	<b>2,019,085</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 25,422</b>	<b>\$ 2,017,179</b>	<b>\$ 2,042,601</b>

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

<i>Year Ended December 31, 2017</i>	Special Revenue	Capital Projects	Total
<b>Revenues</b>			
Intergovernmental	\$ 1,052,207	\$ (200,000)	\$ 852,207
Local grants	25,069	-	25,069
Other	60,000	-	60,000
<b>Total Revenues</b>	<b>1,137,276</b>	<b>(200,000)</b>	<b>937,276</b>
<b>Expenditures</b>			
Current:			
General government	153,469	95,475	248,944
Public works	-	400,000	400,000
Parks and recreation	18,659	-	18,659
Clinic	1,660,050	-	1,660,050
Capital outlay:			
General government	-	198,000	198,000
<b>Total Expenditures</b>	<b>1,832,178</b>	<b>693,475</b>	<b>2,525,653</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(694,902)</b>	<b>(893,475)</b>	<b>(1,588,377)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	438,405	670,324	1,108,729
Transfers out	(4,259)	-	(4,259)
<b>Net Other Financing Sources (Uses)</b>	<b>434,146</b>	<b>670,324</b>	<b>1,104,470</b>
<b>Net Change in Fund Balances</b>	<b>(260,756)</b>	<b>(223,151)</b>	<b>(483,907)</b>
<b>Fund Balances, beginning</b>	<b>262,662</b>	<b>2,240,330</b>	<b>2,502,992</b>
<b>Fund Balances, ending</b>	<b>\$ 1,906</b>	<b>\$ 2,017,179</b>	<b>\$ 2,019,085</b>

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

<i>December 31, 2017</i>	Water	Wastewater	Parking	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments	\$ 2,627,722	\$ 1,979,332	\$ 1,035,477	\$ 5,642,531
Receivables:				
Accounts	200,489	115,899	-	316,388
Grants and loans	13,063	-	-	13,063
Other	187	-	-	187
Less allowance for doubtful accounts	(9,022)	(5,215)	-	(14,237)
Inventory	94,389	-	-	94,389
<b>Total Current Assets</b>	<b>2,926,828</b>	<b>2,090,016</b>	<b>1,035,477</b>	<b>6,052,321</b>
<b>Noncurrent Assets</b>				
Property, plant and equipment, net of accumulated depreciation	9,234,217	6,369,310	71,707	15,675,234
<b>Total Assets</b>	<b>12,161,045</b>	<b>8,459,326</b>	<b>1,107,184</b>	<b>21,727,555</b>
<b>Deferred Outflows of Resources - related to pensions</b>	<b>14,558</b>	<b>22,589</b>	<b>-</b>	<b>37,147</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 12,175,603</b>	<b>\$ 8,481,915</b>	<b>\$ 1,107,184</b>	<b>\$ 21,764,702</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 17,184	\$ 16,674	\$ 12,603	\$ 46,461
Accrued payroll and related liabilities	7,285	5,980	-	13,265
Accrued interest	16,087	5,175	-	21,262
Current portion:				
Accrued annual leave	5,454	5,778	-	11,232
Notes payable	135,147	57,733	-	192,880
<b>Total Current Liabilities</b>	<b>181,157</b>	<b>91,340</b>	<b>12,603</b>	<b>285,100</b>
<b>Noncurrent Liabilities, net of current portion</b>				
Accrued annual leave	9,993	16,471	-	26,464
Notes payable	1,311,297	1,125,187	-	2,436,484
Net pension liability	263,800	248,086	-	511,886
<b>Total Liabilities</b>	<b>1,766,247</b>	<b>1,481,084</b>	<b>12,603</b>	<b>3,259,934</b>
<b>Deferred Inflows of Resources - related to pensions</b>	<b>50,386</b>	<b>35,170</b>	<b>-</b>	<b>85,556</b>
<b>Net Position</b>				
Net investment in capital assets	7,774,710	5,186,390	71,707	13,032,807
Unrestricted	2,584,260	1,779,271	1,022,874	5,386,405
<b>Total Net Position</b>	<b>10,358,970</b>	<b>6,965,661</b>	<b>1,094,581</b>	<b>18,419,212</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 12,175,603</b>	<b>\$ 8,481,915</b>	<b>\$ 1,107,184</b>	<b>\$ 21,764,702</b>

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

<i>Year Ended December 31, 2017</i>	Water	Wastewater	Parking	Total
<b>Operating Revenues - charges for services</b>	\$ 1,411,320	\$ 1,193,276	\$ 330,625	\$ 2,935,221
<b>Operating Expenses</b>				
Salaries and employee benefits	341,206	247,447	134,036	722,689
Services and supplies	351,815	294,382	48,774	694,971
Administration	262,249	166,954	22,351	451,554
Depreciation	396,426	364,306	22,013	782,745
<b>Total Operating Expenses</b>	1,351,696	1,073,089	227,174	2,651,959
<b>Earnings (Loss) from Operations</b>	59,624	120,187	103,451	283,262
<b>Nonoperating Revenues (Expenses)</b>				
Intergovernmental - PERS on-behalf	9,095	6,171	-	15,266
Investment income	23,684	20,232	10,161	54,077
Interest expense	(22,011)	(13,732)	-	(35,743)
<b>Net Nonoperating Revenues (Expenses)</b>	10,768	12,671	10,161	33,600
<b>Earnings (Loss) Before Contributions and Transfers</b>	70,392	132,858	113,612	316,862
Capital contributions	20,683	65,185	-	85,868
Transfers in	278,049	12,000	-	290,049
Transfers out	(118,696)	(101,414)	(26,445)	(246,555)
<b>Change in Net Position</b>	250,428	108,629	87,167	446,224
<b>Net Position, beginning</b>	10,108,542	6,857,032	1,007,414	17,972,988
<b>Net Position, ending</b>	\$ 10,358,970	\$ 6,965,661	\$ 1,094,581	\$ 18,419,212

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

<i>Year Ended December 31, 2017</i>	Water	Wastewater	Parking	Total
<b>Cash Flows from (for) Operating Activities</b>				
Receipts from customers and users	\$ 1,402,207	\$ 1,184,228	\$ 330,625	\$ 2,917,060
Payments to suppliers	(410,994)	(309,760)	(36,965)	(757,719)
Payments to employees	(357,019)	(263,400)	(134,036)	(754,455)
Payments for interfund services used	(262,249)	(166,954)	(22,351)	(451,554)
<b>Net cash flows from (for) operating activities</b>	<b>371,945</b>	<b>444,114</b>	<b>137,273</b>	<b>953,332</b>
<b>Cash Flows from (for) Noncapital Financing Activities -</b>				
Transfers in	278,049	12,000	-	290,049
Transfers out	(118,696)	(101,414)	(26,445)	(246,555)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>159,353</b>	<b>(89,414)</b>	<b>(26,445)</b>	<b>43,494</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>				
Principal payments on notes payable	(133,150)	(122,065)	-	(255,215)
Interest payments on notes payable	(23,694)	(14,457)	-	(38,151)
Acquisition of property, plant and equipment	(15,247)	(49,712)	(3,263)	(68,222)
Capital contributions received	7,620	65,185	-	72,805
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(164,471)</b>	<b>(121,049)</b>	<b>(3,263)</b>	<b>(288,783)</b>
<b>Cash Flows from Investing Activities</b>				
Investment income received	23,684	20,232	10,161	54,077
<b>Net Increase in Cash and Investments</b>	<b>390,511</b>	<b>253,883</b>	<b>117,726</b>	<b>762,120</b>
<b>Cash and Investments, beginning</b>	<b>2,237,211</b>	<b>1,725,449</b>	<b>917,751</b>	<b>4,880,411</b>
<b>Cash and Investments, ending</b>	<b>\$ 2,627,722</b>	<b>\$ 1,979,332</b>	<b>\$ 1,035,477</b>	<b>\$ 5,642,531</b>

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

<i>Year Ended December 31, 2017</i>	Water	Wastewater	Parking	Total
<b>Reconciliation of Earnings (Loss) from Operations to Net</b>				
<b>Cash Flows from (for) Operating Activities</b>				
Earnings (loss) from operations	\$ 59,624	\$ 120,187	\$ 103,451	\$ 283,262
Adjustments to reconcile earnings (loss) from operations to net cash flows from (for) operating activities:				
Depreciation	396,426	364,306	22,013	782,745
Noncash expense - PERS on-behalf	9,095	6,171	-	15,266
Increase in allowance for doubtful accounts	456	426	-	882
(Increase) decrease in assets and deferred outflows of resources:				
Receivables	(9,569)	(9,474)	-	(19,043)
Inventory	(2,287)	-	-	(2,287)
Deferred outflows of resources related to pensions	53,688	36,428	-	90,116
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	(56,892)	(15,378)	11,809	(60,461)
Accrued payroll and related liabilities	393	699	-	1,092
Accrued annual leave	6,786	(1,053)	-	5,733
Net pension liability	(131,954)	(89,531)	-	(221,485)
Deferred inflows of resources related to pensions	46,179	31,333	-	77,512
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 371,945</b>	<b>\$ 444,114</b>	<b>\$ 137,273</b>	<b>\$ 953,332</b>
<b>Noncash Capital and Related Financing Activities</b>				
Purchase of property, plant and equipment included in accounts payable	\$ 13,063	\$ -	\$ -	\$ 13,063
Capital contributions	\$ 13,063	\$ -	\$ -	\$ 13,063

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

<i>December 31, 2017</i>	Motor Pool	Compensated Annual Leave	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and investments	\$ 1,751,400	\$ 407,017	\$ 2,158,417
Receivables:			
Accrued interest	36,379	-	36,379
Interfund loans	160,206	-	160,206
<b>Total Current Assets</b>	<b>1,947,985</b>	<b>407,017</b>	<b>2,355,002</b>
<b>Noncurrent Assets</b>			
Interfund loans, net of current portion	1,218,781	-	1,218,781
Property, plant and equipment:			
Equipment and vehicles	6,874,272	-	6,874,272
Less accumulated depreciation	(5,207,774)	-	(5,207,774)
Net property, plant and equipment in service	1,666,498	-	1,666,498
<b>Total Noncurrent Assets</b>	<b>2,885,279</b>	<b>-</b>	<b>2,885,279</b>
<b>Total Assets</b>	<b>\$ 4,833,264</b>	<b>\$ 407,017</b>	<b>\$ 5,240,281</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accrued annual leave - current portion	\$ -	\$ 107,992	\$ 107,992
<b>Noncurrent Liabilities, net of current portion</b>			
Accrued annual leave	-	299,025	299,025
<b>Total Liabilities</b>	<b>-</b>	<b>407,017</b>	<b>407,017</b>
<b>Net Position</b>			
Net investment in capital assets	1,666,498	-	1,666,498
Unrestricted	3,166,766	-	3,166,766
<b>Total Net Position</b>	<b>4,833,264</b>	<b>-</b>	<b>4,833,264</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 4,833,264</b>	<b>\$ 407,017</b>	<b>\$ 5,240,281</b>

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

<i>Year Ended December 31, 2017</i>	Motor Pool	Compensated Annual Leave	Total
<b>Operating Revenues</b>			
Vehicle rental and interfund charges	\$ 175,000	\$ 403,588	\$ 578,588
<b>Operating Expenses</b>			
Salaries and employee benefits	-	403,588	403,588
Supplies and maintenance	935	-	935
Administration and general	9,574	-	9,574
Depreciation	425,878	-	425,878
<b>Total Operating Expenses</b>	<b>436,387</b>	<b>403,588</b>	<b>839,975</b>
<b>Earnings (Loss) from Operations</b>	<b>(261,387)</b>	<b>-</b>	<b>(261,387)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	53,578	-	53,578
Loss on sale of equipment and vehicles	(5,896)	-	(5,896)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>47,682</b>	<b>-</b>	<b>47,682</b>
<b>Earnings (loss) Before Transfers</b>	<b>(213,705)</b>	<b>-</b>	<b>(213,705)</b>
Transfers out	(18,274)	-	(18,274)
<b>Change in Net Position</b>	<b>(231,979)</b>	<b>-</b>	<b>(231,979)</b>
Net Position, beginning	5,065,243	-	5,065,243
<b>Net Position, ending</b>	<b>\$ 4,833,264</b>	<b>\$ -</b>	<b>\$ 4,833,264</b>



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

<i>Year Ended December 31, 2017</i>	Motor Pool	Compensated Annual Leave	Total
<b>Cash Flows from (for) Operating Activities</b>			
Receipts from vehicle rentals and interfund charges	\$ 175,000	\$ 403,588	\$ 578,588
Payments for interfund services used	(9,574)	-	(9,574)
Payments to suppliers	(8,625)	-	(8,625)
Payments to employees	-	(483,341)	(483,341)
<b>Net cash flows from (for) operating activities</b>	<b>156,801</b>	<b>(79,753)</b>	<b>77,048</b>
<b>Cash Flows for Noncapital Financing Activities</b>			
Transfers out	(18,274)	-	(18,274)
<b>Cash Flows from (for) Capital and Related Financing Activities</b>			
Acquisition of equipment and vehicles	(2,800)	-	(2,800)
Proceeds from sale of equipment and vehicles	3,242	-	3,242
<b>Net cash flows from (for) capital and related financing activities</b>	<b>442</b>	<b>-</b>	<b>442</b>
<b>Cash Flows from Investing Activities</b>			
Interfund loan receipts	157,104	-	157,104
Investment income received	56,680	-	56,680
<b>Net cash flows from investing activities</b>	<b>213,784</b>	<b>-</b>	<b>213,784</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>352,753</b>	<b>(79,753)</b>	<b>273,000</b>
<b>Cash and Investments, beginning</b>	<b>1,398,647</b>	<b>486,770</b>	<b>1,885,417</b>
<b>Cash and Investments, ending</b>	<b>\$ 1,751,400</b>	<b>\$ 407,017</b>	<b>\$ 2,158,417</b>
<b>Reconciliation of Earnings (Loss) from Operations to Net Cash Flows from (for) Operating Activities</b>			
Earnings (loss) from operations	\$ (261,387)	\$ -	\$ (261,387)
Adjustments to reconcile earnings (loss) from operations to net cash flows from (for) operating activities:			
Depreciation	425,878	-	425,878
Increase (decrease) in liabilities:			
Accounts payable	(7,690)	-	(7,690)
Accrued annual leave	-	(79,753)	(79,753)
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 156,801</b>	<b>\$ (79,753)</b>	<b>\$ 77,048</b>

## 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  
Balance Sheet

<i>December 31,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 6,123,009	\$ 5,143,982
<b>Receivables</b>		
Taxes:		
Personal property	10,904	16,181
Less allowance for doubtful accounts	(200)	(549)
Net personal property	10,704	15,632
Motor vehicle	1,621	3,262
Hotel/motel room	16,558	14,880
Real property	10,787	21,111
Sales	580,531	519,400
Net taxes	620,201	574,285
Accounts	18,746	222,811
Accrued interest	44,860	676
<b>Total Receivables</b>	<b>683,807</b>	<b>797,772</b>
Prepaid items	394,161	622,337
Due from other funds	1,115,149	2,408,229
<b>Total Assets</b>	<b>\$ 8,316,126</b>	<b>\$ 8,972,320</b>

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

<i>December 31,</i>	2017	2016
<b>Liabilities</b>		
Accounts payable	\$ 356,600	\$ 444,156
Accrued payroll and related liabilities	336,568	362,094
Accrued liabilities	29,318	40,250
Deposits	104,417	116,955
Unearned revenue	585	33,310
<b>Total Liabilities</b>	<b>827,488</b>	<b>996,765</b>
<b>Deferred Inflows of Resources</b>		
Delinquent property taxes	11,350	18,057
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>838,838</b>	<b>1,014,822</b>
<b>Fund Balance</b>		
Nonspendable -		
Prepaid items	394,161	622,337
Committed:		
Working capital	1,500,000	1,500,000
Insurance	126,418	126,418
Hospital line of credit	500,000	500,000
Assigned:		
Insurance	235,280	235,280
Other assignments	100,000	100,000
Unassigned	4,621,429	4,873,463
<b>Total Fund Balance</b>	<b>7,477,288</b>	<b>7,957,498</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 8,316,126</b>	<b>\$ 8,972,320</b>

## City of Seward, Alaska

## General Fund

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

<i>Year Ended December 31,</i>	2017			2016
	Budget	Actual	Variance	Actual
<b>Revenues</b>				
Taxes:				
Sales	\$ 4,899,996	\$ 5,160,344	\$ 260,348	\$ 5,004,992
Property	1,254,992	1,213,627	(41,365)	1,152,216
Hotel/motel room	420,000	520,907	100,907	505,845
Payments in lieu of taxes	84,000	107,157	23,157	90,382
Penalty and interest	996	1,170	174	2,506
<b>Total taxes</b>	<b>6,659,984</b>	<b>7,003,205</b>	<b>343,221</b>	<b>6,755,941</b>
Licenses and permits:				
Building permits	69,996	32,630	(37,366)	55,367
Taxi permits	996	1,126	130	1,220
Department of Motor Vehicles commissions	90,000	69,296	(20,704)	82,904
Animal control licenses	300	145	(155)	105
Business licenses	20,004	19,795	(209)	16,750
Miscellaneous	2,496	2,698	202	1,828
<b>Total licenses and permits</b>	<b>183,792</b>	<b>125,690</b>	<b>(58,102)</b>	<b>158,174</b>
Intergovernmental:				
Jail contract	368,952	368,952	-	368,952
Dispatch contracts	88,560	88,800	240	88,560
Raw fish tax	380,000	440,958	60,958	280,935
Shared fisheries and landing tax	17,004	5,380	(11,624)	2,707
Liquor tax	21,996	18,450	(3,546)	15,950
Library grants	9,450	15,383	5,933	15,888
Revenue sharing	95,604	140,976	45,372	143,461
PERS relief	142,880	142,880	-	176,545
Other grants	19,446	7,838	(11,608)	-
<b>Total intergovernmental</b>	<b>1,143,892</b>	<b>1,229,617</b>	<b>85,725</b>	<b>1,092,998</b>

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

<i>Year Ended December 31,</i>	2017			2016
	Budget	Actual	Variance	Actual
<b>Revenues, continued:</b>				
Charges for services:				
Administrative	\$ 1,866,408	\$ 1,866,408	\$ -	\$ 1,822,155
Rents and leases	115,308	130,651	15,343	134,086
Copying charges	5,004	7,377	2,373	8,116
Work orders	2,496	6,311	3,815	9,195
Recreation	874,980	914,318	39,338	913,970
Library	35,496	25,094	(10,402)	25,200
<b>Total charges for services</b>	<b>2,899,692</b>	<b>2,950,159</b>	<b>50,467</b>	<b>2,912,722</b>
<b>Fines and bails</b>	<b>11,004</b>	<b>17,006</b>	<b>6,002</b>	<b>18,365</b>
<b>Investment income</b>	<b>25,500</b>	<b>65,059</b>	<b>39,559</b>	<b>10,354</b>
<b>Other:</b>				
Sale of land, equipment and gravel	-	2,388	2,388	-
Refuse contract	15,000	23,660	8,660	18,790
Insurance recovery	-	35,172	35,172	45,668
Other	18,792	20,498	1,706	26,277
<b>Total other</b>	<b>33,792</b>	<b>81,718</b>	<b>47,926</b>	<b>90,735</b>
<b>Total Revenues</b>	<b>10,957,656</b>	<b>11,472,454</b>	<b>514,798</b>	<b>11,039,289</b>
<b>Expenditures</b>				
General government:				
Mayor and council:				
Salaries	37,159	33,604	3,555	41,582
Employee benefits	17,278	11,994	5,284	17,345
Audit	105,996	105,996	-	102,981
Legal	86,496	86,254	242	66,597
Purchased services	9,696	6,314	3,382	6,945
Supplies and maintenance	12,504	4,443	8,061	18,058
Legislative representation	176,700	176,508	192	176,508
General and administrative	65,496	43,106	22,390	37,216
<b>Total mayor and council</b>	<b>511,325</b>	<b>468,219</b>	<b>43,106</b>	<b>467,232</b>

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

<i>Year Ended December 31,</i>	2017			2016
	Budget	Actual	Variance	Actual
<b>Expenditures, continued:</b>				
General government, continued:				
City manager:				
Salaries	\$ 193,611	\$ 189,167	\$ 4,444	\$ 171,634
Employee benefits	124,061	116,867	7,194	119,409
Purchased services	21,348	9,698	11,650	9,556
Supplies and maintenance	8,508	10,249	(1,741)	9,820
General and administrative	32,208	43,892	(11,684)	30,857
<b>Total city manager</b>	<b>379,736</b>	<b>369,873</b>	<b>9,863</b>	<b>341,276</b>
City clerk:				
Salaries	160,674	138,383	22,291	148,650
Employee benefits	129,905	121,274	8,631	120,242
Purchased services	14,500	17,704	(3,204)	14,303
Supplies and maintenance	-	23	(23)	-
General and administrative	18,192	7,808	10,384	10,400
<b>Total city clerk</b>	<b>323,271</b>	<b>285,192</b>	<b>38,079</b>	<b>293,595</b>
Management information systems:				
Salaries	188,700	177,994	10,706	186,025
Employee benefits	107,636	103,067	4,569	103,741
Purchased services	12,996	11,212	1,784	12,025
Supplies and maintenance	38,004	43,459	(5,455)	41,702
General and administrative	9,504	4,331	5,173	3,553
<b>Total management information systems</b>	<b>356,840</b>	<b>340,063</b>	<b>16,777</b>	<b>347,046</b>
Finance:				
Salaries	568,478	543,320	25,158	517,357
Employee benefits	380,403	321,427	58,976	324,948
Purchased services	20,196	26,165	(5,969)	36,907
Supplies and maintenance	57,492	48,211	9,281	60,184
General and administrative	18,492	14,282	4,210	41,737
Capital outlay	3,000	-	3,000	-
<b>Total finance</b>	<b>1,048,061</b>	<b>953,405</b>	<b>94,656</b>	<b>981,133</b>

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

<i>Year Ended December 31,</i>	2017			2016
	Budget	Actual	Variance	Actual
<b>Expenditures, continued:</b>				
General government, continued:				
Community development:				
Salaries	\$ 161,581	\$ 142,517	\$ 19,064	\$ 162,141
Employee benefits	114,662	99,944	14,718	98,808
Purchased services	26,112	8,221	17,891	25,246
Supplies and maintenance	5,760	3,078	2,682	3,888
General and administrative	3,492	7,013	(3,521)	1,510
<b>Total community development</b>	<b>311,607</b>	<b>260,773</b>	<b>50,834</b>	<b>291,593</b>
General services:				
Purchased services	35,376	44,724	(9,348)	48,893
Supplies and maintenance	24,000	6,522	17,478	8,912
General and administrative	6,504	11,161	(4,657)	71,111
Capital outlay	-	-	-	2,568
<b>Total general services</b>	<b>65,880</b>	<b>62,407</b>	<b>3,473</b>	<b>131,484</b>
Contributions to organizations:				
Senior Citizens	75,000	75,000	-	75,000
Chamber of Commerce	207,504	229,302	(21,798)	210,991
Boys and Girls Club	24,996	25,000	(4)	25,000
<b>Total contributions to organizations</b>	<b>307,500</b>	<b>329,302</b>	<b>(21,802)</b>	<b>310,991</b>
<b>Total general government</b>	<b>3,304,220</b>	<b>3,069,234</b>	<b>234,986</b>	<b>3,164,350</b>
Public safety:				
Police:				
Salaries	1,119,232	1,079,150	40,082	960,683
Employee benefits	821,610	785,581	36,029	735,858
Purchased services	99,592	95,938	3,654	115,023
Supplies and maintenance	60,708	51,556	9,152	39,772
General and administrative	39,916	44,990	(5,074)	38,177
Capital outlay	-	-	-	48,037
<b>Total police</b>	<b>2,141,058</b>	<b>2,057,215</b>	<b>83,843</b>	<b>1,937,550</b>



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

<i>Year Ended December 31,</i>	2017			2016
	Budget	Actual	Variance	Actual
<b>Expenditures, continued:</b>				
Public safety, continued:				
Jail:				
Salaries	\$ 307,910	\$ 245,030	\$ 62,880	\$ 262,871
Employee benefits	267,319	189,781	77,538	206,462
Purchased services	60,000	56,117	3,883	61,161
Supplies and maintenance	29,004	15,847	13,157	17,729
General and administrative	108,300	106,385	1,915	100,940
<b>Total jail</b>	<b>772,533</b>	<b>613,160</b>	<b>159,373</b>	<b>649,163</b>
Animal control:				
Salaries	56,302	61,574	(5,272)	59,460
Employee benefits	45,366	45,716	(350)	47,255
Purchased services	8,292	8,695	(403)	8,154
Supplies and maintenance	37,016	29,692	7,324	4,488
General and administrative	6,012	2,596	3,416	830
<b>Total animal control</b>	<b>152,988</b>	<b>148,273</b>	<b>4,715</b>	<b>120,187</b>
Fire:				
Salaries	176,770	148,186	28,584	162,934
Employee benefits	143,228	117,491	25,737	134,060
Purchased services	157,038	163,749	(6,711)	117,330
Supplies and maintenance	40,752	27,996	12,756	30,031
General and administrative	11,796	18,646	(6,850)	7,940
<b>Total fire</b>	<b>529,584</b>	<b>476,068</b>	<b>53,516</b>	<b>452,295</b>
Volunteer training:				
Purchased services	900	5,778	(4,878)	2,458
Supplies and maintenance	23,271	16,854	6,417	24,916
General and administrative	28,500	29,583	(1,083)	29,764
<b>Total volunteer training</b>	<b>52,671</b>	<b>52,215</b>	<b>456</b>	<b>57,138</b>
Emergency preparedness:				
Purchased services	4,104	2,927	1,177	2,584
Supplies and maintenance	1,800	1,559	241	507
General and administrative	1,992	455	1,537	396
<b>Total emergency preparedness</b>	<b>7,896</b>	<b>4,941</b>	<b>2,955</b>	<b>3,487</b>

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

<i>Year Ended December 31,</i>	2017			2016
	Budget	Actual	Variance	Actual
<b>Expenditures, continued:</b>				
Public safety, continued:				
Building inspection:				
Salaries	\$ 81,344	\$ 73,584	\$ 7,760	\$ 73,282
Employee benefits	58,904	55,003	3,901	53,434
Purchased services	6,000	3,697	2,303	5,289
Supplies and maintenance	4,212	2,185	2,027	4,140
General and administrative	4,056	2,770	1,286	2,918
<b>Total building inspection</b>	<b>154,516</b>	<b>137,239</b>	<b>17,277</b>	<b>139,063</b>
<b>Total public safety</b>	<b>3,811,246</b>	<b>3,489,111</b>	<b>322,135</b>	<b>3,358,883</b>
Public works:				
Roads and streets:				
Salaries	198,101	222,253	(24,152)	183,403
Employee benefits	172,150	157,754	14,396	148,042
Purchased services	159,012	164,938	(5,926)	179,671
Supplies and maintenance	201,619	249,638	(48,019)	205,132
General and administrative	10,188	4,056	6,132	7,097
Capital outlay	-	7,500	(7,500)	-
<b>Total roads and streets</b>	<b>741,070</b>	<b>806,139</b>	<b>(65,069)</b>	<b>723,345</b>
City shop:				
Salaries	120,146	143,352	(23,206)	121,133
Employee benefits	110,739	102,755	7,984	71,014
Purchased services	71,016	64,844	6,172	62,805
Supplies and maintenance	47,112	46,402	710	69,865
General and administrative	7,692	3,799	3,893	4,118
Capital outlay	-	6,678	(6,678)	-
<b>Total city shop</b>	<b>356,705</b>	<b>367,830</b>	<b>(11,125)</b>	<b>328,935</b>
Municipal building:				
Salaries	86,628	72,935	13,693	78,073
Employee benefits	87,199	92,624	(5,425)	85,265
Purchased services	153,288	141,513	11,775	134,453
Supplies and maintenance	34,812	20,176	14,636	16,694
General and administrative	756	173	583	451
<b>Total municipal building</b>	<b>362,683</b>	<b>327,421</b>	<b>35,262</b>	<b>314,936</b>
<b>Total public works</b>	<b>1,460,458</b>	<b>1,501,390</b>	<b>(40,932)</b>	<b>1,367,216</b>

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

<i>Year Ended December 31,</i>	2017			2016
	Budget	Actual	Variance	Actual
<b>Expenditures, continued:</b>				
Parks and recreation:				
Salaries	\$ 558,055	\$ 553,171	\$ 4,884	\$ 496,055
Employee benefits	357,786	321,197	36,589	271,700
Purchased services	349,367	349,251	116	315,496
Supplies and maintenance	125,144	149,211	(24,067)	160,688
General and administrative	43,164	49,169	(6,005)	42,687
Capital outlay	3,000	-	3,000	-
<b>Total parks and recreation</b>	<b>1,436,516</b>	<b>1,421,999</b>	<b>14,517</b>	<b>1,286,626</b>
Library:				
Salaries	234,224	202,421	31,803	183,474
Employee benefits	173,329	145,180	28,149	133,417
Purchased services	159,104	161,307	(2,203)	161,684
Supplies and maintenance	68,680	48,535	20,145	48,618
General and administrative	17,546	16,092	1,454	15,930
<b>Total library</b>	<b>652,883</b>	<b>573,535</b>	<b>79,348</b>	<b>543,123</b>
Debt service:				
Principal payments	237,500	100,000	137,500	95,000
Retirement benefits	583,579	616,846	(33,267)	591,859
Interest and other costs	239,691	204,993	34,698	151,550
<b>Total debt service</b>	<b>1,060,770</b>	<b>921,839</b>	<b>138,931</b>	<b>838,409</b>
<b>Total Expenditures</b>	<b>11,726,093</b>	<b>10,977,108</b>	<b>748,985</b>	<b>10,558,607</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(768,437)</b>	<b>495,346</b>	<b>1,263,783</b>	<b>480,682</b>
Other Financing Sources (Uses)				
Transfers in	2,026,572	2,147,501	120,929	1,978,698
Transfers out	(1,562,705)	(3,123,057)	(1,560,352)	(2,271,590)
<b>Net Other Financing Sources (Uses)</b>	<b>463,867</b>	<b>(975,556)</b>	<b>(1,439,423)</b>	<b>(292,892)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (304,570)</b>	<b>(480,210)</b>	<b>\$ (175,640)</b>	<b>187,790</b>
Fund Balance, beginning		<u>7,957,498</u>		<u>7,769,708</u>
Fund Balance, ending		<u>\$ 7,477,288</u>		<u>\$ 7,957,498</u>

## Nonmajor Special Revenue Funds

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

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

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

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

Comprehensive Plan - To account for costs associated with the comprehensive plan.

Bus Transportation - To account for city bussing transportation.

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

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

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

<i>December 31, 2017</i>	Parks and Recreation	Clinic	General Government	Public Works		Total
	Two Lakes Park	SCHC	Bus Transportation	Beachfront Erosion	Natural Disasters	
<b>Assets</b>						
Cash and investments	\$ 2,498	\$ -	\$ 5,641	\$ 2,150	\$ -	\$ 10,289
Grants receivable	-	-	-	-	15,133	15,133
<b>Total Assets</b>	<b>\$ 2,498</b>	<b>\$ -</b>	<b>\$ 5,641</b>	<b>\$ 2,150</b>	<b>\$ 15,133</b>	<b>\$ 25,422</b>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 1,305	\$ -	\$ -	\$ -	\$ 1,305
Due to other funds	-	7,078	-	-	15,133	22,211
<b>Total Liabilities</b>	<b>-</b>	<b>8,383</b>	<b>-</b>	<b>-</b>	<b>15,133</b>	<b>23,516</b>
<b>Fund Balances</b>						
Assigned:						
Parks and recreation	2,498	-	-	-	-	2,498
Public works	-	-	-	2,150	-	2,150
General government	-	-	5,641	-	-	5,641
Unassigned (Deficit)	-	(8,383)	-	-	-	(8,383)
<b>Total Fund Balances</b>	<b>2,498</b>	<b>(8,383)</b>	<b>5,641</b>	<b>2,150</b>	<b>-</b>	<b>1,906</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,498</b>	<b>\$ -</b>	<b>\$ 5,641</b>	<b>\$ 2,150</b>	<b>\$ 15,133</b>	<b>\$ 25,422</b>

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

Year Ended December 31, 2017	Parks and Recreation		Clinic	General Government		Public Works		Total
	Two Lakes Park	Litter Control	SCHC	Comprehensive Plan	Bus Transportation	Beachfront Erosion	Natural Disasters	
<b>Revenues</b>								
Intergovernmental	\$ -	\$ -	\$ 1,079,453	\$ -	\$ -	\$ -	\$ (27,246)	\$ 1,052,207
Local grants	-	7,500	-	17,569	-	-	-	25,069
Other	-	-	60,000	-	-	-	-	60,000
<b>Total Revenues</b>	-	7,500	1,139,453	17,569	-	-	(27,246)	1,137,276
<b>Expenditures</b>								
Salaries and employee benefits	-	17,952	1,486,885	2,554	-	-	-	1,507,391
Contracted services	-	-	19,477	15,015	135,900	-	-	170,392
Supplies	-	-	87,805	-	-	-	-	87,805
General and administrative	-	95	11,458	-	-	-	-	11,553
Miscellaneous	-	612	54,425	-	-	-	-	55,037
<b>Total Expenditures</b>	-	18,659	1,660,050	17,569	135,900	-	-	1,832,178
<b>Excess of Revenues Over (Under) Expenditures</b>	-	(11,159)	(520,597)	-	(135,900)	-	(27,246)	(694,902)
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	11,159	400,000	-	-	-	27,246	438,405
Transfers out	-	-	-	-	-	-	(4,259)	(4,259)
<b>Net Change in Fund Balances</b>	-	-	(120,597)	-	(135,900)	-	(4,259)	(260,756)
<b>Fund Balances, beginning</b>	2,498	-	112,214	-	141,541	2,150	4,259	262,662
<b>Fund Balances (Deficit), ending</b>	\$ 2,498	\$ -	\$ (8,383)	\$ -	\$ 5,641	\$ 2,150	\$ -	\$ 1,906

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## Nonmajor Capital Project Funds

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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.

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

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



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

<i>December 31, 2017</i>	<u>Public Works</u> Flood Mitigation	<u>General Government</u> Kawabe Park	<u>Capital Acquisition</u>	Total
<b>Assets</b>				
Cash and investments	\$ 250,000	\$ 5,929	\$ 1,761,250	\$ 2,017,179
<b>Fund Balances</b>				
Assigned - capital projects	\$ 250,000	\$ 5,929	\$ 1,761,250	\$ 2,017,179

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

<i>Year Ended December 31, 2017</i>	Public Works	General Government		Total
	Flood Mitigation	Kawabe Park	Capital Acquisition	
<b>Revenues</b>				
Intergovernmental	\$ (200,000)	\$ -	\$ -	\$ (200,000)
<b>Expenditures</b>				
Contracted services	400,000	-	11,150	411,150
Supplies and maintenance	-	-	77,665	77,665
Capital outlay	-	-	198,000	198,000
Other services and charges	-	-	6,660	6,660
<b>Total Expenditures</b>	<b>400,000</b>	<b>-</b>	<b>293,475</b>	<b>693,475</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(600,000)</b>	<b>-</b>	<b>(293,475)</b>	<b>(893,475)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	400,000	-	270,324	670,324
<b>Net Other Financing Sources (Uses)</b>	<b>400,000</b>	<b>-</b>	<b>270,324</b>	<b>670,324</b>
<b>Net Change in Fund Balances</b>	<b>(200,000)</b>	<b>-</b>	<b>(23,151)</b>	<b>(223,151)</b>
<b>Fund Balances, beginning</b>	<b>450,000</b>	<b>5,929</b>	<b>1,784,401</b>	<b>2,240,330</b>
<b>Fund Balances, ending</b>	<b>\$ 250,000</b>	<b>\$ 5,929</b>	<b>\$ 1,761,250</b>	<b>\$ 2,017,179</b>

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## Enterprise Funds

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

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

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

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

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

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

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

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

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

<i>December 31,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 7,391,690	\$ 5,750,967
Receivables:		
Accounts	1,102,554	918,178
Grants	-	1,713,760
Other	89,035	61,253
Less allowance for doubtful accounts	(49,615)	(41,318)
Net receivables	1,141,974	2,651,873
Prepaid expenses	99,096	-
Inventory	1,386,756	993,588
<b>Total Current Assets</b>	<b>10,019,516</b>	<b>9,396,428</b>
<b>Restricted Cash and Investments</b>		
Bond retirement	349,739	349,739
<b>Property, Plant and Equipment</b>		
Land and land rights	230,951	230,951
Buildings	9,596,669	9,578,169
Improvements other than buildings	49,998,342	49,156,563
Equipment	7,684,885	7,616,911
Total property, plant and equipment in service	67,510,847	66,582,594
Less accumulated depreciation	(41,908,288)	(40,322,838)
<b>Total Property, Plant and Equipment</b>	<b>25,602,559</b>	<b>26,259,756</b>
<b>Total Assets</b>	<b>35,971,814</b>	<b>36,005,923</b>
<b>Deferred Outflows of Resources</b>		
Related to pensions	85,437	284,626
Unamortized deferred loss on refunding	438,972	459,875
<b>Total Deferred Outflows of Resources</b>	<b>524,409</b>	<b>744,501</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 36,496,223</b>	<b>\$ 36,750,424</b>

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

<i>December 31,</i>	2017	2016
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 664,524	\$ 527,038
Accrued payroll and related liabilities	32,960	30,732
Accrued interest	76,200	76,974
Current portion:		
Accrued annual leave	21,706	20,999
Bonds payable	160,000	150,000
Customer deposits	255,050	265,898
<b>Total Current Liabilities</b>	<b>1,210,440</b>	<b>1,071,641</b>
<b>Noncurrent Liabilities, net of current portion</b>		
Accrued annual leave	30,290	28,390
Bonds payable	4,900,000	5,060,000
Unamortized bond premium	290,521	304,355
Net pension liability	1,160,197	1,649,763
<b>Total Noncurrent Liabilities</b>	<b>6,381,008</b>	<b>7,042,508</b>
<b>Total Liabilities</b>	<b>7,591,448</b>	<b>8,114,149</b>
Deferred Inflows of Resources - related to pensions	188,913	17,583
<b>Net Position</b>		
Net investment in capital assets	20,984,539	21,555,015
Unrestricted	7,731,323	7,063,677
<b>Total Net Position</b>	<b>28,715,862</b>	<b>28,618,692</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 36,496,223</b>	<b>\$ 36,750,424</b>

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

<i>Year Ended December 31,</i>	2017	2016
<b>Operating Revenues</b>		
Residential	\$ 3,644,609	\$ 3,262,167
Small general service	1,853,059	1,711,617
Large general service	4,783,321	4,549,676
Industrial	1,273,701	993,311
Harbor power	394,544	417,539
Street and yard lights	70,168	69,522
Miscellaneous	188,553	342,829
<b>Total Operating Revenues</b>	<b>12,207,955</b>	<b>11,346,661</b>
<b>Operating Expenses</b>		
Power	6,266,136	5,351,747
Distribution	633,711	359,367
Administration and general	3,133,991	3,422,832
Depreciation	1,585,450	1,446,720
<b>Total Operating Expenses</b>	<b>11,619,288</b>	<b>10,580,666</b>
<b>Earnings from Operations</b>	<b>588,667</b>	<b>765,995</b>
<b>Nonoperating Revenues (Expenses)</b>		
Intergovernmental - PERS on-behalf	33,742	37,268
Investment income	117,434	56,659
Salary credits - work orders	200,428	121,632
Supply credits - work orders	62,987	82,479
Bond issue costs	(41,137)	(73,457)
Interest expense	(192,344)	(185,626)
Gain on disposal of property, plant and equipment	-	200
Other revenues (expenses)	421,554	(28,825)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>602,664</b>	<b>10,330</b>
<b>Earnings Before Contributions and Transfers</b>	<b>1,191,331</b>	<b>776,325</b>
Capital contributions	199,595	2,035,806
Transfers in	19,756	8,400
Transfers out	(1,313,512)	(1,243,180)
<b>Change in Net Position</b>	<b>97,170</b>	<b>1,577,351</b>
<b>Net Position, beginning</b>	<b>28,618,692</b>	<b>27,041,341</b>
<b>Net Position, ending</b>	<b>\$ 28,715,862</b>	<b>\$ 28,618,692</b>

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

<i>Year Ended December 31,</i>	2017	2016
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from customers and users	\$ 12,414,800	\$ 11,384,928
Payments to suppliers	(7,690,640)	(6,230,257)
Payments to employees	(1,658,528)	(1,401,753)
Payments for interfund services used	(910,060)	(888,835)
<b>Net cash flows from (for) operating activities</b>	<b>2,155,572</b>	<b>2,864,083</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Transfers in	19,756	8,400
Transfers out	(1,313,512)	(1,243,180)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(1,293,756)</b>	<b>(1,234,780)</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Principal payments on bonds payable	(150,000)	(240,000)
Proceeds from issuance of refunding bonds	-	5,045,000
Payment to refunding bond escrow agent	(41,137)	(4,913,457)
Interest payments on bonds payable	(186,049)	(311,217)
Proceeds from sale of capital assets	-	200
Acquisition of property, plant and equipment	(874,696)	(3,296,505)
Capital contributions received	1,913,355	1,359,256
<b>Net cash flows from (for) capital and related financing activities</b>	<b>661,473</b>	<b>(2,356,723)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	117,434	72,209
Interfund loan receipts	-	296,195
<b>Net cash flows from investing activities</b>	<b>117,434</b>	<b>368,404</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>1,640,723</b>	<b>(359,016)</b>
<b>Cash and Investments, beginning</b>	<b>6,100,706</b>	<b>6,459,722</b>
<b>Cash and Investments, ending</b>	<b>\$ 7,741,429</b>	<b>\$ 6,100,706</b>
<b>Reconciliation of Cash and Investments to Statement of Net Position</b>		
Current assets	\$ 7,391,690	\$ 5,750,967
Restricted assets	349,739	349,739
<b>Total Cash and Investments</b>	<b>\$ 7,741,429</b>	<b>\$ 6,100,706</b>



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

<i>Year Ended December 31,</i>	2017	2016
<b>Reconciliation of Earnings from Operations to Net</b>		
<b>Cash Flows from (for) Operating Activities</b>		
Earnings from operations	\$ 588,667	\$ 765,995
Adjustments to reconcile earnings from operations to net cash flows from (for) operating activities:		
Depreciation	1,585,450	1,446,720
Other nonoperating revenue (expenses)	421,554	(28,825)
Other nonoperating revenue - workorder reimbursements:		
Salaries	200,428	121,632
Supplies	62,987	82,479
Noncash expense - PERS on-behalf	33,742	37,268
Increase (decrease) in allowance for doubtful accounts	8,297	(3,686)
(Increase) decrease in assets and deferred outflows of resources:		
Receivables	(212,158)	30,294
Prepaid expenses	(99,096)	3,600
Inventory	(393,168)	(14,962)
Deferred outflows of resources - related to pensions	199,189	(39,622)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	83,929	58,864
Accrued payroll and related liabilities	2,228	9,370
Accrued annual leave	2,607	(6,659)
Customer deposits	(10,848)	11,659
Net pension liability	(489,566)	394,595
Deferred inflows of resources related to pensions	171,330	(4,639)
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 2,155,572</b>	<b>\$ 2,864,083</b>
<b>Noncash Capital and Related Financing Activities</b>		
Purchase of property, plant and equipment included in accounts payable	\$ 56,210	\$ 2,653
Capital contributions	\$ -	\$ 1,713,760

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

<i>Year Ended December 31,</i>	2017	2016
<b>Power</b>		
Salaries and employee benefits	\$ 124,729	\$ 140,888
Purchased services	214,357	176,457
Power for resale	5,885,657	4,973,262
Supplies, maintenance and other	41,393	61,140
<b>Total Power</b>	<b>6,266,136</b>	<b>5,351,747</b>
<b>Distribution</b>		
Salaries and employee benefits	458,227	253,774
Purchased services	103,144	118,695
Supplies and maintenance	72,140	(13,402)
Administration and general	200	300
<b>Total Distribution</b>	<b>633,711</b>	<b>359,367</b>
<b>Administration and General</b>		
Salaries and employee benefits	1,195,530	1,519,036
Purchased services	315,025	253,130
Supplies and maintenance	337,698	316,932
Administrative fee	909,860	888,535
Other	375,878	445,199
<b>Total Administration and General</b>	<b>3,133,991</b>	<b>3,422,832</b>
Depreciation	1,585,450	1,446,720
<b>Total Operating Expenses</b>	<b>\$ 11,619,288</b>	<b>\$ 10,580,666</b>

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

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<i>December 31,</i>	2017	2016
Grants and other external contributions	\$ 36,493,169	\$ 36,293,573
Related accumulated amortization	(22,614,259)	(21,633,046)
City-generated equity and transfers from other funds	14,836,952	13,958,165
<b>Total Net Position</b>	<b>\$ 28,715,862</b>	<b>\$ 28,618,692</b>

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

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<i>Year Ended December 31, 2017</i>	Customer Projects
<hr/>	
<b>Funding Sources</b>	
Electric fund customers	\$ 199,595
Electric MRRF	393,811
<hr/>	
<b>Total Funding Sources</b>	<b>\$ 593,406</b>
<hr/>	
<b>Capital Outlay</b>	<b>\$ 593,406</b>
<hr/>	

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

<i>December 31,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 2,627,722	\$ 2,237,211
Receivables:		
Accounts	200,489	190,357
Grants and loans	13,063	-
Other	187	750
Less allowance for doubtful accounts	(9,022)	(8,566)
Net receivables	204,717	182,541
Inventory	94,389	92,102
<b>Total Current Assets</b>	<b>2,926,828</b>	<b>2,511,854</b>
<b>Property, Plant and Equipment</b>		
Land and land rights	100,420	100,420
Buildings	1,287,853	1,287,853
Improvements other than buildings	12,001,267	11,978,229
Equipment	1,365,085	1,361,985
Total property, plant and equipment in service	14,754,625	14,728,487
Less accumulated depreciation	(5,520,408)	(5,123,982)
<b>Total Property, Plant and Equipment</b>	<b>9,234,217</b>	<b>9,604,505</b>
<b>Total Assets</b>	<b>12,161,045</b>	<b>12,116,359</b>
Deferred Outflows of Resources - related to pensions	14,558	68,246
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 12,175,603</b>	<b>\$ 12,184,605</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 17,184	\$ 63,184
Accrued payroll and related liabilities	7,285	6,892
Accrued interest	16,087	17,770
Current portion:		
Accrued annual leave	5,454	4,869
Notes payable	135,147	133,150
<b>Total Current Liabilities</b>	<b>181,157</b>	<b>225,865</b>
<b>Noncurrent Liabilities, net of current portion</b>		
Accrued annual leave	9,993	3,792
Notes payable	1,311,297	1,446,445
Net pension liability	263,800	395,754
<b>Total Noncurrent Liabilities</b>	<b>1,585,090</b>	<b>1,845,991</b>
<b>Total Liabilities</b>	<b>1,766,247</b>	<b>2,071,856</b>
Deferred Inflows of Resources - related to pensions	50,386	4,207
<b>Net Position</b>		
Net investment in capital assets	7,774,710	8,024,910
Unrestricted	2,584,260	2,083,632
<b>Total Net Position</b>	<b>10,358,970</b>	<b>10,108,542</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 12,175,603</b>	<b>\$ 12,184,605</b>

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

<i>Year Ended December 31,</i>	2017	2016
<b>Operating Revenues</b>		
Residential	\$ 495,280	\$ 481,202
Small general service	147,929	131,223
Large general service	224,982	229,373
Industrial	260,992	245,585
Seward Marine Industrial Center	60,861	47,066
Ship water sales	87,550	93,877
Miscellaneous	133,726	64,564
<b>Total Operating Revenues</b>	<b>1,411,320</b>	<b>1,292,890</b>
<b>Operating Expenses</b>		
Salaries and benefits	341,206	419,348
Purchased services	276,237	224,178
Contracted services	8,303	22,824
Supplies and maintenance	67,275	44,726
Administration and general	262,249	254,289
Depreciation	396,426	200,323
<b>Total Operating Expenses</b>	<b>1,351,696</b>	<b>1,165,688</b>
<b>Earnings from Operations</b>	<b>59,624</b>	<b>127,202</b>
<b>Nonoperating Revenues (Expenses)</b>		
Intergovernmental - PERS on-behalf	9,095	8,972
Investment income	23,684	6,643
Interest expense	(22,011)	(24,098)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>10,768</b>	<b>(8,483)</b>
<b>Earnings Before Contributions and Transfers</b>	<b>70,392</b>	<b>118,719</b>
Capital contributions	20,683	147,469
Transfers in	278,049	-
Transfers out	(118,696)	(181,887)
<b>Change in Net Position</b>	<b>250,428</b>	<b>84,301</b>
<b>Net Position, beginning</b>	<b>10,108,542</b>	<b>10,024,241</b>
<b>Net Position, ending</b>	<b>\$ 10,358,970</b>	<b>\$ 10,108,542</b>

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

<i>Year Ended December 31,</i>	2017	2016
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from customers and users	\$ 1,402,207	\$ 1,278,025
Payments to suppliers	(410,994)	(232,111)
Payments to employees	(357,019)	(349,476)
Payments for interfund services used	(262,249)	(254,289)
<b>Net cash flows from (for) operating activities</b>	<b>371,945</b>	<b>442,149</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Transfers in	278,049	-
Transfers out	(118,696)	(181,887)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>159,353</b>	<b>(181,887)</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Principal payments on notes payable	(133,150)	(131,182)
Interest payments on notes payable	(23,694)	(25,662)
Acquisition of property, plant and equipment	(15,247)	(1,052,788)
Capital contributions received	7,620	1,201,540
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(164,471)</b>	<b>(8,092)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	23,684	6,643
<b>Net Increase in Cash and Investments</b>	<b>390,511</b>	<b>258,813</b>
<b>Cash and Investments, beginning</b>	<b>2,237,211</b>	<b>1,978,398</b>
<b>Cash and Investments, ending</b>	<b>\$ 2,627,722</b>	<b>\$ 2,237,211</b>
<b>Reconciliation of Earnings from Operations to Net Cash Flows from (for) Operating Activities</b>		
Earnings from operations	\$ 59,624	\$ 127,202
Adjustments to reconcile earnings from operations to net cash flows from (for) operating activities:		
Depreciation	396,426	200,323
Noncash expense - PERS on-behalf	9,095	8,972
Increase in allowance for doubtful accounts	456	715
(Increase) decrease in assets and deferred outflows of resources:		
Receivables	(9,569)	(15,580)
Inventory	(2,287)	2,189
Deferred outflows of resources related to pensions	53,688	(9,539)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(56,892)	57,428
Accrued payroll and related liabilities	393	895
Accrued annual leave	6,786	(24,335)
Net pension liability	(131,954)	94,996
Deferred inflows related to pensions	46,179	(1,117)
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 371,945</b>	<b>\$ 442,149</b>
<b>Noncash Capital and Related Financing Activities</b>		
Purchase of property, plant and equipment included in accounts payable	\$ 13,063	\$ 2,171
Capital contributions	\$ 13,063	\$ -

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

<i>December 31,</i>	2017	2016
Grants and other external contributions	\$ 8,055,081	\$ 8,034,398
Related accumulated amortization	(2,173,109)	(1,987,073)
Contributions from other funds	596,766	596,766
City-generated equity	3,880,232	3,464,451
<b>Total Net Position</b>	<b>\$ 10,358,970</b>	<b>\$ 10,108,542</b>



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

<i>December 31,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,979,332	\$ 1,725,449
Receivables:		
Accounts	115,899	106,425
Less allowance for doubtful accounts	(5,215)	(4,789)
Net receivables	110,684	101,636
<b>Total Current Assets</b>	<b>2,090,016</b>	<b>1,827,085</b>
<b>Property, Plant and Equipment</b>		
Land and land rights	111,011	111,011
Buildings	2,418,398	2,418,398
Infrastructure	29,698	29,698
Improvements other than buildings	11,804,000	11,804,000
Equipment	925,395	891,377
Total property, plant and equipment in service	15,288,502	15,254,484
Less accumulated depreciation	(8,919,192)	(8,570,579)
<b>Net Property, Plant and Equipment in Service</b>	<b>6,369,310</b>	<b>6,683,905</b>
<b>Total Assets</b>	<b>8,459,326</b>	<b>8,510,990</b>
Deferred Outflows of Resources - related to pensions	22,589	59,017
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 8,481,915</b>	<b>\$ 8,570,007</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 16,674	\$ 32,052
Accrued payroll and related liabilities	5,980	5,281
Accrued interest	5,175	5,900
Current portion:		
Accrued annual leave	5,778	5,759
Notes payable	57,733	59,871
<b>Total Current Liabilities</b>	<b>91,340</b>	<b>108,863</b>
<b>Noncurrent Liabilities, net of current portion</b>		
Accrued annual leave	16,471	17,543
Notes payable	1,125,187	1,245,115
Net pension liability	248,086	337,617
<b>Total Noncurrent Liabilities</b>	<b>1,389,744</b>	<b>1,600,275</b>
<b>Total Liabilities</b>	<b>1,481,084</b>	<b>1,709,138</b>
Deferred Inflows of Resources - related to pensions	35,170	3,837
<b>Net Position</b>		
Net investment in capital assets	5,186,390	5,378,919
Unrestricted	1,779,271	1,478,113
<b>Total Net Position</b>	<b>6,965,661</b>	<b>6,857,032</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 8,481,915</b>	<b>\$ 8,570,007</b>

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

<i>Year Ended December 31,</i>	2017	2016
<b>Operating Revenues</b>		
Residential	\$ 667,499	\$ 637,860
Small general service	192,426	194,606
Large general service	282,426	279,178
Seward Marine Industrial Center	44,292	35,895
Miscellaneous	6,633	4,224
<b>Total Operating Revenues</b>	<b>1,193,276</b>	<b>1,151,763</b>
<b>Operating Expenses</b>		
Salaries and employee benefits	247,447	342,653
Purchased services	224,806	234,191
Contracted services	24,752	73,021
Supplies and maintenance	44,824	35,599
Administration and general	166,954	152,718
Depreciation	364,306	367,543
<b>Total Operating Expenses</b>	<b>1,073,089</b>	<b>1,205,725</b>
<b>Earnings (Loss) from Operations</b>	<b>120,187</b>	<b>(53,962)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Intergovernmental - PERS on-behalf	6,171	6,861
Investment income	20,232	2,997
Interest expense	(13,732)	(5,900)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>12,671</b>	<b>3,958</b>
<b>Earnings (Loss) Before Transfers</b>	<b>132,858</b>	<b>(50,004)</b>
Capital contributions	65,185	-
Transfers in	12,000	12,000
Transfers out	(101,414)	(98,114)
<b>Change in Net Position</b>	<b>108,629</b>	<b>(136,118)</b>
<b>Net Position, beginning</b>	<b>6,857,032</b>	<b>6,993,150</b>
<b>Net Position, ending</b>	<b>\$ 6,965,661</b>	<b>\$ 6,857,032</b>

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

<i>Year Ended December 31,</i>	2017	2016
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from customers and users	\$ 1,184,228	\$ 1,141,454
Payments to suppliers	(309,760)	(314,845)
Payments to employees	(263,400)	(275,221)
Payments for interfund services used	(166,954)	(152,718)
<b>Net cash flows from (for) operating activities</b>	<b>444,114</b>	<b>398,670</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Transfers in	12,000	12,000
Transfers out	(101,414)	(98,114)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(89,414)</b>	<b>(86,114)</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Principal payments on notes payable	(122,065)	(58,986)
Interest payments on notes payable	(14,457)	-
Decrease in due to other funds	-	(62,221)
Capital contributions received	65,185	1,534,202
Acquisition of property, plant and equipment	(49,712)	(3,099)
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(121,049)</b>	<b>1,409,896</b>
<b>Cash Flows from (for) Investing Activities</b>		
Investment income received	20,232	2,997
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>253,883</b>	<b>1,725,449</b>
<b>Cash and Investments, beginning</b>	<b>1,725,449</b>	<b>-</b>
<b>Cash and Investments, ending</b>	<b>\$ 1,979,332</b>	<b>\$ 1,725,449</b>
<b>Reconciliation of Earnings (Loss) from Operations to Net Cash Flow from (for) Operating Activities</b>		
Earnings (loss) from operations	\$ 120,187	\$ (53,962)
Adjustments to reconcile earnings (loss) from operations to net cash flows from (for) operating activities:		
Depreciation	364,306	367,543
Noncash expense - PERS on-behalf	6,171	6,861
Increase in allowance for doubtful accounts	426	486
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(9,474)	(10,795)
Deferred outflows of resources related to pensions	36,428	(7,294)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(15,378)	27,966
Accrued payroll and related liabilities	699	1,148
Accrued annual leave	(1,053)	(5,069)
Net pension liability	(89,531)	72,640
Deferred inflows related to pensions	31,333	(854)
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 444,114</b>	<b>\$ 398,670</b>

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

<i>December 31,</i>	2017	2016
Grants and other external contributions	\$ 11,705,799	\$ 11,705,799
Related accumulated amortization	(8,365,834)	(7,967,389)
Contributions from other funds	716,376	704,376
City-generated equity	2,909,320	2,414,246
<b>Total Net Position</b>	<b>\$ 6,965,661</b>	<b>\$ 6,857,032</b>

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

<i>December 31,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 2,119,462	\$ -
Receivables:		
Accounts	146,957	169,993
Grants	916,330	917,500
Other	21	-
Less allowance for doubtful accounts	(39,543)	(38,918)
Net receivables	1,023,765	1,048,575
<b>Total Current Assets</b>	<b>3,143,227</b>	<b>1,048,575</b>
<b>Restricted Cash and Investments</b>		
Bond retirement	690,198	1,891,394
Capital projects	1,187,550	2,267,143
<b>Total Restricted Cash and Investments</b>	<b>1,877,748</b>	<b>4,158,537</b>
<b>Property, Plant and Equipment</b>		
Land and land rights	18,239,053	18,175,054
Buildings	775,201	775,201
Infrastructure	97,723	97,723
Improvements other than buildings	37,693,445	37,693,445
Equipment	1,553,924	1,620,993
Total property, plant and equipment in service	58,359,346	58,362,416
Less accumulated depreciation	(19,921,756)	(18,202,577)
Net property, plant and equipment in service	38,437,590	40,159,839
Construction in progress	20,169	20,169
<b>Total Property, Plant and Equipment</b>	<b>38,457,759</b>	<b>40,180,008</b>
<b>Total Assets</b>	<b>43,478,734</b>	<b>45,387,120</b>
<b>Deferred Outflows of Resources</b>		
Related to pensions	55,902	190,630
Unamortized deferred loss on refunding	175,147	198,715
<b>Total Deferred Outflows of Resources</b>	<b>231,049</b>	<b>389,345</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 43,709,783</b>	<b>\$ 45,776,465</b>

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

<i>December 31,</i>	2017	2016
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 76,607	\$ 74,275
Accrued payroll and related liabilities	23,332	19,973
Accrued interest	38,775	41,908
Current portion:		
Accrued annual leave	18,107	17,955
Bonds payable	490,000	480,000
Unearned revenue	540,061	584,361
Customer deposits	41,720	45,777
<b>Total Current Liabilities</b>	<b>1,228,602</b>	<b>1,264,249</b>
<b>Noncurrent Liabilities, net of current portion</b>		
Accrued annual leave	48,594	45,459
Bonds payable	3,425,000	3,915,000
Notes payable	-	1,201,196
Unamortized bond premium	448,886	507,142
Net pension liability	770,300	1,101,434
<b>Total Noncurrent Liabilities</b>	<b>4,692,780</b>	<b>6,770,231</b>
<b>Total Liabilities</b>	<b>5,921,382</b>	<b>8,034,480</b>
<b>Deferred Inflows of Resources - related to pensions</b>	<b>127,812</b>	<b>11,927</b>
<b>Net Position</b>		
Net investment in capital assets	34,959,218	36,166,779
Restricted for commercial passenger vessel tax	1,402,847	675,181
Unrestricted	1,298,524	888,098
<b>Total Net Position</b>	<b>37,660,589</b>	<b>37,730,058</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 43,709,783</b>	<b>\$ 45,776,465</b>

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

<i>Year Ended December 31,</i>	2017	2016
<b>Operating Revenues</b>		
Moorage	\$ 1,702,928	\$ 1,628,053
Wharfage	34,176	28,216
Boat lift fees	93,983	92,660
Power sales	531,566	461,575
Rentals and leases	368,437	326,020
Passenger transit fees	569,611	636,027
Miscellaneous	124,700	130,138
<b>Total Operating Revenues</b>	<b>3,425,401</b>	<b>3,302,689</b>
<b>Operating Expenses</b>		
Salaries and employee benefits	1,010,541	1,297,954
Purchased services	347,639	337,270
Power for resale	326,720	260,390
Supplies and maintenance	135,275	112,981
Administration and general	312,796	258,985
Depreciation	1,805,600	1,853,141
<b>Total Operating Expenses</b>	<b>3,938,571</b>	<b>4,120,721</b>
<b>Loss from Operations</b>	<b>(513,170)</b>	<b>(818,032)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Intergovernmental - PERS on-behalf	22,823	24,279
Gain on sale of capital assets	11,642	-
Investment income	43,133	20,651
Commercial passenger vessel tax	916,330	917,500
Bond issue costs	-	(50,594)
Interest expense	(155,277)	(182,451)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>838,651</b>	<b>729,385</b>
<b>Earnings (Loss) Before Contributions and Transfers</b>	<b>325,481</b>	<b>(88,647)</b>
Capital contributions	-	297,274
Transfers in	18,274	-
Transfers out	(413,224)	(645,127)
<b>Change in Net Position</b>	<b>(69,469)</b>	<b>(436,500)</b>
<b>Net Position, beginning</b>	<b>37,730,058</b>	<b>38,166,558</b>
<b>Net Position, ending</b>	<b>\$ 37,660,589</b>	<b>\$ 37,730,058</b>

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

<i>Year Ended December 31,</i>	2017	2016
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from customers and users	\$ 3,400,683	\$ 3,397,195
Payments to suppliers	(807,302)	(1,070,979)
Payments to employees	(1,061,592)	(1,038,570)
Payments for interfund services used	(312,796)	(258,985)
<b>Net cash flows from (for) operating activities</b>	<b>1,218,993</b>	<b>1,028,661</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Transfers in	18,274	-
Transfers out	(413,224)	(645,127)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(394,950)</b>	<b>(645,127)</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Principal payments on long-term debt	(1,681,196)	(470,000)
Proceeds from issuance of refunding bonds	-	1,055,000
Payment to refunding bond escrow agent	-	(1,125,595)
Interest payments on long-term debt	(193,098)	(148,754)
Acquisition of property, plant and equipment	(83,351)	(3,308,590)
Proceeds from sale of capital assets	11,642	-
Capital contributions received	-	2,912,225
Interfund loan payment	-	(27,698)
Commercial passenger vessel tax receipts	917,500	894,340
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(1,028,503)</b>	<b>(219,072)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	43,133	20,651
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>(161,327)</b>	<b>185,113</b>
<b>Cash and Investments, beginning</b>	<b>4,158,537</b>	<b>3,973,424</b>
<b>Cash and Investments, ending</b>	<b>\$ 3,997,210</b>	<b>\$ 4,158,537</b>
<b>Reconciliation of Cash and Investments to Statement of Net Position</b>		
Current assets	\$ 2,119,462	\$ -
Restricted assets	1,877,748	4,158,537
<b>Total Cash and Investments</b>	<b>\$ 3,997,210</b>	<b>\$ 4,158,537</b>



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

<i>Year Ended December 31,</i>	2017	2016
<b>Reconciliation of Loss from Operations to Net</b>		
<b>Cash Flows from (for) Operating Activities</b>		
Loss from operations	\$ (513,170)	\$ (818,032)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	1,805,600	1,853,141
Noncash expense - PERS on-behalf	22,823	24,279
Increase in allowance for doubtful accounts	625	5,483
(Increase) decrease in assets and deferred outflows of resources:		
Receivables	23,015	56,198
Deferred outflows of resources related to pensions	134,728	(25,813)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	2,332	(360,338)
Accrued payroll and related liabilities	3,359	6,513
Accrued annual leave	3,287	356
Customer deposits	(4,057)	3,024
Unearned revenue	(44,300)	29,801
Net pension liability	(331,134)	257,071
Deferred inflows of resources related to pensions	115,885	(3,022)
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 1,218,993</b>	<b>\$ 1,028,661</b>

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

<i>December 31,</i>	2017	2016
Grants and other external contributions	\$ 39,629,203	\$ 39,629,203
Related accumulated amortization	(12,516,882)	(11,367,953)
Contributions from other funds	6,482,874	6,482,874
City-generated equity	4,065,394	2,985,934
<b>Total Net Position</b>	<b>\$ 37,660,589</b>	<b>\$ 37,730,058</b>

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

<i>December 31,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Accounts receivable	\$ 22,256	\$ 56,321
Grant receivable	1,577,173	1,666,727
Prepaid expenses	391	-
<b>Total Current Assets</b>	<b>1,599,820</b>	<b>1,723,048</b>
<b>Property, Plant and Equipment</b>		
Land and land rights	12,021,821	12,021,821
Buildings	280,287	280,287
Improvements other than buildings	40,647,334	40,647,334
Equipment	1,886,978	1,650,360
Total property, plant and equipment in service	54,836,420	54,599,802
Less accumulated depreciation	(30,934,330)	(30,177,787)
Net property, plant and equipment in service	23,902,090	24,422,015
Construction in progress	19,834,682	13,093,308
<b>Total Property, Plant and Equipment</b>	<b>43,736,772</b>	<b>37,515,323</b>
<b>Total Assets</b>	<b>\$ 45,336,592</b>	<b>\$ 39,238,371</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 863,816	\$ 201,456
Accrued payroll and related liabilities	628	2,799
Interfund loan payable - current portion	98,008	98,009
Deposits	14,600	13,600
Unearned revenue	2,687	43,606
Due to other funds	1,092,938	1,680,476
<b>Total Current Liabilities</b>	<b>2,072,677</b>	<b>2,039,946</b>
<b>Noncurrent Liabilities</b>		
Interfund loan, net of current portion	588,050	686,058
<b>Total Liabilities</b>	<b>2,660,727</b>	<b>2,726,004</b>
<b>Net Position</b>		
Net investment in capital assets	42,886,767	37,515,323
Unrestricted (deficit)	(210,902)	(1,002,956)
<b>Total Net Position</b>	<b>42,675,865</b>	<b>36,512,367</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 45,336,592</b>	<b>\$ 39,238,371</b>

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

<i>Year Ended December 31,</i>	2017	2016
<b>Operating Revenues</b>		
Moorage	\$ 15,566	\$ 23,573
Wharfage	7,832	10,996
Boat lift fees	182,726	163,286
Storage	87,069	96,362
Rentals and leases	174,927	161,275
Power sales	62,035	148,482
Miscellaneous	1,687	4,836
<b>Total Operating Revenues</b>	<b>531,842</b>	<b>608,810</b>
<b>Operating Expenses</b>		
Salaries and employee benefits	74,271	101,549
Purchased services	102,782	250,688
Contracted services	51,540	7,221
Supplies and maintenance	15,502	24,350
Administration and general	160,851	203,232
Depreciation	756,543	755,466
<b>Total Operating Expenses</b>	<b>1,161,489</b>	<b>1,342,506</b>
<b>Loss from Operations</b>	<b>(629,647)</b>	<b>(733,696)</b>
<b>Nonoperating Revenues</b>		
Investment income	1,344	-
<b>Loss Before Contributions and Transfers</b>	<b>(628,303)</b>	<b>(733,696)</b>
Capital contributions	6,735,785	9,346,791
Transfers in	172,033	165,750
Transfers out	(116,017)	(124,919)
<b>Change in Net Position</b>	<b>6,163,498</b>	<b>8,653,926</b>
<b>Net Position, beginning</b>	<b>36,512,367</b>	<b>27,858,441</b>
<b>Net Position, ending</b>	<b>\$ 42,675,865</b>	<b>\$ 36,512,367</b>

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

<i>Year Ended December 31,</i>	2017	2016
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from customers and users	\$ 525,988	\$ 589,940
Payments to suppliers	(160,093)	(287,487)
Payments to employees	(76,443)	(99,843)
Payments for interfund services used	(160,851)	(203,232)
<b>Net cash flows from (for) operating activities</b>	<b>128,601</b>	<b>(622)</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Transfers in	172,033	165,750
Transfers out	(116,017)	(124,919)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>56,016</b>	<b>40,831</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Acquisition of property, plant, and equipment	(6,325,754)	(10,263,507)
Increase (decrease) in due to other funds	(587,538)	1,494,708
Interfund loan payments	(98,008)	(98,008)
Capital contributions received	6,825,339	8,826,598
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(185,961)</b>	<b>(40,209)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	1,344	-
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>-</b>	<b>-</b>
<b>Cash and Investments, beginning</b>	<b>-</b>	<b>-</b>
<b>Cash and Investments, ending</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of Loss from Operations to Net</b>		
<b>Cash Flows from (for) Operating Activities</b>		
Loss from operations	\$ (629,647)	\$ (733,696)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	756,543	755,466
(Increase) decrease in assets:		
Accounts receivable	34,065	(776)
Prepaid expenses	(391)	-
Increase (decrease) in liabilities:		
Accounts payable	10,121	(5,228)
Accrued payroll and related liabilities	(2,171)	1,706
Deposits	1,000	1,400
Unearned revenue	(40,919)	(19,494)
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 128,601</b>	<b>\$ (622)</b>
<b>Noncash Capital and Related Financing Activities</b>		
Purchase of property, plant and equipment included in accounts payable	\$ 850,005	\$ 197,767
Capital contributions	\$ 1,577,173	\$ 1,666,727

**City of Seward, Alaska**  
**Seward Marine Industrial Center Enterprise Fund**  
**Schedule of Composition of Net Position**

<i>December 31,</i>	2017	2016
Grants and other external contributions	\$ 56,197,603	\$ 49,461,818
Related accumulated amortization	(27,691,025)	(27,185,044)
Contributions from other funds	17,472,393	17,638,143
City-generated deficit	(3,303,106)	(3,402,550)
<b>Total Net Position</b>	<b>\$ 42,675,865</b>	<b>\$ 36,512,367</b>

**City of Seward, Alaska**  
**Seward Marine Industrial Center Enterprise Fund**  
**Schedule of Seward Marine Industrial Center Capital Projects**

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<i>Year Ended December 31, 2017</i>	SMIC Breakwater
<hr/>	
<b>Funding Sources</b>	
State grants	\$ 6,735,785
<hr/>	
<b>Capital Outlay</b>	\$ 6,735,785
<hr/>	

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

<i>December 31,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,035,477	\$ 917,751
<b>Property, Plant and Equipment</b>		
Improvements other than buildings	526,690	526,690
Equipment	192,277	189,014
Total property, plant and equipment in service	718,967	715,704
Less accumulated depreciation	(647,260)	(625,247)
<b>Net Property, Plant and Equipment in Service</b>	71,707	90,457
<b>Total Assets</b>	\$ 1,107,184	\$ 1,008,208
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 12,603	\$ 794
<b>Net Position</b>		
Net investment in capital assets	71,707	90,457
Unrestricted	1,022,874	916,957
<b>Total Net Position</b>	1,094,581	1,007,414
<b>Total Liabilities and Net Position</b>	\$ 1,107,184	\$ 1,008,208



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

<i>Year Ended December 31,</i>	2017	2016
<b>Operating Revenues - parking fees</b>	\$ 330,625	\$ 328,347
<b>Operating Expenses</b>		
Salaries and employee benefits	134,036	134,589
Supplies and maintenance	29,805	36,770
Purchased services	18,969	25,228
Administration and general	22,351	10,602
Depreciation	22,013	24,477
<b>Total Operating Expenses</b>	227,174	231,666
<b>Earnings from Operations</b>	103,451	96,681
<b>Nonoperating Revenues - investment income</b>	10,161	970
<b>Earnings Before Contributions and Transfers</b>	113,612	97,651
Capital contributions	-	38,654
Transfers out	(26,445)	(26,268)
<b>Change in Net Position</b>	87,167	110,037
<b>Net Position, beginning</b>	1,007,414	897,377
<b>Net Position, ending</b>	\$ 1,094,581	\$ 1,007,414

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

<i>Year Ended December 31,</i>	2017	2016
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from customers and users	\$ 330,625	\$ 328,347
Payments to suppliers	(36,965)	(61,651)
Payments to employees	(134,036)	(134,922)
Payments for interfund services used	(22,351)	(10,602)
<b>Net cash flows from (for) operating activities</b>	<b>137,273</b>	<b>121,172</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Transfers out	(26,445)	(26,268)
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Acquisition of equipment	(3,263)	(51,804)
Capital contributions received	-	38,654
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(3,263)</b>	<b>(13,150)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	10,161	970
<b>Net Increase in Cash and Investments</b>	<b>117,726</b>	<b>82,724</b>
<b>Cash and Investments, beginning</b>	<b>917,751</b>	<b>835,027</b>
<b>Cash and Investments, ending</b>	<b>\$ 1,035,477</b>	<b>\$ 917,751</b>
<b>Reconciliation of Earnings from Operations to Net</b>		
<b>Cash Flows from (for) Operating Activities</b>		
Earnings from operations	\$ 103,451	\$ 96,681
Adjustments to reconcile earnings from operations to net cash flows from (for) operating activities:		
Depreciation	22,013	24,477
Increase (decrease) in liabilities:		
Accounts payable	11,809	347
Accrued payroll and related liabilities	-	(333)
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 137,273</b>	<b>\$ 121,172</b>

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

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<i>December 31,</i>	2017	2016
Grants and other external contributions	\$ 425,893	\$ 425,893
Related accumulated amortization	(425,893)	(425,893)
Contributions from other funds	46,304	46,304
City-generated equity	1,048,277	961,110
<b>Total Net Position</b>	<b>\$ 1,094,581</b>	<b>\$ 1,007,414</b>

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

<i>December 31,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 4,234,662	\$ 2,927,676
Receivables:		
Accounts	3,804,000	4,286,000
Other	804,000	126,000
Less allowance for doubtful accounts	(1,148,000)	(1,044,000)
Net receivables	3,460,000	3,368,000
Other current assets	563,000	303,589
<b>Total Current Assets</b>	<b>8,257,662</b>	<b>6,599,265</b>
Restricted Cash and Investments - bond retirement	1,615,006	1,615,006
<b>Other Assets</b>	<b>766,000</b>	<b>727,000</b>
<b>Property, Plant and Equipment</b>		
Buildings	22,830,684	22,830,684
Infrastructure	843,185	843,185
Improvements other than buildings	8,168,851	8,168,851
Equipment	5,301,604	5,065,114
Total property, plant and equipment in service	37,144,324	36,907,834
Less accumulated depreciation	(21,989,756)	(20,045,451)
<b>Net Property, Plant and Equipment</b>	<b>15,154,568</b>	<b>16,862,383</b>
<b>Total Assets</b>	<b>25,793,236</b>	<b>25,803,654</b>
Deferred Outflows of Resources - unamortized deferred loss on refunding	1,571,127	1,669,324
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 27,364,363</b>	<b>\$ 27,472,978</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 189,000	\$ 95,000
Accrued payroll and related liabilities	906,000	923,000
Accrued interest	316,248	328,405
Current portion:		
Bonds payable	945,000	910,000
Interfund loan payable	62,198	59,095
Unearned revenue	735,000	735,000
Deposits	462,021	68,822
Payable to Providence Health and Services - Washington	7,312,000	6,612,000
Due to contractual agencies	17,000	277,000
<b>Total Current Liabilities</b>	<b>10,944,467</b>	<b>10,008,322</b>
<b>Noncurrent Liabilities, net of current portion</b>		
Bonds payable	16,910,000	17,855,000
Interfund loan payable	630,731	692,929
Unamortized bond premium	1,506,243	1,600,383
Other	56,642	-
<b>Total Noncurrent Liabilities</b>	<b>19,103,616</b>	<b>20,148,312</b>
<b>Total Liabilities</b>	<b>30,048,083</b>	<b>30,156,634</b>
<b>Net Position</b>		
Net investment in capital assets	(1,020,542)	(218,670)
Unrestricted	(1,663,178)	(2,464,986)
<b>Total Net Position</b>	<b>(2,683,720)</b>	<b>(2,683,656)</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 27,364,363</b>	<b>\$ 27,472,978</b>

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

<i>Year Ended December 31,</i>	2017	2016
<b>Operating Revenues</b>		
Net patient service revenues	\$ 19,224,000	\$ 17,556,000
Miscellaneous	160,000	173,000
<b>Total Operating Revenues</b>	<b>19,384,000</b>	<b>17,729,000</b>
<b>Operating Expenses</b>		
Salaries and employee benefits	13,660,000	12,304,000
Purchased services	2,440,000	2,368,573
Supplies and maintenance	1,004,000	962,000
Administration and general	1,369,003	1,127,985
Depreciation	1,944,305	1,987,371
<b>Total Operating Expenses</b>	<b>20,417,308</b>	<b>18,749,929</b>
<b>Loss from Operations</b>	<b>(1,033,308)</b>	<b>(1,020,929)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	22,530	1,658
Interest expense	(736,386)	(478,018)
Bond issue costs	-	(101,775)
Nonoperating grant revenue	14,000	14,000
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(699,856)</b>	<b>(564,135)</b>
<b>Loss Before Contributions and Transfers</b>	<b>(1,733,164)</b>	<b>(1,585,064)</b>
Capital contributions	233,493	193,468
Transfers in	1,899,607	1,239,672
Transfers out	(400,000)	(500,000)
<b>Change in Net Position</b>	<b>(64)</b>	<b>(651,924)</b>
<b>Net Position (Deficit), beginning</b>	<b>(2,683,656)</b>	<b>(2,031,732)</b>
<b>Net Position (Deficit), ending</b>	<b>\$ (2,683,720)</b>	<b>\$ (2,683,656)</b>

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

<i>Year Ended December 31,</i>	2017	2016
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from customers and users	\$ 19,292,000	\$ 16,136,000
Payments to suppliers	(2,758,570)	(1,813,751)
Payments to employees	(13,677,000)	(12,144,000)
Payments for interfund services used	(1,369,003)	(1,127,985)
<b>Net cash flows from (for) operating activities</b>	<b>1,487,427</b>	<b>1,050,264</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Transfers in	1,899,607	1,239,672
Transfers out	(400,000)	(500,000)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>1,499,607</b>	<b>739,672</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Principal payments on long-term debt	(910,000)	(1,090,000)
Payment to refunding bond escrow agent	-	(20,631,775)
Proceeds from issuance of refunding bonds	-	17,135,000
Acquisition of property, plant, and equipment	(236,490)	(57,799)
Principal payments on interfund loans	(59,095)	(352,343)
Capital contributions received	247,493	207,468
Interest payments on long-term debt	(744,486)	(859,654)
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(1,702,578)</b>	<b>(5,649,103)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	22,530	1,658
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>1,306,986</b>	<b>(3,857,509)</b>
<b>Cash and Investments, beginning</b>	<b>4,542,682</b>	<b>8,400,191</b>
<b>Cash and Investments, ending</b>	<b>\$ 5,849,668</b>	<b>\$ 4,542,682</b>
<b>Reconciliation of Cash and Investments to Statement of Net Position</b>		
Current assets	\$ 4,234,662	\$ 2,927,676
Restricted assets	1,615,006	1,615,006
<b>Total Cash and Investments</b>	<b>\$ 5,849,668</b>	<b>\$ 4,542,682</b>
<b>Reconciliation of Loss from (for) Operations to Net Cash Flows from Operating Activities</b>		
Loss from operations	\$ (1,033,308)	\$ (1,020,929)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	1,944,305	1,987,371
Increase (decrease) in allowance for doubtful accounts	104,000	(710,000)
(Increase) decrease in assets:		
Accounts receivable	(196,000)	(33,000)
Other assets	(298,411)	(241,000)
Increase (decrease) in liabilities:		
Accounts payable	94,000	(155,000)
Other payables and deposits	1,149,841	1,662,822
Accrued payroll and related liabilities	(17,000)	160,000
Due to contractual agencies	(260,000)	250,000
Unearned revenue	-	(850,000)
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 1,487,427</b>	<b>\$ 1,050,264</b>

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## Internal Service Funds

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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 Annual Leave - The Compensated Annual Leave Internal Service Fund was created in 2005 for the purpose of accumulating cash reserves to pay annual leave cash-outs for governmental funds.



**City of Seward, Alaska**  
**Motor Pool Internal Service Fund**  
**Statement of Net Position**

<i>December 31,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,751,400	\$ 1,398,647
Receivables:		
Accrued interest	36,379	39,481
Interfund loans	160,206	157,104
<b>Total Current Assets</b>	<b>1,947,985</b>	<b>1,595,232</b>
<b>Interfund Loans, net of current portion</b>	<b>1,218,781</b>	<b>1,378,987</b>
<b>Property, Plant and Equipment</b>		
Equipment and vehicles	6,874,272	6,937,053
Less accumulated depreciation	(5,207,774)	(4,838,339)
<b>Net Property, Plant and Equipment</b>	<b>1,666,498</b>	<b>2,098,714</b>
<b>Total Assets</b>	<b>\$ 4,833,264</b>	<b>\$ 5,072,933</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 7,690
<b>Net Position</b>		
Net investment in capital assets	1,666,498	2,098,714
Unrestricted	3,166,766	2,966,529
<b>Total Net Position</b>	<b>4,833,264</b>	<b>5,065,243</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 4,833,264</b>	<b>\$ 5,072,933</b>

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

<i>Year Ended December 31,</i>	2017	2016
<b>Operating Revenues - vehicle rental</b>	\$ 175,000	\$ 291,600
<b>Operating Expenses</b>		
Contracted services	-	1,430
Supplies and maintenance	935	7,087
Administration and general	9,574	-
Depreciation	425,878	450,049
<b>Total Operating Expenses</b>	436,387	458,566
<b>Earnings (Loss) from Operations</b>	(261,387)	(166,966)
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	53,578	40,952
Insurance recovery	-	2,598
Gain (loss) on sale of equipment and vehicles	(5,896)	9,000
<b>Total Nonoperating Revenues</b>	47,682	52,550
<b>Income (Loss) Before Transfers</b>	(213,705)	(114,416)
Transfers in	-	72,308
Transfers out	(18,274)	-
<b>Change in Net Position</b>	(231,979)	(42,108)
<b>Net Position, beginning</b>	5,065,243	5,107,351
<b>Net Position, ending</b>	\$ 4,833,264	\$ 5,065,243

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

<i>Year Ended December 31,</i>	2017	2016
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from vehicle rentals and other charges	\$ 175,000	\$ 291,600
Payments for interfund services used	(9,574)	-
Payments to suppliers	(8,625)	(827)
<b>Net cash flows from (for) operating activities</b>	<b>156,801</b>	<b>290,773</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Transfers in	-	72,308
Transfers out	(18,274)	-
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(18,274)</b>	<b>72,308</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Acquisition of equipment and vehicles	(2,800)	(430,498)
Proceeds from sale of equipment and vehicles	3,242	9,000
Insurance recovery	-	2,598
<b>Net cash flows from (for) capital and related financing activities</b>	<b>442</b>	<b>(418,900)</b>
<b>Cash Flows from Investing Activities</b>		
Interfund loan receipts	157,104	181,853
Investment income received	56,680	45,423
<b>Net cash flows from investing activities</b>	<b>213,784</b>	<b>227,276</b>
<b>Net Increase in Cash and Investments</b>	<b>352,753</b>	<b>171,457</b>
<b>Cash and Investments, beginning</b>	<b>1,398,647</b>	<b>1,227,190</b>
<b>Cash and Investments, ending</b>	<b>\$ 1,751,400</b>	<b>\$ 1,398,647</b>
<b>Reconciliation of Earnings (Loss) from Operations to Net Cash Flows from Operating Activities</b>		
Earnings (loss) from operations	\$ (261,387)	\$ (166,966)
Adjustments to reconcile earnings (loss) from operations to net cash flows from (for) operating activities:		
Depreciation	425,878	450,049
Increase (decrease) in liabilities - accounts payable	(7,690)	7,690
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 156,801</b>	<b>\$ 290,773</b>

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

<i>Year Ended December 31,</i>	2017	2016
Grants and other external contributions	\$ 97,289	\$ 97,289
Related accumulated amortization	(97,289)	(97,289)
Contributions from other funds	1,051,644	1,051,644
City-generated equity	3,781,620	4,013,599
<b>Total Net Position</b>	<b>\$ 4,833,264</b>	<b>\$ 5,065,243</b>

**City of Seward, Alaska**  
**Compensated Annual Leave Internal Service Fund**  
**Statement of Net Position**

<i>December 31,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets - cash and investments</b>	\$ 407,017	\$ 486,770
<b>Liabilities</b>		
<b>Current Liabilities - accrued annual leave - current portion</b>	\$ 107,992	\$ 103,010
<b>Noncurrent Liabilities, net of current portion - accrued annual leave</b>	299,025	383,760
<b>Total Liabilities</b>	\$ 407,017	\$ 486,770

**City of Seward, Alaska**  
**Compensated Annual Leave Internal Service Fund**  
**Statement of Revenues, Expenses**  
**and Change in Net Position**

<i>Year Ended December 31,</i>	2017	2016
Operating Revenues - interfund charges	\$ 403,588	\$ 489,034
Operating Expenses - salaries and employee benefits	403,588	489,034
Change in Net Position	-	-
Net Position, beginning	-	-
Net Position, ending	\$ -	\$ -

**City of Seward, Alaska**  
**Compensated Annual Leave Internal Service Fund**  
**Statement of Cash Flows**

<i>Year Ended December 31,</i>	2017	2016
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from interfund charges	\$ 403,588	\$ 489,034
Payments to employees	(483,341)	(507,618)
<b>Net cash flows from (for) operating activities</b>	<b>(79,753)</b>	<b>(18,584)</b>
<b>Cash and Investments, beginning</b>	<b>486,770</b>	<b>505,354</b>
<b>Cash and Investments, ending</b>	<b>\$ 407,017</b>	<b>\$ 486,770</b>
<b>Reconciliation of Earnings from Operations to Net Cash Flows for Operating Activities</b>		
Earnings from operations	\$ -	\$ -
Adjustments to reconcile earnings from operations to net cash flows for operating activities - decrease in accrued annual leave	(79,753)	(18,584)
<b>Net Cash Flows for Operating Activities</b>	<b>\$ (79,753)</b>	<b>\$ (18,584)</b>

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

<i>Year Ended December 31, 2017</i>	Balance at January 1, 2017	Additions	Deletions	Balance at December 31, 2017
<b>Assets</b>				
Cash and investments	\$ 49,696	\$ 18,725	\$ 28,914	\$ 39,507
Other assets	150	-	-	150
<b>Total Assets</b>	<b>\$ 49,846</b>	<b>\$ 18,725</b>	<b>\$ 28,914</b>	<b>\$ 39,657</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,599	\$ 1,415	\$ -	\$ 3,014
Other accrued liabilities	16,116	649	-	16,765
Due to Teen Council	32,131	16,661	28,914	19,878
<b>Total Liabilities</b>	<b>\$ 49,846</b>	<b>\$ 18,725</b>	<b>\$ 28,914</b>	<b>\$ 39,657</b>



**City of Seward, Alaska**  
**Schedule of Governmental Capital Assets**

<i>December 31,</i>	2017	2016
<b>Capital Assets</b>		
Land and land improvements	\$ 5,509,589	\$ 5,509,589
Buildings	71,580,262	71,339,751
Improvements other than buildings	28,262,644	22,616,125
Equipment *	9,410,905	9,299,532
Construction in progress	55,805	123,104
<b>Total Capital Assets</b>	<b>\$ 114,819,205</b>	<b>\$ 108,888,101</b>

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

## City of Seward, Alaska

## Schedule of Changes in Governmental Capital Assets

<i>Year Ended December 31, 2017</i>	Balance at January 1, 2017	Additions/ Reclass	Deletions/ Reclass	Balance at December 31, 2017
Land and land improvements	\$ 5,509,589	\$ -	\$ -	\$ 5,509,589
Buildings	71,339,751	240,511	-	71,580,262
Improvements other than buildings	22,616,125	5,646,519	-	28,262,644
Equipment *	9,299,532	144,207	32,834	9,410,905
Construction in progress	123,104	55,805	123,104	55,805
<b>Total Capital Assets</b>	<b>\$ 108,888,101</b>	<b>\$ 6,087,042</b>	<b>\$ 155,938</b>	<b>\$ 114,819,205</b>

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

**City of Seward, Alaska**  
**Schedule of Governmental Capital Assets by Function and Activity**  
**December 31, 2017**

Function and Activity	Land and Land Improve- ments	Buildings	Improve- ments Other than Buildings	Equipment *	Total
<b>General Government</b>					
City Council/Mayor	\$ -	\$ -	\$ -	\$ 44,554	\$ 44,554
City manager	-	-	-	499,102	499,102
City clerk	-	-	-	33,910	33,910
Finance	-	-	-	311,904	311,904
Community development	-	5,232	-	7,142	12,374
Municipal building	-	3,523,348	43,666	55,597	3,622,611
Alaska SeaLife Center	-	50,704,601	2,981,948	4,930,065	58,616,614
General services	-	1,479,080	8,005,937	64,812	9,549,829
Community and Senior Center	-	2,527,478	-	-	2,527,478
Non-departmental	5,509,589	127,105	9,000	19,805	5,665,499
<b>Total General Government</b>	<b>5,509,589</b>	<b>58,366,844</b>	<b>11,040,551</b>	<b>5,966,891</b>	<b>80,883,875</b>
<b>Public Safety</b>					
Police	-	17,922	-	1,786,379	1,804,301
Jail	-	-	-	9,408	9,408
Animal control	-	156,720	-	-	156,720
Fire	-	1,470,180	62,296	766,397	2,298,873
Building inspection	-	-	-	2,600	2,600
Seward Volunteer Ambulance Corp	-	58,382	11,930	56,977	127,289
<b>Total Public Safety</b>	<b>-</b>	<b>1,703,204</b>	<b>74,226</b>	<b>2,621,761</b>	<b>4,399,191</b>
<b>Public Works</b>					
Streets	-	254,567	15,574,632	384,805	16,214,004
Engineering	-	-	-	3,621	3,621
City shop	-	785,766	-	85,648	871,414
<b>Total Public Works</b>	<b>-</b>	<b>1,040,333</b>	<b>15,574,632</b>	<b>474,074</b>	<b>17,089,039</b>
<b>Parks and Recreation</b>					
Library	-	772,766	1,573,235	285,510	2,631,511
	-	9,697,115	-	62,669	9,759,784
<b>Total Capital Assets</b>					
Allocated to Functions	\$ 5,509,589	\$ 71,580,262	\$ 28,262,644	\$ 9,410,905	114,763,400
Construction in progress					55,805
<b>Total Capital Assets</b>					<b>\$ 114,819,205</b>

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

## City of Seward, Alaska

Schedule of Changes in Governmental Capital Assets by Function and Activity  
Year Ended December 31, 2017

Function and Activity	Capital Assets at January 1, 2017	Additions/ Reclass	Deletions/ Reclass	Capital Assets at December 31, 2017
<b>General Government</b>				
City Council/Mayor	\$ 44,554	\$ -	\$ -	\$ 44,554
City manager	499,102	-	-	499,102
City clerk	33,910	-	-	33,910
Finance	311,904	-	-	311,904
Community development	12,374	-	-	12,374
Municipal building	3,536,311	86,300	-	3,622,611
Alaska SeaLife Center	58,451,408	172,540	7,334	58,616,614
General services	9,549,829	-	-	9,549,829
Community and Senior Center	2,524,330	3,148	-	2,527,478
Non-departmental	5,665,499	-	-	5,665,499
<b>Total General Government</b>	<b>80,629,221</b>	<b>261,988</b>	<b>7,334</b>	<b>80,883,875</b>
<b>Public Safety</b>				
Police	1,804,301	-	-	1,804,301
Jail	9,408	-	-	9,408
Animal control	156,720	-	-	156,720
Fire	2,298,873	-	-	2,298,873
Building inspection	2,600	-	-	2,600
Seward Volunteer Ambulance Corp	127,289	-	-	127,289
<b>Total Public Safety</b>	<b>4,399,191</b>	<b>-</b>	<b>-</b>	<b>4,399,191</b>
<b>Public Works</b>				
Streets	10,496,672	5,742,832	25,500	16,214,004
Engineering	3,621	-	-	3,621
City shop	864,736	6,678	-	871,414
<b>Total Public Works</b>	<b>11,365,029</b>	<b>5,749,510</b>	<b>25,500</b>	<b>17,089,039</b>
<b>Parks and Recreation</b>	<b>2,611,772</b>	<b>19,739</b>	<b>-</b>	<b>2,631,511</b>
<b>Library</b>	<b>9,759,784</b>	<b>-</b>	<b>-</b>	<b>9,759,784</b>
<b>Construction in Progress</b>	<b>123,104</b>	<b>55,805</b>	<b>123,104</b>	<b>55,805</b>
<b>Total Capital Assets</b>	<b>\$ 108,888,101</b>	<b>\$ 6,087,042</b>	<b>\$ 155,938</b>	<b>\$ 114,819,205</b>

**City of Seward, Alaska**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Pass-Through Identifying Number	Total Grant Award	Total Federal Expenditures	Passed Through to Subrecipients
<b>Department of Agriculture</b>						
Passed through State of Alaska Department of Natural Resources - Cooperative Forestry Assistance	10.664	N/A	39740	\$ 6,367	\$ 6,367	\$ -
<b>Department of Defense</b>						
Lowell Creek Flood Diversion Feasibility Study	12.Unknown	N/A	N/A	1,500,000	(200,000)	-
<b>Department of Interior</b>						
Passed through State of Alaska Department of Natural Resources - Historic Preservation Fund Grants-In-Aid	15.904	16-014-1F	Unknown	2,000	1,133	-
<b>Institute of Museum and Library Services</b>						
Passed through State of Alaska Department of Education and Early Development - Grants to States	45.310	N/A	CED-17-770-02	1,250	1,250	-
<b>Department of Transportation</b>						
Passed through State of Alaska Department of Transportation - Highway Planning and Construction Cluster	20.205	0001551	CFHWY00004	3,165,545	3,165,545	-
<b>Department of Health &amp; Human Services</b>						
Health Center Program Cluster - Grants for New and Expanded Services under the Health Center Program	93.527	6 H80CS26600-04-06	N/A	1,340,172	1,079,453	-
<b>Department of Homeland Security</b>						
Passed through State of Alaska Department of Military and Veterans Affairs - Disaster Grants - Public Assistance	97.036	N/A	FEMA-4161-DR-AK	169,492	(13,886)	-
Disaster Grants - Public Assistance	97.036	N/A	FEMA-4094-DR-AK	520,249	(6,549)	-
<b>Total Department of Homeland Security</b>					(20,435)	-
<b>Total Expenditures of Federal Awards</b>					\$ 4,033,313	\$ -

*The accompanying notes are an integral part of this schedule.*

**City of Seward, Alaska**  
**Schedule of State Financial Assistance**  
**Year Ended December 31, 2017**

Grant Title	Grant Number	Total Grant Award	State Share of Expenditures
<b>Department of Commerce, Community and Economic Development</b>			
Lowell Canyon Water Storage Tank	14-DC-132	\$ 575,000	\$ 20,683
* SMIC Homeport CVRF Expansion	14-DC-133	10,000,000	6,735,785
Fisheries Resource Landing	N/A	5,381	5,380
* State Revenue Sharing	N/A	140,976	<u>140,976</u>
<b>Total Department of Commerce, Community and Economic Development</b>			<u>6,902,824</u>
<b>Department of Military and Veteran Affairs</b>			
Sept 2012 Flood/Storm	FEMA-4094-DR-AK	140,210	(2,183)
Oct 2013 Flood/Storm	FEMA-4161-DR-AK	51,944	<u>(4,628)</u>
<b>Total Department of Military and Veteran Affairs</b>			<u>(6,811)</u>
<b>Department of Revenue</b>			
* Fish Taxes	N/A	440,958	440,958
Liquor Licenses	N/A	18,450	18,450
* Commercial Passenger Vessel Tax 2016	N/A	458,750	117,684
Passed through Kenai Peninsula Borough: Commercial Passenger Vessel Tax 2016	N/A	458,750	<u>70,980</u>
<b>Total Department of Revenue</b>			<u>648,072</u>
<b>Department of Transportation</b>			
Highway Planning and Construction	CFHWY00004	30,712	<u>30,712</u>
<b>Department of Environmental Conservation</b>			
Sludge Removal Lowell Point Lagoon - Forgiveness Portion	769091	65,185	<u>65,185</u>
<b>Department of Administration</b>			
* PERS Relief	N/A	239,166	<u>204,214</u>
<b>Department of Education and Early Development</b>			
Public Library Assistance	PLA-18-770-01	7,000	7,000
FY 2016 Grant-In-Aid	N/A	6,000	<u>6,000</u>
<b>Total Department of Education and Early Development</b>			<u>13,000</u>
<b>Total State Financial Assistance</b>			<u>\$7,857,196</u>

\* Major program

*The accompanying notes are an integral part of this schedule.*

# City of Seward, Alaska

## Notes to Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance Year Ended December 31, 2017

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and schedule of state financial assistance (the "Schedules") include the federal and state award activity of City of Seward, Alaska under programs of the federal and state governments for the year ended December 31, 2017. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits (State Single Audit)*. Because the Schedules present only a selected portion of the operations of City of Seward, Alaska, they are not intended to and do not present the financial position, changes in net position or cash flows of City of Seward, Alaska.

For the year ended December 31, 2017, all of the City's federal awards were in the form of cash assistance.

### 2. Summary of Significant Accounting Policies

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

### 3. Indirect Cost Rate

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

### 4. Commercial Passenger Vessel Tax - State Assistance

Cash receipts for commercial passenger vessel taxes have been recorded as revenue in the Harbor 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, 2017, the cumulative unspent vessel tax receipts were \$1,402,847. Total vessel tax funds expended in 2017 and reported on the schedule of state financial assistance were \$188,664.

## City of Seward, Alaska

### Notes to Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance, continued

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#### 5. PERS On-behalf

The City has recorded \$204,214 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 2017 and relates to both pension and OPEB contributions.

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

However, in the full accrual financial statements (the government-wide and enterprise fund financial statements), GASB 68 provisions prescribe that on-behalf *pension* contributions in a special funding situation may only be recognized during the *measurement period* in which the plan recognizes the contributions. For the City of Seward, the PERS plan measurement period is July 1, 2016 through June 30, 2017, 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.



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# 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)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 58,016	56,208	56,122	56,122	61,393	60,740	59,408	58,190	57,113	57,141
Restricted	-	-	-	3,730	26	26	2,442	-	-	-
Unrestricted	5,993	8,619	9,983	5,785	8,669	10,143	8,715	6,278	5,327	5,915
<b>Total Governmental Activities</b>										
<b>Net Position</b>	\$ 64,009	64,827	66,105	65,637	70,088	70,909	70,565	64,468	62,440	63,056
<b>Business-type Activities</b>										
Net investment in capital assets	\$ 66,754	64,112	67,773	68,657	65,910	70,569	82,209	91,783	108,513	111,762
Restricted	700	2,111	3,465	1,388	5,150	5,441	2,066	1,354	675	1,403
Unrestricted	14,796	14,777	10,290	15,649	10,944	10,892	15,516	17,582	10,576	12,969
<b>Total Business-type Activities</b>										
<b>Net Position</b>	\$ 82,250	81,000	81,528	85,694	82,004	86,902	99,791	110,719	119,764	126,134
<b>Primary Government</b>										
Net investment in capital assets	\$ 124,770	120,320	123,895	124,779	127,302	131,309	141,617	149,973	165,626	168,903
Restricted	700	2,111	3,465	5,118	5,176	5,467	4,508	1,354	675	1,403
Unrestricted	20,789	23,396	20,273	21,434	19,613	21,035	24,231	23,860	15,903	18,884
<b>Total Primary Government</b>										
<b>Net Position</b>	\$ 146,259	145,827	147,633	151,331	152,091	157,811	170,356	175,187	182,204	189,190

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 2,501,443	1,451,682	800,716	2,031,590	1,981,876	2,199,711	3,291,580	3,517,517	3,473,276	1,909,713
Public safety	2,934,607	3,029,935	3,168,421	3,140,921	3,360,091	3,510,922	3,476,471	3,563,666	3,902,294	3,642,114
Public works	1,310,474	1,456,468	1,991,925	1,988,748	2,410,794	1,851,321	1,635,967	1,791,967	2,421,447	2,174,105
Parks and recreation	1,236,411	1,247,366	1,462,365	1,395,705	1,320,447	1,338,404	1,315,282	1,463,364	1,446,971	1,511,469
Library	398,108	478,385	437,082	466,300	446,200	489,548	804,539	785,299	806,047	794,077
Clinic	-	-	-	-	-	-	1,454,476	1,682,532	1,846,150	1,660,050
Healthcare facilities	412,797	3,910,190	2,804,000	-	-	-	-	-	-	-
Sealife Center	1,736,147	1,294,636	731,528	51,939	965,206	848,940	1,279,570	1,457,308	1,355,558	1,465,285
Unallocated interest	116,906	236,982	1,505,248	173,993	206,778	208,840	157,984	153,950	149,966	232,290
<b>Total governmental activities expenses</b>	<b>10,646,893</b>	<b>13,105,644</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>Business-type activities:</b>										
Electric	8,626,745	10,363,820	8,569,240	10,493,512	9,935,695	10,590,994	10,255,601	10,599,641	11,023,942	12,120,052
Water	1,194,311	1,066,860	1,093,419	1,230,833	1,246,997	1,087,747	1,175,129	1,241,671	1,189,786	1,373,707
Wastewater	901,759	916,909	1,078,318	1,044,654	1,013,492	1,015,474	1,117,152	1,097,494	1,211,625	1,086,821
Harbor	3,006,069	3,934,866	5,947,066	3,676,190	4,243,734	3,837,952	3,792,623	3,858,440	4,353,766	4,093,848
Seward Marine Industrial Center	1,149,453	990,466	926,290	1,081,862	928,458	899,343	1,013,658	1,260,159	1,342,506	1,161,489
* Healthcare facilities	-	-	-	20,416,615	21,856,797	20,858,042	20,344,929	19,589,784	19,329,722	21,153,694
Parking	119,723	118,309	157,229	205,407	237,522	146,239	214,775	178,886	231,666	227,174
<b>Total business-type activities expenses</b>	<b>14,998,060</b>	<b>17,391,230</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>Total Primary Government Expenses</b>	<b>\$ 25,644,953</b>	<b>30,496,874</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>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 196,240	223,545	201,335	190,795	184,410	202,893	282,318	294,499	233,945	217,317
Public safety	669,988	744,939	682,906	740,204	809,645	897,319	937,659	817,995	614,253	576,829
Public works	116,833	84,849	168,196	40,910	36,721	30,565	20,383	22,278	27,985	32,359
Parks and recreation	627,038	622,067	608,361	620,943	609,342	653,054	663,298	778,350	913,970	914,318
Library	12,800	14,799	13,794	9,953	9,208	29,911	39,707	33,762	25,200	25,094
Clinic	-	-	-	-	-	-	62,306	75,085	69,134	60,000
* Healthcare facilities	-	-	2,569,886	-	-	-	-	-	-	-
Operating grants and contributions	84,144	542,354	620,310	1,128,278	1,037,711	1,002,434	1,148,124	1,156,755	1,402,137	1,100,497
Capital grants and contributions	999,171	2,860,172	1,709,977	3,573,497	3,442,599	23,034	819,241	621,712	1,278,997	3,101,498
<b>Total governmental activities program revenues:</b>	<b>2,706,214</b>	<b>5,092,725</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>Business-type activities:</b>										
Electric	8,565,180	9,060,636	8,842,150	10,309,524	11,224,511	11,040,608	11,433,004	11,482,077	11,550,772	12,892,924
Water	998,541	972,713	1,034,888	1,069,732	1,150,109	1,280,710	1,227,631	1,283,986	1,292,890	1,411,320
Wastewater	801,095	796,454	851,416	864,740	929,514	960,591	1,016,890	1,096,290	1,151,763	1,193,276
Harbor	2,776,676	2,596,924	2,803,828	2,968,021	3,169,744	3,235,923	3,212,432	3,359,455	3,302,689	3,437,043
Seward Marine Industrial Center	304,517	263,775	296,139	413,454	414,737	391,954	469,793	593,307	608,810	531,842
* Healthcare facilities	-	-	-	16,838,000	18,728,364	21,880,406	18,004,351	18,330,000	17,729,000	19,384,000
Parking	240,339	162,120	192,046	268,105	293,443	312,248	293,379	318,223	328,347	330,625
Operating grants and contributions	159,595	445,228	2,674,610	401,734	154,295	170,531	472,944	113,439	91,380	85,831
Capital grants and contributions	2,769,005	2,354,601	1,988,430	2,291,919	1,732,343	4,125,258	14,713,420	13,559,150	12,059,662	7,254,741
<b>Total business-type activities program revenues</b>	<b>16,614,948</b>	<b>16,652,451</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>Total Primary Government Revenues</b>	<b>\$ 19,321,162</b>	<b>21,745,176</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>Net (Expenses)/Revenue</b>										
Governmental activities	\$ (7,940,679)	(8,012,919)	(6,326,520)	(2,944,616)	(4,561,756)	(7,608,476)	(9,442,833)	(10,615,167)	(10,836,088)	(7,361,191)
Business-type activities	1,616,888	(738,779)	911,945	(2,723,844)	(1,665,635)	4,962,438	12,929,977	12,309,852	9,432,300	5,304,817
<b>Total Primary Government Net Expense</b>	<b>\$ (6,323,791)</b>	<b>(8,751,698)</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>

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

See Statement of Activities (Exhibit A-2) of CAFR, p. 21.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Sales tax	\$ 4,137,758	3,585,304	3,742,751	4,147,010	4,189,330	4,583,057	4,535,707	4,883,996	5,004,992	5,160,344
Property tax	943,832	986,473	960,397	999,737	1,025,266	1,261,276	989,910	1,013,370	1,152,116	1,208,090
Other tax	442,130	370,235	403,713	413,398	456,370	489,926	421,981	546,936	596,227	520,907
Grants and entitlements	1,354,871	670,761	753,653	1,346,755	1,250,895	1,491,511	1,766,622	850,297	608,651	880,255
Investment earnings	612,611	128,971	138,940	91,248	119,662	57,958	141,034	125,636	51,306	118,637
Other	-	1,622,052	347,281	-	-	-	-	-	-	-
Transfers	912,319	1,466,933	1,258,053	(1,290,998)	1,970,983	546,005	1,243,171	1,181,852	1,393,673	89,589
Special item -write-off NPO/OPEB	504,917	-	-	-	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>8,908,438</b>	<b>8,830,729</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>
Business-type activities:										
Investment earnings	640,277	184,566	149,288	203,129	209,176	138,115	236,175	278,688	89,578	238,518
Grants and entitlements	713,178	771,065	720,040	1,411,435	343,265	343,265	961,178	1,242,072	917,500	916,330
Other	139,952	-	5,000	-	-	-	5,520	522	-	-
Transfers	(912,319)	(1,466,933)	(1,258,053)	1,290,998	(1,970,983)	(546,005)	(1,243,171)	(1,181,852)	(1,393,673)	(89,589)
<b>Total business-type activities</b>	<b>581,088</b>	<b>(511,302)</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>Total primary government</b>	<b>9,489,526</b>	<b>8,319,427</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>Changes in Net Position</b>										
Governmental activities	\$ 895,519	2,504,209	1,278,268	2,762,534	4,450,750	(1,013,100)	(344,408)	(2,013,080)	(2,029,123)	616,631
Business-type activities	(157,691)	400,643	528,220	181,718	(3,084,177)	4,897,813	12,889,679	12,649,282	9,045,705	6,370,076
<b>Total Primary Government</b>	<b>\$ 737,828</b>	<b>2,904,852</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>
Beginning Net Position	\$ 143,254,885	143,992,713	146,897,565 *	149,457,107 **	151,796,018	152,091,921	157,810,991	170,356,262	175,187,361	182,203,943
Ending Net Position	143,992,713	146,897,565	148,704,053	152,401,359	153,162,591	155,976,634	170,356,262	182,578,327	182,203,943	189,190,650
<b>Change in Net Position</b>	<b>\$ 737,828</b>	<b>2,904,852</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>

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

See p. 21 (Exhibit A-2) of CAFR for details

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

<i>PRIOR TO GASB 54</i>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Reserved	\$ 693,590	657,029	584,948							
Unreserved:										
Designated	2,126,418	2,126,418	2,126,418							
Undesignated	1,289,619	2,983,424	4,039,264							
<b>Total General Fund</b>	<b>\$ 4,109,627</b>	<b>5,766,871</b>	<b>6,750,630</b>							
<b>All Other Governmental Funds</b>										
Reserved - debt service	\$ 1,063,260	1,177,697	2,472,376							
Unreserved, reported in:										
Special revenue funds	409,326	100,330	75,369							
Capital projects funds	12,321,378	308,485	235,860							
<b>Total All Other Governmental Funds</b>	<b>\$ 13,793,964</b>	<b>1,586,512</b>	<b>2,783,605</b>							
<b>Total All Governmental Funds</b>	<b>\$ 17,903,591</b>	<b>7,353,383</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
Committed				2,126,418	2,126,418	2,126,418	2,126,418	2,126,418	2,126,418	2,126,418
Assigned				-	-	120,768	271,966	324,465	335,280	335,280
Unassigned				3,510,601	4,827,055	5,948,459	4,698,970	4,718,517	4,873,463	4,621,429
<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>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
Unassigned (deficit)				(12,880)	(12,880)	-	-	-	-	(8,383)
<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>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>

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

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 5,535,081	4,932,555	5,102,154	5,563,249	5,661,136	6,351,525	6,027,632	6,438,604	6,755,941	7,003,205
Licenses and permits	129,956	214,966	148,948	160,096	159,114	204,926	185,925	206,365	158,174	125,690
Intergovernmental	2,355,038	3,907,151	3,409,407	6,542,863	5,749,394	3,091,794	3,921,858	3,401,334	3,188,211	5,278,081
Charges for Services	2,610,515	2,553,480	2,853,310	2,645,948	2,540,717	2,614,684	2,650,995	2,775,824	2,931,087	2,950,159
Investment earnings	612,611	128,971	138,940	25,744	56,752	5,359	80,658	78,716	10,354	65,059
Other revenues	789,411	2,448,998	3,334,671	167,034	708,556	186,662	693,177	208,397	247,101	183,793
<b>Total Revenues</b>	<b>12,032,612</b>	<b>14,186,121</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>Expenditures</b>										
General government	3,369,478	3,485,932	2,771,383	3,186,257	3,084,356	3,434,883	3,229,754	3,279,972	3,433,174	3,318,178
Public safety	3,333,433	4,774,604	4,127,704	4,767,575	3,535,153	3,280,724	3,480,308	3,366,320	3,373,133	3,489,111
Public works	1,662,695	1,618,075	1,886,709	1,883,297	2,339,996	1,832,897	1,659,642	1,523,557	2,047,067	1,901,390
Parks and Recreation	1,198,798	1,608,957	1,392,483	1,563,361	1,501,366	1,291,197	1,363,572	1,374,393	1,301,314	1,440,658
Library	368,696	463,427	1,026,797	2,364,176	7,291,434	535,747	572,512	553,272	543,123	573,535
Clinic	-	-	-	-	-	-	1,454,476	1,682,532	1,846,150	1,660,050
* Healthcare facilities	14,590,201	12,172,365	30,076	-	-	-	-	-	-	-
Retirement benefits	470,573	596,907	529,778	631,278	656,294	836,750	1,373,271	1,401,165	591,859	616,846
Capital outlay	-	-	-	-	-	378,147	775,862	647,858	756,498	5,844,519
Debt service:										
Principal	738,999	787,695	838,386	100,477	-	-	85,000	90,000	95,000	100,000
Interest and other costs	1,328,506	695,299	1,461,315	75,547	153,201	159,400	159,400	155,150	151,550	204,993
<b>Total Expenditures</b>	<b>27,061,379</b>	<b>26,203,261</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>Excess of Revenues Over (Under) Expenditures</b>	<b>(15,028,767)</b>	<b>(12,017,140)</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>Other Financing Sources (Uses)</b>										
Proceeds from debt issuance:										
Par value	-	-	-	3,480,000	-	-	-	-	-	2,790,000
Premium	-	-	-	259,854	-	-	-	-	-	199,733
Transfers in	3,176,788	2,947,053	2,792,441	1,979,290	4,263,668	2,389,220	5,003,400	3,421,759	3,593,615	3,293,372
Transfers out	(2,264,469)	(1,480,120)	(1,534,388)	(3,270,288)	(2,292,685)	(1,843,215)	(3,760,229)	(2,386,919)	(2,272,250)	(3,185,509)
Net bond proceeds	27,406,078	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>28,318,397</b>	<b>1,466,933</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>Net Change in Fund Balance</b>	<b>\$ 13,289,630</b>	<b>(10,550,207)</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>Fund Balances, beginning</b>	<b>\$ 4,613,961</b>	<b>17,903,590</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>Fund Balances, ending</b>	<b>17,903,590</b>	<b>7,353,383</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>Net Change in Fund Balances</b>	<b>\$ 13,289,629</b>	<b>(10,550,207)</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>

Including Healthcare Facilities: #

Debt service as a percentage of noncapital expenditures (a ÷ b) ^	18.36%	11.35%	19.96%	1.94%	1.48%	1.54%	2.36%	1.90%	1.95%	2.37%
Total non-capital expenditures (b)	\$ 11,259,806	\$ 13,065,387	\$ 11,521,748	\$ 9,074,143	\$ 10,354,048	\$ 10,366,369	\$ 10,366,369	\$ 12,870,111	\$ 12,653,019	\$ 12,880,349

Excluding Healthcare Facilities: #

Debt service as a percentage of noncapital expenditures (a ÷ b) ^	-62.08%	166.06%	20.01%	1.94%	1.48%	1.54%	2.36%	1.90%	1.95%	2.37%
Total non-capital expenditures (b)	\$ (3,330,395)	\$ 893,022	\$ 11,491,672	\$ 9,074,143	\$ 10,354,048	\$ 10,366,369	\$ 10,366,369	\$ 12,870,111	\$ 12,653,019	\$ 12,880,349

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

^ Computed as follows: (Principal + Interest) / (Total expenditures - capitalized expenditures (principal))

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

See p. 24-25 (Exhibit B-3 & B-4) of CAFR

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

Fiscal Year	Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines and Bails	Interest	Other	Total
2008	\$ 5,535,081	129,956	1,935,174	2,610,515	18,209	226,854	141,602	10,597,391
2009	4,932,555	214,966	1,576,765	2,553,480	11,836	50,311	1,741,084 *	11,080,997
2010	5,102,154	148,948	1,411,651	2,853,310	10,210	122,710	532,390 *	10,181,373
2011	5,563,249	160,096	1,987,846	2,645,948	12,177	25,744	59,189	10,454,249
2012	5,661,136	159,114	1,953,472	2,540,717	8,386	56,690	51,824	10,431,339
2013	6,351,525	204,926	2,095,358	2,614,684	9,530	5,359	167,360	11,448,742
2014	6,027,632	185,925	2,611,218	2,650,995	14,073	80,658	124,873	11,695,374
2015	6,438,604	206,365	2,280,061	2,757,831	17,993	78,716	125,812	11,905,382
2016	6,755,941	158,174	1,092,998	2,912,722	18,365	10,354	90,735	11,039,289
2017	7,003,205	125,690	1,229,617	2,950,159	17,006	65,059	81,718	11,472,454

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



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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax (1)</u>	<u>Payments-in-Lieu-of-Tax</u>	<u>Hotel/Motel Tax (2)</u>	<u>Other (3)</u>	<u>Total</u>
2008	953,957	4,137,758	80,126	362,004	1,236	5,535,081
2009	975,687	3,585,304	84,922	285,313	1,329	4,932,555
2010	954,687	3,742,751	75,317	328,396	1,003	5,102,154
2011	1,001,020	4,147,010	78,574	334,824	1,821	5,563,249
2012	1,013,580	4,189,330	76,160	380,210	1,856	5,661,136
2013	1,276,898	4,583,057	81,670	408,256	1,644	6,351,525
2014	986,449	4,535,707	82,490	421,981	1,005	6,027,632
2015	1,003,665	4,883,996	88,331	458,605	4,007	6,438,604
2016	1,152,216	5,004,992	90,382	505,845	2,506	6,755,941
2017	1,213,627	5,160,344	107,157	520,907	1,170	7,003,205

- 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>
2008	3.12	4.50	0.00	0.50	8.12
2009	3.12	4.50	0.00	0.50	8.12
2010	3.12	4.50	0.00	0.50	8.12
2011	3.12	4.50	0.00	0.50	8.12
2012	3.12	4.50	0.00	0.50	8.12
2013	3.12	4.50	0.00	0.50	8.12
2014	3.12	4.50	0.00	0.50	8.12
2015	3.12	4.50	0.00	0.75	8.37
2016	3.12	4.50	0.00	0.75	8.37
2017	3.12	4.50	0.00	0.75	8.37

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

Source: "Alaska Taxable, 2017" and [www.kpb.us](http://www.kpb.us)

**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
2008	\$ 919,341	903,535	98.281%	15,779	919,314	99.997%
2009	948,693	937,198	98.788%	11,468	948,666	99.997%
2010	966,821	944,796	97.722%	559	945,355	97.780%
2011	973,756	945,194	97.067%	20,773	965,967	99.200%
2012	981,134	944,950	96.312%	29,603	974,553	99.329%
2013	1,235,742	1,212,490	98.118%	18,734	1,231,224	99.634%
2014	968,272	942,952	97.385%	21,572	964,523	99.613%
2015	1,006,912	978,629	97.191%	21,119	978,629	97.191%
2016	1,101,723	1,074,987	97.573%	22,950	1,097,937	99.656%
2017	1,189,014	1,172,169	98.583%	28,556	1,200,725	100.985%

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 & BCFSA)^	Combined Tax Rate	
2008	\$ 210,858,500	229,373,700	81,943,985	108,717,600	292,802,485	338,091,300	3.12	5.00	8.12	86.60%
2009	227,291,070	244,392,800	74,492,996	102,716,300	301,784,066	347,109,100	3.12	5.00	8.12	86.94%
2010	229,855,500	242,037,200	81,421,729	108,936,200	311,277,229	350,973,400	3.12	5.00	8.12	88.69%
2011	227,195,200	242,523,700	77,748,676	103,889,200	304,943,876	346,412,900	3.12	5.00	8.12	88.03%
2012	222,716,400	253,609,300	92,111,313	124,568,800	314,827,713	378,178,100	3.12	5.00	8.12	83.25%
2013	228,195,800	248,357,800	168,416,865 *	405,452,500 *	396,612,665	653,810,300	3.12	5.00	8.12	60.66%
2014	212,690,900	249,826,500	79,542,045	110,605,000	292,232,945	360,431,500	3.12	5.00	8.12	81.08%
2015	239,873,088	251,015,800	80,345,819	109,149,800	320,218,907	360,165,600	3.12	5.00	8.12	88.91%
2016	247,469,769	267,717,900	100,668,606	129,667,600	348,138,375	397,385,500	3.12	5.25	8.37	87.61%
2017	265,631,189	274,511,700	102,282,822	139,869,000 **	381,263,951	414,380,700	3.12	5.25	8.37	92.01%

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

Source: State of Alaska "Alaska Taxable 2017" (2) and Kenai Peninsula Borough Certified Tax Roll (1).

\* 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, 2017**

<u>Taxpayer (2)</u>	<u>Type of Business</u>	<u>2017 Value (1)</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value (2)</u>	<u>2008 Assessed Value (1)</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value (2)</u>
Leirer Enterprises, LLC	Property	\$ 13,870,500	1	3.6%			0.0%
Spartan Offshore Drilling, LLC	Petroleum Products	13,250,730	2	3.5%			
Carr Gottstein	Grocery	7,247,900	3	1.9%	7,573,721	3	2.6%
Mindenbergs, Juris	Hotel/Retail	6,690,900	4	1.8%			0.0%
Harbor 360, LLC	Hotel/Retail	6,469,100	5	1.7%			0.0%
GCI	Communications	6,276,490	6	1.6%	4,582,268	5	
Y C Seward Hotel Group, LLC	Hotel/Retail	4,015,000	7	1.1%			
Icicle/Seward Fisheries	Seafood Processing	3,581,000	8	0.9%	9,849,150	2	3.4%
Shoreside Petroleum, Inc.	Petroleum Products	3,362,155	9	0.9%	4,258,350	6	
Ciri Alaska Tourism Corporation	Tourism	3,274,900	10	0.9%			
Crowley Marine Services, Inc.	Marine Services				11,287,524	1	3.9%
Breeze Inn Motel	Hotel/Retail				5,692,900	4	1.9%
Kishan Group, LLC	Hotel/Retail				3,228,100	7	1.1%
TelAlaska	Communications				3,018,199	8	1.0%
Pacific Park	Real Estate/Housing				2,930,700	9	1.0%
Polar Equipment, Inc.	Seafood Processing				2,761,337	10	0.9%
<b>Total</b>		<b>\$ 68,038,675</b>		<b>17.8%</b>	<b>\$ 55,182,249</b>		<b>18.8%</b>

1) Includes real and personal property based on 2017 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 \$292,802,485 in 2008 and \$381,263,951 in 2017.

**City of Seward, Alaska**  
**Principal Taxable Sales by Line of Business**  
**December 31, 2017**

Type of Business	CY17 Taxable Sales (1)	Percent of Total Taxable Sales	CY08 Taxable Sales (2)	Percent of Total Taxable Sales
Accommodations, Food Service, Entertainment	\$ 59,162,630	45.1%	\$ 34,735,735	33.1%
Retail Trade	47,786,141	36.4%	47,295,682	45.0%
Public Administration	8,453,172	6.4%	6,727,021	6.4%
Wholesale Trade	5,466,617	4.2%	5,767,956	5.5%
Rental Property	3,839,597	2.9%	2,648,265	2.5%
Services	3,774,017	2.9%	5,363,162	5.1%
Manufacturing	1,057,720	0.8%	1,007,740	1.0%
Construction	747,241	0.6%	615,140	0.6%
Professional, Scientific	562,510	0.4%	644,427	0.6%
Transportation & Warehousing	258,105	0.2%	192,933	0.2%
Other	19,746	0.0%	5,708	0.0%
	\$ 131,127,496	100%	\$ 105,003,769	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
2008	\$ 4,015,782	-	45,777	169,218	42,645,000	-	3,544,957	50,420,734	3.7%	46.2%	1,526	18,948	14.53%
2009	3,245,875	-	811,244	114,124	42,000,000	-	3,487,373	49,658,616	3.9%	47.4%	1,555	19,034	14.15%
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	13.67%
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	12.73%
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	6.93%
2013	3,718,200	-	31,320	-	37,444,409	-	1,968,688	43,162,617	3.1%	35.8%	1,508	17,355	11.98%
2014	3,622,373	-	-	-	35,531,424	-	1,840,021	40,993,818	2.7%	30.4%	1,309	14,810	11.38%
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	2.3%	25.6%	1,205	13,017	8.98%
2017	6,299,126	-	-	-	29,075,650	- **	2,629,364	38,004,140	5.0%	30.2%	2,502	14,271	9.17%

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 2017" (<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		
2008	2661	292,802	4,016	169	4,185	1.39%	1,573
2009	2609	301,784	3,246	114	3,360	1.08%	1,288
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

# 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, 2017

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to Seward	Amount Applicable to City of Seward
Direct:			
City of Seward	\$ 6,299,126	100%	6,299,126
Overlapping:			
Kenai Peninsula Borough (KPB)	<u>40,935,000</u>	4.7%	<u>1,910,257</u>
	<u>\$ 47,234,126</u>		<u>8,209,383</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 \$44,340,000 less Central Emergency Services unrelated to Seward.

3) Based on ratio of City of Seward assessed value (real and personal property = \$381,263,951) to total assessed value of the Kenai Peninsula Borough (\$8,170,124,750)

Source: "2017 Alaska Taxable" p. 25, 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, 2017

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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	
2008	\$ 8,920,730	6,396,886	2,523,844	205,000	175,825	380,825	6.63
2009	9,173,257	8,589,154	584,103	305,000	367,023	672,023	0.87
2010	8,903,337	6,854,897	2,048,440	315,000	353,586	668,586	3.06
2011	10,410,908	8,620,529	1,790,379	330,000	339,298	669,298	2.68
2012	11,344,047	7,844,098	3,499,949	345,000	323,987	668,987	5.23
2013	11,139,471	8,531,996	2,607,475	360,000	308,210	668,210	3.90
2014	11,236,195	8,073,997	3,162,198	380,000	290,053	670,053	4.72
2015	11,674,228	8,887,162	2,787,066	400,000	273,261	673,261	4.14
2016	11,607,631	9,421,854	2,185,777	240,000	109,739	349,739	6.25
2017	13,010,358	10,267,321	2,743,037	150,000	193,118	343,118	7.99

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	
2008	\$ 2,896,828	1,506,685	1,390,143	325,000	374,203	699,203	1.99
2009	2,632,937	1,903,985	728,952	340,000	356,540	696,540	1.05
2010	2,850,942	1,784,887	1,066,055	360,000	337,990	697,990	1.53
2011	3,017,003	2,040,903	976,100	385,000	318,459	703,459	1.39
2012	3,228,955	2,171,180	1,057,775	400,000	299,765	699,765	1.51 *
2013	3,266,821	2,187,206	1,079,615	420,000	284,374	704,374	1.53
2014	3,257,122	2,358,618	898,504	294,885	179,484	474,369	1.89
2015	3,396,213	2,289,480	1,106,733	460,000	223,262	683,262	1.62
2016	3,323,340	2,500,625	822,715	470,000	200,380	670,380	1.23
2017	3,480,176	2,132,971	1,347,205	480,000	193,100	673,100	2.00

- 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)
2008	2,661	523	\$ 106,989,860	\$ 41,008	39.2	52,990	9,250	7.80%
2009	2,609	569	108,250,137	40,197	39.2	52,990	9,256	9.80%
2010	2,693	549	113,609,003	41,569	39.4	53,578	9,145	10.00%
2011	2,733	552	122,039,039	44,313	40.6	55,400	9,148	9.50%
2012	2,754	593	117,189,666	47,121	40.6	56,369	9,083	8.60%
2013	2,768	574	134,207,628	48,485	41.4	56,756	8,892	7.90%
2014	2,768	588	133,515,899	48,728	40.0	56,862	8,832	7.80%
2015	2,740	605	139,082,614	50,760	41.1	57,763	9,132	7.80%
2016	2,663	634	139,082,614	52,639	40.8	58,060	9,141	8.20%
2017	2,518	582	128,621,617	51,081	41.4	58,024	9,027	8.50%

(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	2017 Resident Workers	2008 Resident Workers
Trade, Transportation and Utilities	218	261
Leisure and Hospitality	159	213
Educational and Health Services	111	104
Local Government	116	126
State Government	103	139
Professional and Business Services	75	28
Manufacturing	46	38
Construction	37	46
Financial Activities	21	30
Other	29	33
Natural Resources and Mining Information	21 4	23 7
	940	1,048

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

\* 2017 data unavailable due to a lag from the Department of Labor and Workforce Development. Used 2016 data to compare to 2008.

\* 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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
City Clerk	3.00	3.00	3.00	2.90	3.00	3.20	3.00	3.00	3.11	3.23
City Manager and Legislative	4.06	3.70	3.40	4.10	4.40	4.10	4.00	4.00	3.00	3.00
M.I.S.	2.00	2.00	2.00	2.00	2.00	2.00	2.50	2.50	2.76	2.72
Finance	7.12	7.50	6.70	6.90	7.10	6.70	7.00	7.00	9.29	8.04
Police, Jail, Animal Control	23.14	24.14	24.60	24.90	24.20	24.30	25.50	25.50	24.34	23.73
Fire	3.00	2.50	2.80	2.75	2.80	2.75	2.75	2.75	2.93	2.74
Building Inspection	2.00	1.94	1.20	1.25	1.20	1.25	1.25	1.25	1.00	1.00
Public Works	6.00	6.00	7.00	6.90	7.20	5.90	5.94	5.94	6.45	7.11
Community Development	3.52	4.16	2.70	1.90	1.60	2.00	2.00	2.00	2.01	2.40
Maintenance	2.00	2.00	2.00	2.00	2.00	2.10	2.03	2.03	2.02	2.01
Parks & Recreation	14.79	14.79	15.80	16.00	14.20	14.90	15.24	14.10	13.74	14.46
Library	4.50	4.50	4.50	4.60	4.50	4.60	4.59	4.59	4.98	5.16
<b>General Fund Total</b>	<b>75.13</b>	<b>76.23</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>
Parking	3.15	3.15	2.50	2.30	2.10	1.60	3.29	3.09	1.04	1.67
Harbor and SMIC	11.31	11.31	11.20	11.70	12.00	11.60	11.65	11.65	11.72	12.12
Electric	10.40	10.40	10.10	10.10	10.90	11.30	11.00	11.00	10.82	11.89
Water	3.00	2.88	2.70	2.70	2.70	2.60	3.53	3.53	2.52	2.86
Wastewater	2.00	1.88	2.70	2.60	2.50	2.60	2.53	2.53	2.18	1.74
<b>Total All Funds</b>	<b>104.99</b>	<b>105.85</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>

Source: City of Seward finance department

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Public Safety</b>										
Police Services:										
Physical arrests	257	290	253	300	251	345	289	270	322	244
Traffic violations/warnings	1,187	1,084	1,633	1,466	1,129	1,400	1,225	2,042	785	944
Parking violations	40	97	101	30	150	79	29	63	74	79
Fire and Emergency Services:										
Number of calls answered (a)	299	293	311	323	307	339	349	376	359	361
<b>Harbor</b>										
Registered vessels	3,347	3,593	3,549	3,348	3,608	3,992	4,928	4,860	5,193	5,053
Number on waiting list for slips	287	257	262	206	192	171	183	184	161	171
Number of boat lifts	425	436	477	507	467	551	590	602	509	553
General cargo tonnage (b)	606	0	45	79	20,421	27	140	112	-	-
Fish product tonnage	16,299	12,018	20,647	13,471	17,119	24,563	10,862	21,632	10,085	8,702
Petroleum (gallons) (c)	2,780,723	2,349,695	2,595,958	2,310,694	3,934,806	2,856,968	2,536,738	3,450,054	3,637,401	2,853,828
<b>Water and Wastewater Systems:</b>										
Water service connections	928	945	946	950	949	961	958	973	976	982
Daily average consumption (gallons)	1,300,000	1,300,000	1,233,010	1,029,077	1,580,641	1,472,000	1,144,677	1,130,528	1,484,754	1,109,546
Sewer service connections	898	917	918	922	922	935	934	948	950	954
Daily average treatment (gallons)	504,745	504,745	598,457	723,896	681,749	657,821	519,132	519,132	652,321	609,545
<b>Electric System:</b>										
Number of service connections	3,112	3,167	3,194	3,224	3,218	2,706	2735	2,759	2,796	2,818
Total kilowatt hour sales	56,360,698	55,716,466	54,683,681	57,253,825	58,738,003	57,950,087	55,190,496	54,842,755	53,103,072	53,263,395

(a) Beginning June 2008, 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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Lane miles of street	52.00	53.00	53.00	54.40	54.40	54.40	54.4	54.8	54.8	55
Number of street lights	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)	4/9	4/9	5/9	5/9	5/9	5/9	4/9	4/9	4/9	4/9
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	65	65	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

**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	
2008	\$ 229,373,700	14	903,500	16	1,928,879	60,821,068
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

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, 2017

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	30,989
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	92
Temporary Employees - Full-time equivalent	14
Demographics:	
School Enrollment, City of Seward (3)	582
Unemployment Rate - Borough-Wide (1)	8.5%
Population (2)	2,518
Per-capita Personal Income (4)	51,081
Qualified Voters	1,781
Facilities and Services not included in the reporting entity:	
Education:	
Elementary School	
Number of students enrolled	275
Number of teachers	20
Middle School	
Number of students enrolled	123
Number of teachers	8
High School	
Number of students enrolled	184
Number of teachers	11
Alaska Vocational Technical Center	
Number of students served annually	967
Number of teachers (includes Instructional Aides)	30
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	27
Non-Exempt (includes non-staff rotating physicians)	107

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. 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))



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

Honorable Mayor and City Council  
City of Seward, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Seward, Alaska, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Seward's basic financial statements, and have issued our report thereon dated September 14, 2018. Our report includes a reference to other auditors who audited the operating account of the Providence Seward Medical and Care Center, as described in our report on City of Seward's financial statements. The operating account of Providence Seward Medical and Care Center was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the operating account of Providence Seward Medical and Care Center.

### *Internal Control Over Financial Reporting*

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether 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 Finding**

City of Seward's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Seward's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### *Purpose of this Report*

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

*BDO USA, LLP*

Anchorage, Alaska  
September 14, 2018



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## Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and City Council  
City of Seward, Alaska

### Report on Compliance for Each Major Federal Program

We have audited 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 City of Seward's major federal programs for the year ended December 31, 2017. City of Seward's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of 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, 2017.

### **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.

*BDO USA, LLP*

Anchorage, Alaska  
September 14, 2018



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## Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and City Council  
City of Seward, Alaska

### Report on Compliance for Each Major State Program

We have audited 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, 2017. City of Seward's major state programs are identified in the accompanying Schedule of State Financial Assistance.

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of 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.

#### *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, 2017.



## 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.

BDO USA, LLP

Anchorage, Alaska  
September 14, 2018

# City of Seward, Alaska

## Schedule of Findings and Questioned Costs Year Ended December 31, 2017

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

*Financial Statements*

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

Internal control over financial reporting:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	<u>X</u> yes	___ none reported

Noncompliance material to financial statements noted? \_\_\_ yes      X no

*Federal Awards*

Internal control over major federal programs:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_ yes      X no

Identification of major federal programs:

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

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

Auditee qualified as low-risk auditee? \_\_\_ yes      X no

*State Financial Assistance*

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

Internal control over major state programs:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> none reported

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

# City of Seward, Alaska

## Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2017

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

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

**Criteria:** Internal Controls and procedures should be established to ensure proper and accurate financial reporting in accordance with generally accepted accounting principles (GAAP).

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

**Context:** During the audit it was noted that 2 employees out of 25 tested were paid without having their time cards approved by their supervisor, both were noted to be electrical employees.

**Effect:** Lack of approval of timecards could result in potential misstatement of payroll expenses.

**Cause:** Internal control which requires supervisor approval of time cards was not enforced.

**Recommendation:** We recommend the City enforce the internal control which requires all timecards to be reviewed by employee's supervisor prior to payment.

Views of responsible officials and planned corrective actions: See the corrective action plan.

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

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

### Section IV - State Award Findings and Questioned Costs

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

City of Seward, Alaska  
Single Audit Responses (Unaudited)

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# Summary Schedule of Prior Audit Findings

City of Seward

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

Phone: 907.224.4050; Fax: 907.224.4038

## Year Ended December 31, 2017

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

There were no prior year findings.

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

There were no prior year findings.

### Section IV - State Award Findings and Questioned Costs

There were no prior year findings.



## Corrective Action Plan

City of Seward

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

Phone: 907.224.4050; Fax: 907.224.4038

### Year Ended December 31, 2017

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*Person Responsible:* Kristin Erchinger, Finance Director

Phone: (907)224-4064

E-mail: [kerchinger@cityofseward.net](mailto:kerchinger@cityofseward.net)

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

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

*Corrective Action:*

The City of Seward maintains an electronic timesheet program which allows for department managers to approve employee timesheets electronically. In the case of the 2 timecards which were identified as not approved by the supervisor, the initial timesheet was electronically approved by the supervisor but an error was subsequently identified on the timesheet and was corrected by the Payroll Clerk. The Clerk then printed out a manual timesheet showing the correction, and requested written approval of the change from the employee and the supervisor. The supervisor did not return the timesheet or it was not properly placed into the employee's payroll file.

To address this concern, management has directed that a spreadsheet be created which logs the timesheets sent out for signature. The log will be reviewed by the Payroll Supervisor prior to payment, to ensure that all timesheets which have been printed out and sent around for signature, are timely signed by the employee and the supervisor, and returned to payroll for filing and audit trail prior to payment.