

City of Seward, Alaska



Comprehensive Annual Financial Report

Year Ended December 31, 2020

Prepared by City of Seward Finance Department

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

For the Fiscal Year Ended
December 31, 2020

Christy Terry
Mayor

Janette Bower
City Manager

Prepared by the Finance Department
Jessra Snyder, MBA
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

August 17, 2021

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

The City of Seward (City) is required by Alaska Statutes (AS 29.35.120 Annual Audit) and Seward City Code to publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP). Pursuant to these requirements, the Comprehensive Annual Financial Report of the City for year ended December 30, 2020 is hereby submitted.

Management is responsible for ensuring 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 sufficient reliable information upon which to prepare the City's financial statements in accordance with GAAP. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Management asserts that, to the best of our knowledge, this financial report is complete and reliable in all material respects.

Altman, Rogers & Co, a firm of independent certified public accountants, has issued an unmodified opinion on the City's financial statements for the year ended December 31, 2020. 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. Based on the independent audit, it was concluded 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, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented in the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A.

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.

The City is required to undergo an audit in accordance with the provisions of Alaska State Regulation 2 AAC 45.010 due to the City receiving state grant and entitlement funding. A schedule of state financial assistance, 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 (AS 29.04.010 Home rule) the City Charter was adopted 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 2,729.

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. Council members and the Mayor are elected and serve three-year terms. City Council appoints three positions as follows: City Manager, City Clerk, and the City Attorney. The City Manager is responsible for managing the daily operations of the City. The City Clerk's primary responsibilities involve the safekeeping of public records and the administration of City elections. All other City officers and employees, with the exception of the employees in the City Clerk's Office, are appointed and supervised by the City Manager.

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

BUDGETARY CONTROL

The City's budget serves as the foundation for financial planning and control. The City Council approves a Biennial (two-year) budget. All departments submit budget requests to the City Manager on or before September 1 every even-numbered year. The City Manager utilizes these requests to formulate a proposed budget and submits the proposed budget to the City Council at a regular meeting in October. The Council holds public hearings on the proposed budget and generally adopts the two-year budget in November. Adjustments to the budget are made throughout the year, as authorized by the City Council. In the second year of the biennial budget, an interim review is conducted, and modifications may be recommended to the City Council. The City Manager is authorized to make transfers between departments and line items within a Fund for amounts up to \$30,000. Council action is required for transfers between funds, for all single-item purchases exceeding \$30,000 (and all purchases of new motor vehicles regardless of cost) and for all new appropriations. 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 has remained a destination of choice for tens of thousands of visitors. The cost of living in Seward is relatively low for Alaska, and taxes are low and stable.

Seward has a fairly diversified economy with a thriving tourism industry, which helps drive the local job market and tax revenues, which both peak from May through August annually. Strong tourism, commercial and recreational fishing, boat tours, and recreational opportunities collectively contribute as a healthy revenue source for the City.

Seward has a statewide reputation as a maritime powerhouse due to quality port and harbor infrastructure and healthy growth in marine-related businesses. The City's recent \$25 million investment in Seward Marine Industrial Center (SMIC) expansion resulted in enclosing the basin by constructing a new breakwater, a new fishing pier, lineal moorage, dock upgrades, fencing, marine washdown pad, 10-ton crane, expansion of the 330-ton lift dock and pit, upgrades to electrical infrastructure, conversion of high-mast lights to LED, and other improvements. These investments are encouraging growth in marine transportation, ship repair, commercial fishing, land development and related business activity, and are attracting commercial fishing interests, transportation companies, marine scientists, the US Coast Guard and other large marine vessel operators with interest in expanded commercial facilities. The sale of the shipyard facility from Vigor to JAG Alaska has led to increased marine repair activity, increased boat lift revenue at SMIC, and increased employment opportunities for local tradespeople.

Seward's downtown corridor is expected to experience strong revitalization, post the Covid-19 pandemic. Just as many cities across the country experienced, several businesses were closed for all or most of the year due to the pandemic. This presented a series of challenges on a scale not seen in years. However, as previously shuttered businesses are purchased, improved, and opened to new ventures, optimism will be lifted in the local business climate and tourism industry, and the City will soon see growth and healthy revenue inflows once again.

In 2020, Seward saw 24 commercial construction permits issued at a value of \$3.6 million, representing a 20% increase in the number of permits, but a 66% decrease in the value of commercial construction permits over the prior year. At the same time, 21 residential building permits were issued at a value of \$2.9 million, the highest value of residential permit activity over the past ten years.

SHORT-TERM FINANCIAL PICTURE

In 2020, Seward's sales tax revenues came in at \$3.8 million, or 33% lower than the prior years' \$5.7 million. This was a direct result from the impact Covid-19 had on the local business and the tourism industry. Over the past ten years, on average, sales tax revenues have increased 4.3% year-to-year, and represent 68% of the City's overall tax revenues, and 39% of the overall General Fund revenues. The bulk of Seward's sales tax (approx. 63%) is generated during the summer months when the City experiences a large increase in tourism. Given the consistent growth in visitors to Seward it is likely Seward can continue to experience healthy sales tax growth.

The City's top ten property taxpayers have become more diverse over the past few years. The top-ten taxpayers represent various industries including tourism, seafood processing, grocery, hotel/motel, communications, petroleum products, and marine businesses, and account for approximately 19% of all taxable property in the community. The bulk of these entities are visitor-related and drive the City's tourism industry. And since sales tax, bed tax and camping fees are largely tourism-related, these types of taxpayers contribute approximately 57% of the General Fund revenue.

FACTORS AFFECTING FINANCIAL CONDITION

LONG-TERM FINANCIAL PLANNING

An improved focus on long-term financial planning has resulted in tangible financial improvements in the short-term. General Fund reserves have risen within the policy band of between three to six months' expenditures and transfers-out, with reserve levels rising to five 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.

FINANCIAL CONDITION

The City's fund balance continues to remain financially healthy. The City has worked hard to bring its General Fund unassigned fund balance within the policy band of between three to six months' reserves. Unassigned fund balance increased in 2020 by \$0.1 million to \$7.1 million representing 7.4 months' reserves, consistent with 2019. In the prior year, surplus funds were transferred to the Capital Acquisition Fund to pay for infrastructure repairs, plus a transfer of \$500,000 to the hospital to cover cash flow requirements. Maintaining fund balance levels within the policy band remains a priority since the City frequently relies on reserves to address unanticipated emergencies and unexpected expenses city-wide.

INFRASTRUCTURE CONDITION

The City continues to refine the assessment of capital infrastructure condition and address the most critical and high-risk repair and replacement projects as funding allows. Major improvements in infrastructure condition have resulted from enterprise fund incremental rate increases over the past eight years and aggressive pursuit of grants. Recent infrastructure improvements and corresponding demand for land leases at Seward Marine Industrial Center, have significantly improved the prospects for eliminating annual deficits.

The City has made significant improvements to enterprise fund capital assets based largely on categorizing and prioritizing capital needs as "critical", "high risk" or "moderate risk" and targeting resources to the most critical needs. More than \$90 million in capital grants have been deployed over the past nine years, allowing external funds to pay the lion's share of capital improvements, including: \$27 million SMIC expansion; \$6 million electrical upgrades including a new warehouse, automated controls and backup generators; \$2 million Snow River flood mitigation; \$5.5 million new water tank construction and old tank refurbishments; new harbor floats, docks, restrooms, fish cleaning stations, sewer pump-out station, launch ramps and improvements; Wastewater utility dredging of Lowell Point and SMIC sewage lagoons. These improvements came at little cost to the local taxpayers but will have lasting benefits to residents of Seward for decades to come.

MAJOR PROJECTS

The City continued and completed a number of major projects this year including: 1) installing an ADA ramp at City Hall; 2) storm surge repairs on Lowell Point Road; 3) upgrade to police dispatch system; 4) utility infrastructure expansion in the Gateway subdivision; 5) electric substation control upgrades; and 6) continued asbestos abatement in City Hall.

Other major capital projects in the works or in the near future, include: 1) replacing the northeast launch ramp and paving of the northeast parking lot beginning in 2021 and completed in 2022; 2) construction of a new Animal Shelter; 3) construction and relocation of the City Shop; 4) major Electric transmission line upgrades; 5) replacement of G, K, and L floats in the Harbor; 6) installation of additional utility sites in the campgrounds; and 7) mobile and portable ALMR radio upgrades.

Future capital initiatives which require funding and attention include: replacement of the City Shop, Parks Warehouse, Fire Hall, City Hall; transmission line upgrades; development of the former Air Force Recreation Camp lots for residential and commercial lease; and a number of other major capital initiatives.

FINANCIAL AND BUDGET REPORTING AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Seward for its comprehensive annual financial report (CAFR) for the year ended December 31, 2018. This was the 25th consecutive year that the City of Seward has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA’s Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2020. To qualify for this award, the City’s budget document has to be judged proficient as a policy document, an operations guide, a financial plan, and a communication device.

ACKNOWLEDGMENTS

The presentation of this report would not have been possible without the skill, effort, and dedication of the entire staff in the Finance Department. Additional thanks are extended to the other City departments for their assistance in providing necessary information and data to complete the report. Credit is also given to the Mayor and Council members for their interest and support of our efforts in conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

– 

Janette Bower
City Manager



Jessra Snyder, MBA
Finance Director



City of Seward LIST OF PRINCIPAL OFFICIALS

COUNCIL MEMBERS

| | | <u>Term Expires</u> |
|--------------------|----------------|---------------------|
| Christy Terry | Mayor | 2022 |
| Tony Baclaan | Vice Mayor | 2022 |
| John Osenga | Council Member | 2021 |
| Sharyl Seese | Council Member | 2021 |
| Liz DeMoss | Council Member | 2023 |
| Sue McClure | Council Member | 2023 |
| Ristine Casagrande | Council Member | 2022 |

ADMINISTRATION

| | |
|------------------|--------------------------------|
| Janette Bower | City Manager |
| Jessra Snyder | Finance Director |
| Alan Nickell | Chief of Police |
| Clinton Crites | Fire Chief |
| Robin Montgomery | Manager of Electric Utility |
| Doug Schoessler | Public Works Director |
| Norman Regis | Harbormaster |
| Jackie Wilde | Community Development Director |
| Tyler Florence | Parks & Recreation Director |
| Bailey Saylor | Library Director |

CITY CLERK

| | |
|---------------|------------|
| Brenda Ballou | City Clerk |
|---------------|------------|

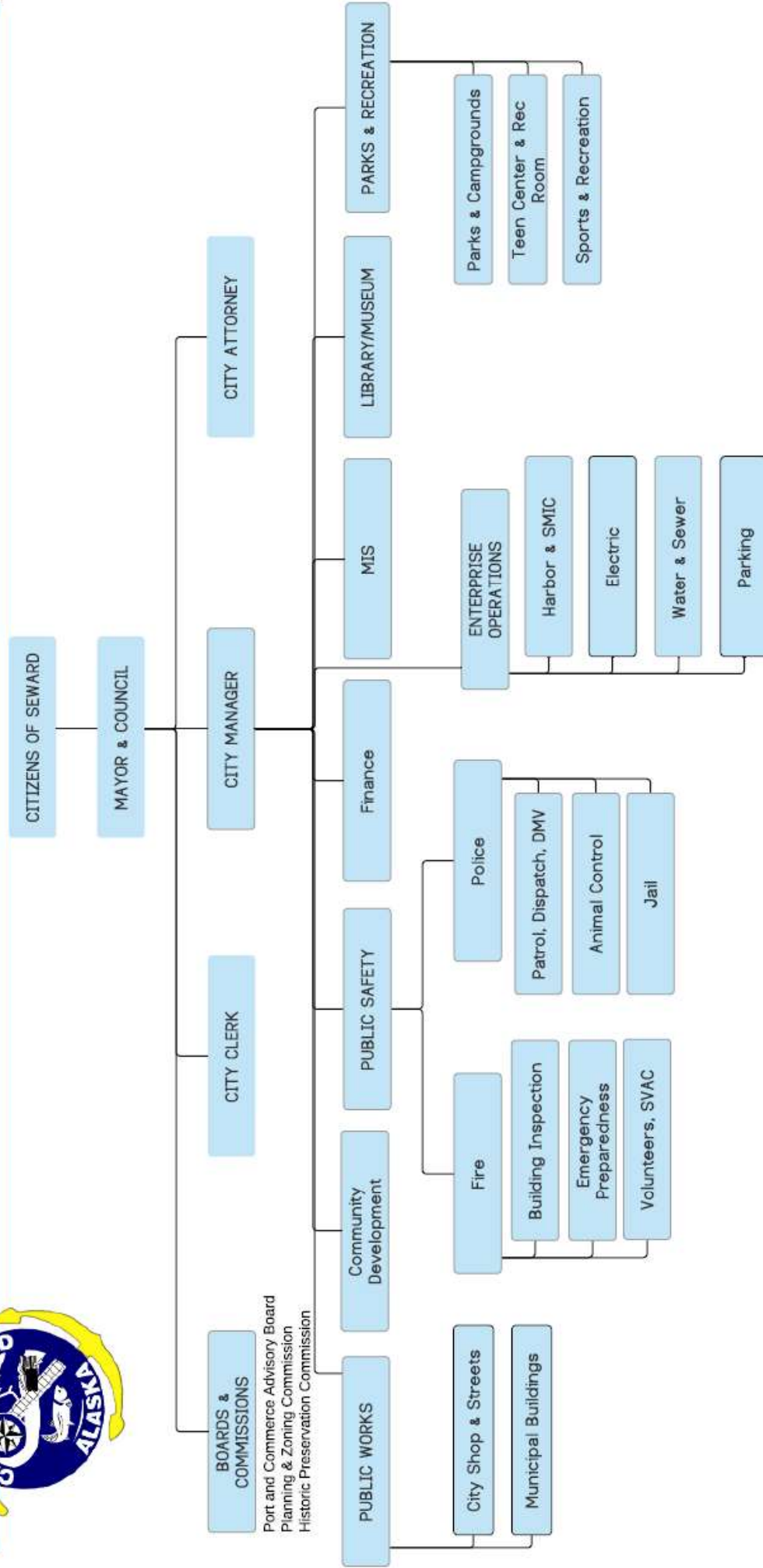
CITY ATTORNEY

| | |
|-----------------|--|
| Brooks Chandler | City Attorney, Boyd, Chandler, Falconer & Munson, LLP |
|-----------------|--|

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



CITY OF SEWARD ORGANIZATION CHART



Independent Auditor's Report

Honorable Mayor and City Council
City of Seward
Seward, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seward, Alaska, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Seward's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Providence Seward Medical and Care Center (PSMCC) which represent 29%, (35%) and 99% respectively, of the assets and deferred outflows of resources, net position and revenues of the Healthcare Facilities Enterprise Fund, and 5%, (1%), and 56% respectively, of the assets and deferred outflows of resources, net position and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the financial statements of the PSMCC, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the PSMCC were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seward, Alaska, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 15 to the financial statements, in 2020 the City of Seward adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Statement No. 84 established criteria for identifying fiduciary activities and the reporting requirements of said fiduciary activities. Our opinion is not modified with respect to this matter.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-15, the budgetary comparison schedules on pages 68-69, and the Schedules of Net Pension and OPEB Liabilities (Assets) and Contributions for the Public Employees' Retirement System and International Brotherhood of Electrical Workers Plan on pages 70-75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The "Additional Supplementary Information," as listed above, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the "Additional Supplementary Information" is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2021 on our consideration of the City of Seward's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Seward's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Seward's internal control over financial reporting and compliance.

Altman, Rogers & Co.

Anchorage, Alaska
August 17, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2020

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, 2020. It is designed to focus on significant financial matters, provide an overview of the City's financial activities, highlight changes in the City's financial position, identify material changes from the original budget and explain any important subjects. In addition to this discussion and analysis (MD&A), readers are encouraged to read the Letter of Transmittal found on pages I-V of this report, which provides additional summary information.

FINANCIAL HIGHLIGHTS

- At December 31, 2020, the City of Seward's assets and deferred outflows exceeded liabilities and deferred inflows by \$197.9 million (net position). Of this amount, \$160.7 million represents net investment in capital assets, \$2.3 million is restricted for capital projects, bond retirement and commercial passenger vessel tax, and the remaining \$35 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 \$55.9 million. Of this amount, \$6.1 million in unrestricted net position is legally unreserved and available to meet the government's ongoing financial obligations, although Council has earmarked a portion of these funds for specific purposes.
- Governmental Accounting Standards Board Statement No. 68 (GASB 68) resulted in recording net pension and OPEB liabilities totaling \$8.9 million, net pension assets totaling \$754 thousand, pension-related deferred outflows of \$1.1 million, and pension-related deferred inflows of \$703 thousand.
- The City's total net position decreased by \$408 thousand. Governmental activities decreased by \$1.6 million and business-type activities increased by \$1.2 million.
- The City's governmental funds reported combined ending fund balances of \$11.6 million representing a decrease of \$1.3 million compared to the prior year. While \$11.2 million of the fund balance is legally available for spending, only \$7.1 million has not already been earmarked for specific purposes (*unassigned fund balance*). This reflects an increase in available unassigned fund balance of \$140 thousand.
- The total debt of governmental activities remained mostly unchanged excluding the effect on net pension liability. The total debt of business-type activities decreased by (\$4 million) or (10%). Net pension liability of governmental activities increased by \$100 thousand and increased on business-type activities side in the amount of \$30 thousand for combined total net pension liability debt increase of \$130 thousand.

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), the Alaska Sealife Center, and other community support. 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 16-18 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, and proprietary 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*.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2020

City of Seward

The City of Seward maintains sixteen (16) individual governmental funds. The General Fund, the City CARES Act Special Revenue Fund, and the Lowell Pt. Road 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 thirteen 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 82-83 and 84-85).

The City of Seward adopts a 2-year budget for the General Fund. A budgetary comparison statement (page 68) 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 16-22 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 23-27 and 86-88 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 89-91 of this report.

Notes to the Basic Financial Statements

The notes provide additional information essential to a complete understanding of the data in the government-wide and fund financial statements. The notes can be found on pages 28-67 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 70-74 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

At December 31, 2020, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$197.9 million. A significant portion of the City's net position (81%) 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:

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2020

City of Seward

**Table 1
Statement of Net Position
As of December 31, 2019 and 2020**

| | Governmental | | Business-Type | | Total | |
|--------------------------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| | Activities | | Activities | | | |
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Current and other assets | 14,450,861 | 14,486,644 | 40,345,728 | 46,358,078 | 54,796,589 | 60,844,722 |
| Capital assets | <u>56,736,452</u> | <u>55,427,538</u> | <u>139,749,594</u> | <u>133,994,268</u> | <u>196,486,046</u> | <u>189,421,806</u> |
| Total assets | <u>71,187,313</u> | <u>69,914,182</u> | <u>180,095,322</u> | <u>180,352,346</u> | <u>251,282,635</u> | <u>250,266,528</u> |
| Deferred outflows | <u>970,245</u> | <u>897,628</u> | <u>2,135,217</u> | <u>1,971,413</u> | <u>3,105,462</u> | <u>2,869,041</u> |
| Total assets & deferred outflows | <u>72,157,558</u> | <u>70,811,810</u> | <u>182,230,539</u> | <u>182,323,759</u> | <u>254,388,097</u> | <u>253,135,569</u> |
| Long-term liabilities outstanding | 12,425,910 | 12,338,974 | 28,485,322 | 26,500,379 | 40,911,232 | 38,839,353 |
| Other liabilities | <u>1,459,101</u> | <u>2,062,236</u> | <u>12,576,940</u> | <u>13,551,607</u> | <u>14,036,041</u> | <u>15,613,843</u> |
| Total liabilities | <u>13,885,011</u> | <u>14,401,210</u> | <u>41,062,262</u> | <u>40,051,986</u> | <u>54,947,273</u> | <u>54,453,196</u> |
| Deferred inflows | <u>723,878</u> | <u>437,723</u> | <u>349,002</u> | <u>265,708</u> | <u>1,072,880</u> | <u>703,431</u> |
| Total liabilities & deferred inflows | <u>14,608,889</u> | <u>14,838,933</u> | <u>41,411,264</u> | <u>40,317,694</u> | <u>56,020,153</u> | <u>55,156,627</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 50,879,952 | 49,807,351 | 117,620,556 | 110,855,782 | 168,500,508 | 160,663,133 |
| Restricted | - | - | 2,626,276 | 2,289,905 | 2,626,276 | 2,289,905 |
| Unrestricted | <u>6,668,717</u> | <u>6,165,526</u> | <u>20,572,443</u> | <u>28,860,378</u> | <u>27,241,160</u> | <u>35,025,904</u> |
| Total net position | <u>57,548,669</u> | <u>55,972,877</u> | <u>140,819,275</u> | <u>142,006,065</u> | <u>198,367,944</u> | <u>197,978,942</u> |

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2020

City of Seward

Statement of Activities

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

**Table 2
Change in Net Position
For the Years Ended December 31, 2019 and 2020**

| | Governmental | | Business-Type | | Total | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Activities | | Activities | | | |
| | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | 1,983,877 | 1,562,508 | 44,059,641 | 43,100,085 | 46,043,518 | 44,662,593 |
| Operating grants / contributions | 1,415,242 | 9,443,898 | (64,177) | 741,425 | 1,351,065 | 10,185,323 |
| Capital grants / contributions | 594,420 | 3,512,787 | 2,754,505 | - | 3,348,925 | 3,512,787 |
| General revenues: | | | | | | |
| Sales taxes | 5,674,689 | 3,805,487 | - | - | 5,674,689 | 3,805,487 |
| Property taxes | 1,556,874 | 1,564,692 | - | - | 1,556,874 | 1,564,692 |
| Payments in lieu of tax | 76,694 | 46,312 | - | - | 76,694 | 46,312 |
| Other | <u>1,319,856</u> | <u>664,798</u> | <u>1,954,195</u> | <u>666,348</u> | <u>3,274,051</u> | <u>1,331,146</u> |
| Total revenues | <u>12,621,652</u> | <u>20,600,482</u> | <u>48,704,164</u> | <u>44,507,858</u> | <u>61,325,816</u> | <u>65,108,340</u> |
| Expenses: | | | | | | |
| General government | 2,502,395 | 1,431,168 | - | - | 2,502,395 | 1,431,168 |
| Public safety | 3,596,487 | 4,495,915 | - | - | 3,596,487 | 4,495,915 |
| Public works | 1,775,480 | 6,357,270 | - | - | 1,775,480 | 6,357,270 |
| Parks and recreation | 1,477,450 | 1,326,003 | - | - | 1,477,450 | 1,326,003 |
| Library | 802,425 | 836,239 | - | - | 802,425 | 836,239 |
| Clinic | 1,654,018 | 2,496,024 | - | - | 1,654,018 | 2,496,024 |
| Unallocated interest | 225,493 | 215,476 | - | - | 225,493 | 215,476 |
| Alaska Sealife Center | 1,398,053 | 1,400,374 | - | - | 1,398,053 | 1,400,374 |
| Community Support | - | 5,081,737 | - | - | - | 5,081,737 |
| Electric | - | - | 11,865,052 | 11,680,216 | 11,865,052 | 11,680,216 |
| Water | - | - | 1,474,729 | 1,334,374 | 1,474,729 | 1,334,374 |
| Wastewater | - | - | 1,071,306 | 1,112,963 | 1,071,306 | 1,112,963 |
| Harbor | - | - | 3,508,574 | 3,779,722 | 3,508,574 | 3,779,722 |
| SMIC | - | - | 1,336,436 | 1,411,205 | 1,336,436 | 1,411,205 |
| Healthcare Facilities | - | - | 22,540,528 | 22,474,188 | 22,540,528 | 22,474,188 |
| Parking | - | - | <u>196,181</u> | <u>83,994</u> | <u>196,181</u> | <u>83,994</u> |
| Total expenses | <u>13,431,801</u> | <u>23,640,206</u> | <u>41,992,806</u> | <u>41,876,662</u> | <u>55,424,607</u> | <u>60,435,131</u> |
| Increase (decrease) in net assets before transfers | (810,149) | (3,039,724) | 6,711,358 | 2,631,196 | 5,901,209 | (408,528) |
| Transfers | <u>(2,710,077)</u> | <u>1,444,406</u> | <u>2,710,077</u> | <u>(1,444,406)</u> | - | - |
| Change in net position | <u>(3,520,226)</u> | <u>(1,595,318)</u> | <u>9,421,435</u> | <u>1,187,790</u> | <u>5,901,209</u> | <u>(408,528)</u> |
| Beginning net position, as previously stated | 61,068,895 | 57,548,669 | 131,397,840 | 140,819,275 | 192,466,735 | 198,367,944 |
| Cumulative effect of a change in accounting principle | - | <u>19,526</u> | - | - | - | <u>19,526</u> |
| Beginning net position, as restated | - | <u>57,568,195</u> | - | <u>140,819,275</u> | - | <u>198,387,470</u> |
| Ending net position | <u>57,548,669</u> | <u>55,972,977</u> | <u>140,819,275</u> | <u>142,006,065</u> | <u>198,367,944</u> | <u>197,978,942</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2020

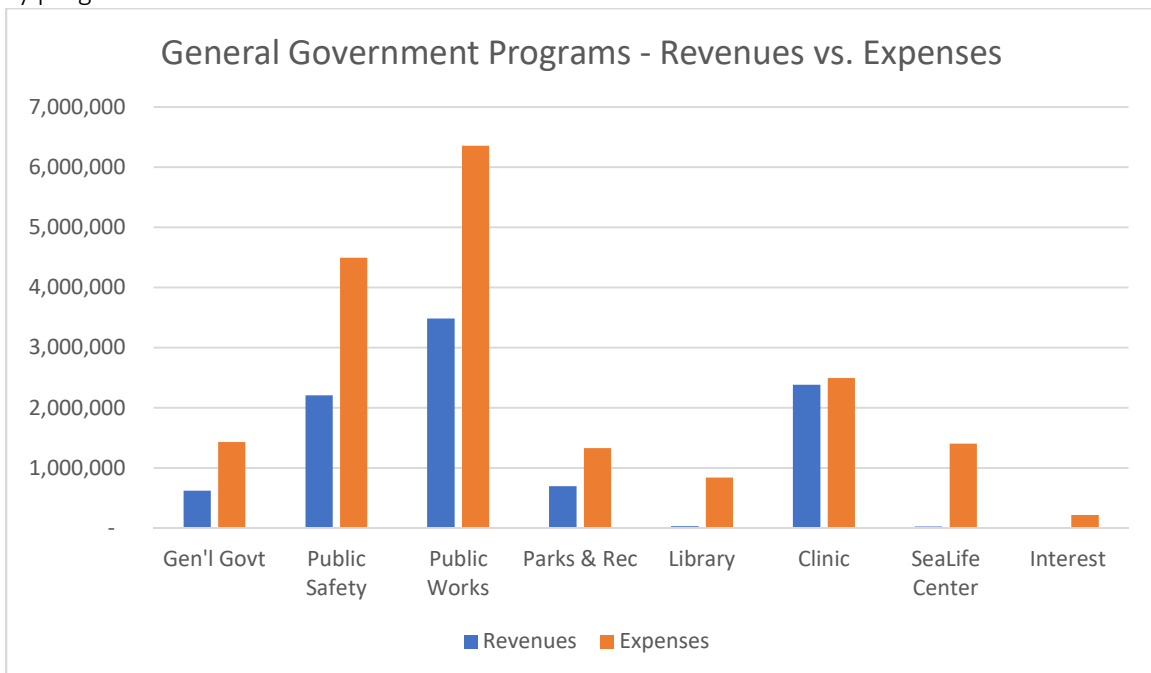
City of Seward

Governmental Activities

The City of Seward's net position in Governmental activities decreased by \$1.6. The following items are of particular note:

- Overall revenues for governmental activities were up by \$8 million or 40% compared with the prior year, due to an increase in grant revenue as a direct result of COVID-19.
- Overall expenses were up by \$10 million or 43% primarily due pass-thru payment expenses of COVID-19 grant funds to businesses and non-profits.
- Capital and operating grants brought in \$9.4 mostly due to COVID-19 grants.
- Governmental funds experienced net transfers-in of \$1.4 million in 2020 versus net transfers-out of \$2.7 million in 2019.
- 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 \$1.2 million. As is the case with governmental activities, a substantial portion (78%) of the \$142.0 million in net position is invested in capital assets. The increase in net position is comprised of the following:

Net position decreased in three major enterprise funds: Harbor Enterprise Fund by \$1.3 million; Seward Marine Industrial Center Fund by \$0.7 million; and Electric Enterprise Fund by \$0.6 million. Net position increased in one major enterprise fund - Healthcare Facilities Enterprise Fund by \$3.5 million. Overall net position in Non-Major Enterprise Funds increased by \$0.1 million.

- The Electric Enterprise Fund experienced earnings from operations of \$12.0 million, a decrease of \$0.3 million from the prior year. Operating revenues were within \$100 thousand from prior year and operating costs were up by \$0.2 million or 3%. The operating performance was impacted by a net increase of \$0.4 million in salaries and employee benefits.
- The Electric Enterprise Fund experienced an increase in cash during the year of \$0.4 million, from a prior cash balance of \$8.2 million to a balance of \$8.6 million. The restoration of cash in the enterprise fund is the result of targeted efforts to address significant critical-risk and high-risk infrastructure needs of the Fund. It also results in no contribution to the depreciation reserve fund for the future replacement of capital assets, which is not consistent with the City's budget policy of setting aside 100% of annual depreciation costs for replacement of capital assets. To address these concerns, rate increases were approved at 1.2% in 2020 and 1.2% in 2021. However, Council elected to freeze the rate increase in 2020 in order to provide some financial relief to our citizens as well as to complete an additional rate study. 2021 rates resumed with the 1.2% increase as approved by Council.
- The net decrease in Seward Marine Industrial Center (SMIC) net position of \$0.7 million is a result of no capital contributions (grants) received in 2020, combined with an operating loss of (\$0.7) million, which includes depreciation expense of \$0.8 million. The cash balance in the SMIC Enterprise Fund (excluding associated capital projects) is at \$0, and including associated capital projects is \$71,125.
- The net increase in Healthcare Facilities Enterprise Fund net position of \$3.5 million is mainly result of positive operating income of \$24.3 million and net operating transfer-in in the amount of \$0.8 million. Due to those factors, Healthcare Facilities Enterprise Funds presents positive net position at the end of 2020 in the amount of \$5.4 million compared to \$2 million in 2019.
- The net decrease in Harbor Enterprise Fund net position of \$1.3 million results from a combination of a loss from operations of \$0.7 million and no Commercial Passenger Vessel Tax proceeds for 2020 due to no cruise ship passengers because of COVID-19. The Harbor Enterprise Fund ended the year with a cash balance of \$6.3 million, but the amount of cash set aside for debt service reserves is \$0.7 and capital project funds and bond reserves is \$2.8 million leaving the Harbor with an available cash balance of \$2.8 million at year-end.
- Other non-major enterprise funds experienced the following: 1) increase in Parking Enterprise Fund net position of \$0.2 million and an increase in cash of \$0.2 million. Parking revenues were down \$0.1 million in 2020 due to decreased visitors because of COVID-19.; 2) an increase in Wastewater Enterprise Fund net position of \$0.1 million resulting primarily from earnings from operations of \$0.1 million. Wastewater cash reserves ended the year at \$3.0 million, up from the prior year balance of \$2.7 million; and 3) a decrease in Water Enterprise Fund net position of \$0.1 million. Water Enterprise Fund cash position remained about the same as 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 \$11.6 million. Of this amount: \$0.4 million is *nonspendable* (prepaid items); none is currently *restricted*; \$2.0 million has been *committed* by the City Council for working capital, hospital line of credit, and insurance reserves; \$2.0 million has been *assigned* by the administration for payment of grant-related projects and insurance; and \$7.1 million is *unassigned*, and legally available for spending. These classifications of fund balance promulgated in GASB Statement No. 54, reflect efforts to create a hierarchy of fund balance to enable the reader of the financial statements to understand the extent to which fund balance reserves are available for spending.

The hierarchy lists, in order, the least spendable to the most spendable fund balance; first are resources which are not available for spending (*nonspendable*), then resources which are restricted by legislation or external agencies (*restricted*), next resources which the City Council has *committed* to spend for a specific purpose by way of enabling legislation, and then resources which have been *assigned* for a specific use but don't meet the definition of *restricted* or *committed*, and finally, the *unassigned* fund balance which remains available for spending. Fund balances in the governmental funds decreased by \$1.3 million.

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

General Fund

General Fund revenues were \$0.4 million lower than expenditures, but after adding net transfers of \$0.6 million, fund balance increased by \$0.2 million. General Fund revenues came in \$2.9 million lower than in 2019, mainly due to lack of tourism during COVID-19, but expenditures came in \$1.2 million less.

The General Fund's fund balance must be able to meet unforeseen needs and emergencies as well as future spending needs. The City's fund balance policy is to maintain *unassigned fund balance* equal to between three to six-months' expenditures and routine transfers-out to other funds. The General Fund unassigned fund balance at the end of 2020 is \$7.1 million, equal to approximately 7.4 months' reserves, up from 7.0 months at the end of 2019. In the past ten years, fund balance increases have resulted from the transfer of the hospital PERS liability from the General Fund to the Healthcare Facilities Enterprise Fund, and more than \$2.0 million in Exxon Valdez oil spill settlement proceeds in 2009 and 2010. In the City's case, an adequate level of fund balance is between \$3.5 million and \$7.0 million (based on 2019 actuals;), which results in the General Fund currently being on the high end of the range of the desired level of unassigned fund balance.

Special Revenue Funds

Special revenue funds experienced a decrease in fund balance of \$30,165 in 2020, primarily due to the continuation of the Bus Transportation contract with no additional funding from CPV funds as well as using the remaining balance in the Teen Council fund to resurface the basketball court as approved by Council.

Non-Major Capital Project Funds

All capital project funds combined experienced a net decrease in fund balance of \$1.5 million in 2020 due to capital purchases out of the Capital Acquisition Fund approved by Council, as well as Animal Shelter design costs, sidewalk repairs, and utility infrastructure improvements. All project funds maintained a positive fund balance in 2020, as follows: Capital Acquisition Fund \$0.8 million; Street and Sidewalks Fund \$0.3 million; Energy Efficiency Fund \$0.1 million; Animal Shelter Fund \$0.16 million.

Proprietary Funds

The City of Seward maintains two types of proprietary funds; enterprise funds and internal service funds. The City's seven enterprise funds (healthcare facilities, harbor, electric, water, wastewater, parking, and marine industrial center) report the same functions presented as business-type activities in the government-wide financial statements, but individual fund statements are presented in more detail. Enterprise funds reported total net position of \$142.1 million with \$110.8 million invested in capital assets net of related debt, leaving unrestricted net position of approximately \$29 million and restricted net position of \$2.3 million. Of the unrestricted net position, \$6.3 million is restricted cash and investments (bond reserve funds, bond proceeds, etc.) not available for appropriation, and current liabilities total \$13.7 million. The most material current liability is \$2.6 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 \$3.1 million, reflecting an increase of \$0.6 million. However, the Motor Pool maintains outstanding loans receivable from the Healthcare Facilities Enterprise Fund of \$0.4 million related to the payoff of prior hospital PERS liabilities. 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 2020 is \$0.4 million.

General Fund *Budgetary* Highlights

On a budgetary basis, General Fund revenues came in \$1,987,450 or 17% lower than budget primarily due to substantial loss in sales tax and bed tax revenue due to COVID-19. Intergovernmental revenues exceeded budget by \$208,427, investment income by \$78,917, and "other" revenues by \$92,327, Licenses and permits came in under budget by \$7,125, charges for services \$283,898, and fines and bails \$5,925.

General Fund *Actual* Highlights

General Fund expenditures exceeded revenues by \$448,058, but after transfers between funds were accounted for, there was a net increase in fund balance of \$192,602.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2020

City of Seward

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2020, the City had \$189.4 million invested in capital assets net of accumulated depreciation, representing an overall decrease of \$7 million from the previous year.

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

| | Governmental | | Business-Type | | Total | |
|-----------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|
| | Activities | | Activities | | | |
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Land and improvements | 5,509 | 5,509 | 30,703 | 30,703 | 36,212 | 36,212 |
| Buildings | 38,786 | 36,939 | 16,274 | 17,008 | 55,060 | 53,947 |
| Improvements other than buildings | 11,370 | 10,804 | 37,288 | 33,993 | 48,658 | 44,797 |
| Machinery and equipment | 918 | 1,805 | 6,453 | 5,877 | 7,371 | 7,682 |
| Infrastructure | - | - | 47,181 | 46,052 | 47,181 | 46,052 |
| Construction in progress | <u>153</u> | <u>370</u> | <u>1,851</u> | <u>361</u> | <u>2,004</u> | <u>731</u> |
| Total net capital assets | <u>56,736</u> | <u>55,427</u> | <u>139,750</u> | <u>133,994</u> | <u>196,486</u> | <u>189,421</u> |

Additional information regarding the City of Seward's capital assets can be found in Footnote 5 on pages 40-42.

Long-term Debt

As of December 31, 2020, the City had total debt outstanding of \$41.06 million. Of this amount, \$5.8 million represents outstanding general obligation bonds backed by the full faith and credit of the City for construction of the library/museum and a road improvement bond. An additional \$23.9 million represents: revenue bonds backed by operating revenues from the harbor enterprise fund (\$4.8 million), the electric enterprise fund (\$4.7 million), and long-term care facility (\$16.1 million). The remaining debt represents water and wastewater loans (\$2.0 million), compensated absences (\$0.59 million) and net pension liabilities of \$8.8 million.

Table 4
City of Seward Outstanding Debt
(in thousands)

| | Governmental | | Business-Type | | Total | |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Activities | | Activities | | | |
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| General obligation bonds | 5,856 | 5,620 | - | - | 5,856 | 5,620 |
| Revenue bonds | - | - | 25,643 | 23,906 | 25,643 | 23,906 |
| Loans | - | - | 2,197 | 2,000 | 2,197 | 2,000 |
| Compensated absences | 348 | 416 | 174 | 178 | 522 | 594 |
| Net pension liability | <u>6,529</u> | <u>6,624</u> | <u>2,284</u> | <u>2,312</u> | <u>8,813</u> | <u>8,936</u> |
| Total outstanding debt | <u>12,733</u> | <u>12,660</u> | <u>30,298</u> | <u>28,396</u> | <u>43,031</u> | <u>41,056</u> |

Further detail regarding the City's long-term outstanding debt can be found on pages 44-47.

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.

The future of the General Fund's primary source of revenue, sales tax, is unknown at this time due to significant impacts of COVID-19. Tourism was minimal in 2020 and how quickly these numbers will bounce back is hard to predict. The City continues to be conservative with spending as the 2021 summer season progresses to see where sales tax and bed tax revenues come in. Based on 2020 sales tax numbers, Administration reduced the 2021 sales tax budget by \$1,345,983. Property tax revenues are budgeted to increase \$24,575 due to the increase in construction activity city-wide. Parks and recreation revenues are budgeted to increase \$820,000, based solely on increased campground rates approved by Council.

On the General Fund cost side, expenditures were budgeted at \$12,608,493 (or \$1,126,049) higher than 2019 actuals. The General Fund budget was balanced largely due to switching healthcare providers resulting in significant cost savings, and revenue enhancements (increased property, bed tax, and grant revenue due to steady increases in construction activity and Federal COVID-19 relief grant funds).

Tax rates are maintained at 2019 levels after the increase in property tax rates from 3.12 to 3.84 mills to cover a general obligation bond for community-wide road improvements. The City sales tax rate remains at 4.0% and the hotel/motel bed tax rate remains at 4.0%. The harbor tariffs include a 1.2% rate increase in 2020 and 1.2% in 2021, equal to the consumer price index for Anchorage averaged over the five previous full years.

The electric tariff rates were frozen by Council in 2020, but resumed approved increases of 1.2% in 2021. 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. The special contract with Icicle Seafoods (now OBI, Inc.) ended in 2020. Going forward, they are now on Large General Service rates as planned from the initial contract. The only remaining special contract is with the Sealife Center. The end of this contract is slated for the end of 2021 and an electric rate study conducted in 2020 will reinstate the Industrial Rate, which the Sealife Center will transition to.

The water tariff increased 1.2% in 2020 as funds are needed to repay \$159K annual debt on the Third Avenue Water Main upgrade. In 2021, the tariff will also increase 1.2%. The department recently completed construction of a new 600,000-gallon water storage tank and is pursuing a water storage tank refurbishment in Lowell Canyon. The tank repair job is complicated by significant mill scale and minor lead on the exterior of the tank which may result in higher-than-expected project costs. The Water Fund has not contributed toward replacement of aging infrastructure in a number of years, as all funds are needed to cover new debt payments.

The wastewater tariff increased rates 1.2% in 2020 and 1.2% in 2021 with rate increases critical to the financial solvency of the Fund due to the unavoidable need to incur new debt related to the replacement of the two sewage lagoons in 2019, at an annual new debt service requirement of more than \$75,000 per year. These rate levels do not address critical or high-risk wastewater capital infrastructure needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2020

City of Seward

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

Requests for Information

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

Basic Financial Statements - Overview

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

Government-wide - Statement of Net Position

Government-wide - Statement of Activities

Governmental Funds - Balance Sheet

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

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

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

Proprietary Funds - Statement of Net Position

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

Proprietary Funds - Statement of Cash Flows

Statement of Fiduciary Assets and Liabilities

Notes to Basic Financial Statements

City of Seward, Alaska

Statement of Net Position

| <i>December 31, 2020</i> | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|--------------------|
| Assets and Deferred Outflows of Resources | | | |
| Cash and investments | \$ 11,898,055 | 33,978,836 | 45,876,891 |
| Receivables, net of allowance for doubtful accounts: | | | |
| Taxes | 671,339 | - | 671,339 |
| Accounts | 170,487 | 4,346,295 | 4,516,782 |
| Grants, shared revenues, and loans | 550,440 | - | 550,440 |
| Accrued interest | 26,499 | - | 26,499 |
| Other | - | 892,095 | 892,095 |
| Prepaid items | 442,217 | 4,251 | 446,468 |
| Inventory | - | 757,587 | 757,587 |
| Restricted cash and investments | - | 6,284,691 | 6,284,691 |
| Other assets | - | 68,000 | 68,000 |
| Internal balances | 143,653 | (143,653) | - |
| Capital assets not being depreciated | 5,879,864 | 31,064,892 | 36,944,756 |
| Capital assets being depreciated, net of depreciation | 49,547,674 | 102,929,376 | 152,477,050 |
| Net pension and OPEB assets | 583,954 | 169,976 | 753,930 |
| Total Assets | 69,914,182 | 180,352,346 | 250,266,528 |
| Deferred Outflows of Resources | | | |
| Pension and OPEB related | 897,628 | 214,165 | 1,111,793 |
| Unamortized deferred loss on refunding | - | 1,757,248 | 1,757,248 |
| Total Deferred Outflows of Resources | 897,628 | 1,971,413 | 2,869,041 |
| Total Assets and Deferred Outflows of Resources | \$ 70,811,810 | 182,323,759 | 253,135,569 |

(continued)

City of Seward, Alaska
Statement of Net Position, Continued

| <i>December 31, 2020</i> | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-------------|
| Liabilities, Deferred Inflows of Resources, and Net Position | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 1,142,199 | 1,276,402 | 2,418,601 |
| Payable to Providence Health and Services - Washington | - | 2,601,000 | 2,601,000 |
| Due to contractual agencies | - | 360,000 | 360,000 |
| Accrued payroll and related liabilities | 379,117 | 1,265,020 | 1,644,137 |
| Accrued interest | 58,767 | 346,630 | 405,397 |
| Other accrued liabilities | 92,175 | - | 92,175 |
| Customer deposits | 14,470 | 422,597 | 437,067 |
| Unearned revenue | 53,486 | 5,380,808 | 5,434,294 |
| Noncurrent Liabilities | | | |
| Due within one year: | | | |
| Accrued compensated absences | 92,022 | 49,701 | 141,723 |
| Notes payable | - | 199,449 | 199,449 |
| Bonds payable | 230,000 | 1,650,000 | 1,880,000 |
| Due in more than one year: | | | |
| Accrued compensated absences | 324,093 | 128,466 | 452,559 |
| Notes payable | - | 1,802,352 | 1,802,352 |
| Bonds payable | 5,390,187 | 22,256,955 | 27,647,142 |
| Net pension and OPEB liabilities | 6,624,694 | 2,312,606 | 8,937,300 |
| Total Liabilities | 14,401,210 | 40,051,986 | 54,453,196 |
| Deferred Inflows of Resources - related to pensions and OPEB | 437,723 | 265,708 | 703,431 |
| Total Liabilities and Deferred Inflows of Resources | 14,838,933 | 40,317,694 | 55,156,627 |
| Net Position | | | |
| Net investment in capital assets | 49,807,351 | 110,855,782 | 160,663,133 |
| Restricted for commercial passenger vessel tax | - | 2,289,905 | 2,289,905 |
| Unrestricted | 6,165,526 | 28,860,378 | 35,025,904 |
| Total Net Position | 55,972,877 | 142,006,065 | 197,978,942 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 70,811,810 | 182,323,759 | 253,135,569 |

See accompanying notes to basic financial statements.

City of Seward, Alaska

Statement of Activities

| Year Ended December 31, 2020 | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|---|---|---|--|---------------------------------|--------------------|
| | | Fees, Fines & Charges for Services | Operating Grants & Contri- butions | Capital Grants & Contri- butions | Govern- mental Activities | Business- type Activities | Total |
| Governmental Activities | | | | | | | |
| General government | \$ 1,431,168 | 374,760 | 192,489 | 53,708 | (810,211) | - | (810,211) |
| Public safety | 4,495,915 | 479,062 | 1,725,471 | - | (2,291,382) | - | (2,291,382) |
| Public works | 6,357,270 | 27,373 | 20,263 | 3,435,863 | (2,873,771) | - | (2,873,771) |
| Parks and recreation | 1,326,003 | 676,618 | 17,885 | - | (631,500) | - | (631,500) |
| Library | 836,239 | 4,695 | 24,640 | - | (806,904) | - | (806,904) |
| Clinic | 2,496,024 | - | 2,381,413 | - | (114,611) | - | (114,611) |
| Community support | 5,081,737 | - | 5,081,737 | - | - | - | - |
| SeaLife Center | 1,400,374 | - | - | 23,216 | (1,377,158) | - | (1,377,158) |
| Interest on long-term debt | 215,476 | - | - | - | (215,476) | - | (215,476) |
| Total Governmental Activities | 23,640,206 | 1,562,508 | 9,443,898 | 3,512,787 | (9,121,013) | - | (9,121,013) |
| Business-type Activities | | | | | | | |
| Electric | 11,680,216 | 12,330,867 | 10,385 | - | - | 661,036 | 661,036 |
| Water | 1,334,374 | 1,275,656 | 12,426 | - | - | (46,292) | (46,292) |
| Wastewater | 1,112,963 | 1,208,541 | 9,243 | - | - | 104,821 | 104,821 |
| Harbor | 3,779,722 | 3,021,807 | 34,371 | - | - | (723,544) | (723,544) |
| SMIC | 1,411,205 | 696,747 | - | - | - | (714,458) | (714,458) |
| Healthcare Facilities | 22,474,188 | 24,320,000 | 675,000 | - | - | 2,520,812 | 2,520,812 |
| Parking | 83,994 | 246,467 | - | - | - | 162,473 | 162,473 |
| Total Business-type Activities | 41,876,662 | 43,100,085 | 741,425 | - | - | 1,964,848 | 1,964,848 |
| Total | \$ 65,516,868 | 44,662,593 | 10,185,323 | 3,512,787 | (9,121,013) | 1,964,848 | (7,156,165) |
| General Revenues | | | | | | | |
| Taxes: | | | | | | | |
| Sales taxes | | | | | 3,805,487 | - | 3,805,487 |
| Property taxes | | | | | 1,564,692 | - | 1,564,692 |
| Other taxes | | | | | 217,434 | - | 217,434 |
| Payment in lieu of taxes | | | | | 46,312 | - | 46,312 |
| Grants and entitlements not restricted to a specific purpose | | | | | 295,915 | - | 295,915 |
| Investment income | | | | | 151,449 | 666,348 | 817,797 |
| Transfers | | | | | 1,444,406 | (1,444,406) | - |
| Total General Revenues and Transfers | | | | | 7,525,695 | (778,058) | 6,747,637 |
| Changes in net position | | | | | (1,595,318) | 1,186,790 | (408,528) |
| Net Position, beginning of year, as previously stated | | | | | 57,548,669 | 140,819,275 | 198,367,944 |
| Cumulative effect of a change in accounting principle | | | | | 19,526 | - | 19,526 |
| Net Position, beginning of year, as restated | | | | | 57,568,195 | 140,819,275 | 198,387,470 |
| Net Position, end of year | | | | | \$ 55,972,877 | 142,006,065 | 197,978,942 |

See accompanying notes to basic financial statements.

City of Seward, Alaska

Governmental Funds
Balance Sheet

| December 31, 2020 | Major Fund | | | Total Governmental Funds |
|--|----------------------|---|-------------------|--------------------------------|
| | General | City CARES Act Special Revenue Fund | Nonmajor Funds | |
| Assets | | | | |
| Cash and investments | \$ 9,754,589 | 279,334 | 1,448,017 | 11,481,940 |
| Receivables, net of allowance for doubtful accounts: | | | | |
| Taxes | 671,339 | - | - | 671,339 |
| Accounts | 170,487 | - | - | 170,487 |
| Grants and shared revenues | 84,199 | - | 466,241 | 550,440 |
| Accrued interest | 26,499 | - | - | 26,499 |
| Prepaid items | 442,217 | - | - | 442,217 |
| Due from other funds | 14,680 | - | - | 14,680 |
| Total Assets | \$ 11,164,010 | 279,334 | 1,914,258 | 13,357,602 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 381,963 | 279,334 | 480,902 | 1,142,199 |
| Accrued payroll and related liabilities | 379,117 | - | - | 379,117 |
| Accrued liabilities | 92,175 | - | - | 92,175 |
| Deposits | 14,470 | - | - | 14,470 |
| Due to other funds | - | - | 14,680 | 14,680 |
| Unearned revenue | 53,486 | - | - | 53,486 |
| Total Liabilities | 921,211 | 279,334 | 495,582 | 1,696,127 |
| Deferred Inflows of Resources | | | | |
| Delinquent property taxes | 18,489 | - | - | 18,489 |
| Fund Balances | | | | |
| Nonspendable: | | | | |
| Prepaid items | 442,217 | - | - | 442,217 |
| Committed: | | | | |
| Working capital | 1,500,000 | - | - | 1,500,000 |
| Hospital line of credit | 500,000 | - | - | 500,000 |
| Assigned: | | | | |
| Insurance | 512,487 | - | - | 512,487 |
| Other assignments | 100,000 | - | - | 100,000 |
| Capital projects | - | - | 1,422,394 | 1,422,394 |
| General government | - | - | 4,771 | 4,771 |
| Public works | - | - | 2,150 | 2,150 |
| Unassigned (deficit) | 7,169,606 | - | (10,639) | 7,158,967 |
| Total Fund Balances | 10,224,310 | - | 1,418,676 | 11,642,986 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 11,164,010 | 279,334 | 1,914,258 | 13,357,602 |

See accompanying notes to basic financial statements.

City of Seward, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
December 31, 2020

| | | | |
|---|----|---------------------|-----------------------------|
| Total fund balances for governmental funds | | \$ | 11,642,986 |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p> | | | |
| Land | \$ | 5,509,589 | |
| Construction in progress | | 370,275 | |
| Buildings | | 71,675,025 | |
| Improvements other than buildings | | 28,468,235 | |
| Machinery and equipment | | 10,587,372 | |
| Accumulated depreciation | | <u>(61,182,958)</u> | |
| Total capital assets | | | 55,427,538 |
| <p>Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds:</p> | | | |
| Delinquent property taxes | | 18,489 | |
| Proportionate share of the collective net OPEB assets | | <u>583,954</u> | 602,443 |
| <p>Deferred outflows of resources related to pensions and OPEB liabilities (assets) are not deemed available to pay current period expenditures and therefore are not reported as governmental fund assets.</p> | | | |
| | | | 897,628 |
| <p>Deferred inflows of resources related to pensions and OPEB liabilities (assets) are not deemed available to pay current period expenditures and therefore are not reported as governmental fund liabilities.</p> | | | |
| | | | (437,723) |
| <p>An internal service fund is used by the City to charge the cost of accrued compensated absences for the governmental funds. The net position of the internal service fund attributable to governmental activities is included in the governmental column of the Statement of Net Position.</p> | | | |
| Net position related to governmental activities | \$ | 143,653 | |
| Plus amount reported with long-term liabilities | | <u>416,115</u> | 559,768 |
| <p>Long-term liabilities are not deemed due and payable in the current period and therefore are not reported as governmental fund liabilities. These long-term liabilities consist of:</p> | | | |
| General obligation bonds payable | \$ | <u>(5,370,000)</u> | - |
| Accrued interest on bonds | | (58,767) | - |
| Unamortized bond premium | | (250,187) | - |
| Accrued compensated absences | | - | (416,115) |
| Proportionate share of the collective net pension and OPEB liabilities | | <u>(6,624,694)</u> | - |
| Total long-term liabilities | \$ | <u>(12,303,648)</u> | <u>(12,719,763)</u> |
| Total Net Position of Governmental Activities | | | \$ <u>55,972,877</u> |

See accompanying notes to basic financial statements.

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

| Year Ended December 31, 2020 | Major Funds | | | Nonmajor Funds | Total Governmental Funds |
|---|----------------------|-------------------------------------|--------------------------------------|--------------------|--------------------------|
| | General | City CARES Act Special Revenue Fund | Lowell Pt. Road Capital Project Fund | | |
| Revenues | | | | | |
| Taxes | \$ 5,636,427 | - | - | - | 5,636,427 |
| Licenses and permits | 136,475 | - | - | - | 136,475 |
| Intergovernmental | 1,078,448 | 5,330,532 | 3,435,863 | 3,953,507 | 13,798,350 |
| Charges for services | 2,809,873 | - | - | - | 2,809,873 |
| Fines and bails | 11,075 | - | - | - | 11,075 |
| Investment income | 150,417 | 306 | - | 726 | 151,449 |
| Other revenues | 118,427 | - | - | 327 | 118,754 |
| Total Revenues | 9,941,142 | 5,330,838 | 3,435,863 | 3,954,560 | 22,662,403 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 3,280,752 | 124,090 | - | 246,371 | 3,651,213 |
| Public safety | 3,117,515 | 1,620,181 | - | - | 4,737,696 |
| Public works | 1,546,116 | - | - | - | 1,546,116 |
| Parks and recreation | 1,340,371 | - | - | 1,218 | 1,341,589 |
| Library | 649,865 | - | - | - | 649,865 |
| Clinic | - | - | - | 2,481,413 | 2,481,413 |
| Community support | - | 3,586,567 | - | 1,495,170 | 5,081,737 |
| Debt service: | | | | | |
| Principal payments | 220,000 | - | - | - | 220,000 |
| Interest payments | 234,581 | - | - | - | 234,581 |
| Capital outlay | - | - | 3,435,863 | 2,098,019 | 5,533,882 |
| Total Expenditures | 10,389,200 | 5,330,838 | 3,435,863 | 6,322,191 | 25,478,092 |
| Excess of revenues over (under) expenditures | (448,058) | - | - | (2,367,631) | (2,815,689) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 1,841,260 | - | - | 968,746 | 2,810,006 |
| Transfers out | (1,200,600) | - | - | (165,000) | (1,365,600) |
| Total Other Financing Sources (Uses) | 640,660 | - | - | 803,746 | 1,444,406 |
| Change in Fund Balances | 192,602 | - | - | (1,563,885) | (1,371,283) |
| Fund Balances, beginning of year, as previously stated | 10,031,708 | - | - | 2,963,035 | 12,994,743 |
| Cumulative effect of a change in accounting principle | - | - | - | 19,526 | 19,526 |
| Fund Balances, beginning of year, as restated | 10,031,708 | - | - | 2,982,561 | 13,014,269 |
| Fund Balances, end of year | \$ 10,224,310 | - | - | 1,418,676 | 11,642,986 |

See accompanying notes to basic financial statements.

City of Seward, Alaska

Reconciliation of Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended December 31, 2020

Net change in fund balances - total governmental funds \$ (1,371,283)

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

Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation (\$2,642,353) exceeded capital outlays (\$1,333,439). (1,308,914)

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

| | | |
|---|----------|---------|
| Change in accrued interest payable | \$ 2,792 | |
| Change in the proportionate share of the unfunded net pension and OPEB liabilities (assets) | 488,583 | 491,375 |

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

| | | |
|---|--|---------|
| Change in deferred inflows and outflows of resources related to pension and OPEB liabilities (assets) | | 213,538 |
|---|--|---------|

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:

| | | |
|---------------------------|---------|---------|
| Principal repayments | 220,000 | |
| Bond premium amortization | 16,313 | 236,313 |

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. 143,653

Change in Net Position of Governmental Activities \$ (1,595,318)

See accompanying notes to basic financial statements.

City of Seward, Alaska
Proprietary Funds
Statement of Net Position

| December 31, 2020 | Major Enterprise Funds | | | | Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|--|------------------------|-------------------|-------------------|--------------------------|---------------------------------|------------------------------|------------------------------|
| | Electric | Harbor | SMIC | Healthcare Facilities | | | |
| Assets and Deferred Outflows of Resources | | | | | | | |
| Current Assets | | | | | | | |
| Cash and investments | \$ 8,647,005 | 1,800,586 | 71,125 | 13,065,508 | 7,233,689 | 30,817,913 | 3,577,038 |
| Receivables, net of allowance for doubtful accounts: | | | | | | | |
| Accounts | 1,067,892 | 68,000 | 27,556 | 2,846,999 | 335,848 | 4,346,295 | - |
| Accrued interest | - | - | - | - | - | - | 26,059 |
| Interfund loans | - | - | - | - | - | - | 72,517 |
| Other | 263,955 | - | 159 | 627,000 | 576 | 891,690 | 405 |
| Prepaid items | 4,251 | - | - | - | - | 4,251 | - |
| Inventory | 671,167 | - | - | - | 86,420 | 757,587 | - |
| Total Current Assets | 10,654,270 | 1,868,586 | 98,840 | 16,539,507 | 7,656,533 | 36,817,736 | 3,676,019 |
| Noncurrent Assets | | | | | | | |
| Restricted cash and investments | 322,824 | 4,568,917 | - | 1,392,950 | - | 6,284,691 | - |
| Other assets | - | - | - | 68,000 | - | 68,000 | - |
| Interfund loans, net of current portion | - | - | - | - | - | - | 423,851 |
| Property, plant and equipment: | | | | | | | |
| Capital assets not being depreciated | 445,784 | 18,291,856 | 12,021,821 | 94,000 | 211,431 | 31,064,892 | - |
| Capital assets being depreciated, net of depreciation | 20,929,333 | 17,804,931 | 35,502,792 | 12,798,201 | 14,065,091 | 101,100,348 | 1,829,028 |
| Net pension and OPEB assets | 26,575 | 87,952 | - | - | 55,449 | 169,976 | - |
| Total Noncurrent Assets | 21,724,516 | 40,753,656 | 47,524,613 | 14,353,151 | 14,331,971 | 138,687,907 | 2,252,879 |
| Total Assets | 32,378,786 | 42,622,242 | 47,623,453 | 30,892,658 | 21,988,504 | 175,505,643 | 5,928,898 |
| Deferred Outflows of Resources | | | | | | | |
| Related to pensions and OPEB | 7,513 | 125,369 | - | - | 81,283 | 214,165 | - |
| Unamortized deferred loss on refunding | 376,261 | 104,446 | - | 1,276,541 | - | 1,757,248 | - |
| Total Deferred Outflows of Resources | 383,774 | 229,815 | - | 1,276,541 | 81,283 | 1,971,413 | - |
| Total Assets and Deferred Outflows of Resources | \$ 32,762,560 | 42,852,057 | 47,623,453 | 32,169,199 | 22,069,787 | 177,477,056 | 5,928,898 |

(continued)

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

| December 31, 2020 | Major Enterprise Funds | | | | Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|--|------------------------|-------------------|-------------------|--------------------------|---------------------------------|------------------------------|------------------------------|
| | Electric | Harbor | SMIC | Healthcare Facilities | | | |
| Liabilities, Deferred Inflows of Resources, and Net Position | | | | | | | |
| Current Liabilities | | | | | | | |
| Accounts payable | \$ 513,121 | 108,066 | 6,215 | 626,000 | 13,167 | 1,266,569 | 9,833 |
| Payable to Providence Health and Services - Washington | - | - | - | 2,601,000 | - | 2,601,000 | - |
| Due to contractual agencies | - | - | - | 360,000 | - | 360,000 | - |
| Accrued payroll and related liabilities | 58,024 | 53,939 | - | 1,119,000 | 34,057 | 1,265,020 | - |
| Accrued interest | 68,104 | 26,693 | - | 261,061 | 16,831 | 372,689 | - |
| Current portion: | | | | | | | |
| Accrued compensated absences | 17,651 | 20,250 | - | - | 11,800 | 49,701 | 92,022 |
| Bonds payable | 180,000 | 560,000 | - | 910,000 | - | 1,650,000 | - |
| Notes payable | - | - | - | - | 199,449 | 199,449 | - |
| Interfund loans | - | - | - | 72,517 | - | 72,517 | - |
| Customer deposits | 375,794 | 32,203 | 14,600 | - | - | 422,597 | - |
| Unearned revenue | - | 560,808 | - | 4,820,000 | - | 5,380,808 | - |
| Total Current Liabilities | 1,212,694 | 1,361,959 | 20,815 | 10,769,578 | 275,304 | 13,640,350 | 101,855 |
| Noncurrent Liabilities, net of current portion | | | | | | | |
| Accrued compensated absences | 5,615 | 70,278 | - | - | 52,573 | 128,466 | 324,093 |
| Bonds payable, including unamortized premium | 4,634,018 | 2,099,115 | - | 15,523,822 | - | 22,256,955 | - |
| Notes payable | - | - | - | - | 1,802,352 | 1,802,352 | - |
| Net pension and OPEB liability | 789,418 | 914,871 | - | - | 608,317 | 2,312,606 | - |
| Interfund loans | - | - | - | 423,851 | - | 423,851 | - |
| Total Noncurrent Liabilities | 5,429,051 | 3,084,264 | - | 15,947,673 | 2,463,242 | 26,924,230 | 324,093 |
| Total Liabilities | 6,641,745 | 4,446,223 | 20,815 | 26,717,251 | 2,738,546 | 40,564,580 | 425,948 |
| Deferred Inflows of Resources | | | | | | | |
| Related to pensions and OPEB | 173,925 | 52,964 | - | - | 38,819 | 265,708 | - |
| Total Liabilities and Deferred Inflows of Resources | 6,815,670 | 4,499,187 | 20,815 | 26,717,251 | 2,777,365 | 40,830,288 | 425,948 |
| Net Position | | | | | | | |
| Net investment in capital assets | 17,260,184 | 34,232,316 | 47,524,613 | (2,265,080) | 12,274,721 | 109,026,754 | 1,829,028 |
| Restricted for commercial passenger vessel tax | - | 2,289,905 | - | - | - | 2,289,905 | - |
| Unrestricted | 8,686,706 | 1,830,649 | 78,025 | 7,717,028 | 7,017,701 | 25,330,109 | 3,673,922 |
| Total Net Position | 25,946,890 | 38,352,870 | 47,602,638 | 5,451,948 | 19,292,422 | 136,646,768 | 5,502,950 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 32,762,560 | 42,852,057 | 47,623,453 | 32,169,199 | 22,069,787 | 5,359,297 | 5,928,898 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | | | <u>5,359,297</u> | |
| Net Position of Business-type Activities | | | | | | <u>\$ 142,006,065</u> | |

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, 2020 | Major Enterprise Funds | | | | Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|--|------------------------|-------------------|-------------------|--------------------------|---------------------------------|------------------------------|------------------------------|
| | Electric | Harbor | SMIC | Healthcare Facilities | | | |
| Operating Revenues | | | | | | | |
| Charges for services | \$ 12,076,254 | 3,017,705 | 696,747 | 24,320,000 | 2,730,664 | 42,841,370 | - |
| Vehicle rental and interfund charges | - | - | - | - | - | - | 1,073,108 |
| Total Operating Revenues | 12,076,254 | 3,017,705 | 696,747 | 24,320,000 | 2,730,664 | 42,841,370 | 1,073,108 |
| Operating Expenses | | | | | | | |
| Salaries and employee benefits | 1,655,508 | 1,002,653 | 153,436 | 15,645,000 | 665,720 | 19,122,317 | 341,108 |
| Services and supplies | 7,081,766 | 851,800 | 168,761 | 3,837,957 | 673,873 | 12,614,157 | 10,676 |
| Administration | 1,319,800 | 334,801 | 304,261 | 1,128,969 | 365,384 | 3,453,215 | - |
| Depreciation | 1,629,122 | 1,527,283 | 784,747 | 1,268,825 | 806,568 | 6,016,545 | 405,767 |
| Total Operating Expenses | 11,686,196 | 3,716,537 | 1,411,205 | 21,880,751 | 2,511,545 | 41,206,234 | 757,551 |
| Income (Loss) from Operations | 390,058 | (698,832) | (714,458) | 2,439,249 | 219,119 | 1,635,136 | 315,557 |
| Nonoperating Revenues (Expenses) | | | | | | | |
| Intergovernmental - PERS on-behalf | 10,385 | 34,371 | - | - | 21,669 | 66,425 | - |
| Intergovernmental - Provider relief fund | - | - | - | 649,000 | - | 649,000 | - |
| Investment income | 185,767 | 104,652 | 3,264 | 154,524 | 151,213 | 599,420 | 66,928 |
| Salary credits - work orders | 30,036 | - | - | - | - | 30,036 | - |
| Supply credits - work orders | 97,989 | - | - | - | - | 97,989 | - |
| Interest expense | (175,477) | (95,444) | - | (619,496) | (31,379) | (921,796) | - |
| Nonoperating grant revenue | - | - | - | 26,000 | - | 26,000 | - |
| Other revenue (expenses) | 126,588 | 4,102 | - | - | - | 130,690 | 53,405 |
| Total Nonoperating Revenues (Expenses) | 275,288 | 47,681 | 3,264 | 210,028 | 141,503 | 677,764 | 120,333 |
| Income (Loss) Before Contributions and transfers | 665,346 | (651,151) | (711,194) | 2,649,277 | 360,622 | 2,312,900 | 435,890 |
| Transfers in | - | - | 42,492 | 929,777 | 16,000 | 988,269 | 11,781 |
| Transfers out | (1,297,969) | (695,290) | (113,251) | (100,000) | (237,946) | (2,444,456) | - |
| Change in net position | (632,623) | (1,346,441) | (781,953) | 3,479,054 | 138,676 | 856,713 | 447,671 |
| Net Position, beginning of year | 26,579,513 | 39,699,311 | 48,384,591 | 1,972,894 | 19,153,746 | | 5,029,220 |
| Net Position, end of year | \$ 25,946,890 | 38,352,870 | 47,602,638 | 5,451,948 | 19,292,422 | | 5,476,891 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | | | 330,077 | |
| Change in Net Position of Business-type Activities | | | | | | \$ 1,186,790 | |

See accompanying notes to basic financial statements.

City of Seward, Alaska
Proprietary Funds
Statement of Cash Flows

| Year Ended December 31, 2020 | Major Enterprise Funds | | | | Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|---|------------------------|------------------|-----------------|--------------------------|---------------------------------|------------------------------|------------------------------|
| | Electric | Harbor | SMIC | Healthcare Facilities | | | |
| Cash Flows from (for) Operating Activities | | | | | | | |
| Receipts from customers and users | \$ 11,858,646 | 3,126,500 | 719,828 | 25,347,519 | 2,544,049 | 43,596,542 | - |
| Payments to suppliers | (6,855,596) | (721,508) | (383,264) | (8,241,926) | (599,530) | (16,801,824) | (843) |
| Payments to employees | (1,697,158) | (1,050,174) | (153,436) | (15,432,000) | (680,304) | (19,013,072) | (273,606) |
| Payments for interfund services used | (1,324,747) | (433,821) | (98,710) | - | (463,217) | (2,320,495) | - |
| Receipts from vehicle rentals and interfund charges | - | - | - | - | - | - | 1,073,108 |
| Receipts from other sources | - | - | - | - | - | - | 87,477 |
| Net cash flows from (for) operating activities | 1,981,145 | 920,997 | 84,418 | 1,673,593 | 800,998 | 5,461,151 | 886,136 |
| Cash Flows from (for) Noncapital Financing Activities | | | | | | | |
| Transfers in | - | - | 42,492 | 929,777 | 16,000 | 988,269 | 11,781 |
| Transfers out | (1,297,969) | (695,290) | (113,251) | (100,000) | (237,946) | (2,444,456) | - |
| Other nonoperating receipts | 128,025 | - | - | 26,000 | - | 154,025 | - |
| Provider relief funding | - | - | - | 4,174,000 | - | 4,174,000 | - |
| Interfund interest received | - | - | - | - | - | - | 29,677 |
| Interfund loan receipts | - | - | - | - | - | - | 68,900 |
| Net cash flows from (for) noncapital financing activities | (1,169,944) | (695,290) | (70,759) | 5,029,777 | (221,946) | 2,871,838 | 110,358 |
| Cash Flows from (for) Capital and Related Financing Activities | | | | | | | |
| Principal payments on long-term debt | (170,000) | (530,000) | - | (870,000) | (196,503) | (1,766,503) | - |
| Interest payments on long-term debt | (171,949) | (134,899) | - | (607,509) | (32,974) | (947,331) | - |
| Acquisition of property, plant and equipment | (253,446) | (58,988) | - | - | (5,740) | (318,174) | (383,812) |
| Proceeds from sale of capital assets | - | - | - | 35,000 | - | 35,000 | - |
| Increase (Decrease) in due to other funds | - | - | - | - | - | - | - |
| Interfund principle payments | - | - | - | (68,900) | - | (68,900) | - |
| Interfund interest payments | - | - | - | (29,677) | - | (29,677) | - |
| Commercial passenger vessel tax receipts | - | 1,154,390 | - | - | - | 1,154,390 | - |
| Net cash flows from (for) capital and related financing activities | (595,395) | 430,503 | - | (1,541,086) | (235,217) | (1,941,195) | (383,812) |
| Cash Flows from Investing Activities | | | | | | | |
| Investment income received | 185,767 | 104,652 | 3,264 | 154,524 | 151,213 | 599,420 | 66,928 |
| Net increase in cash and investments | 401,573 | 760,862 | 16,923 | 5,316,808 | 495,048 | 6,991,214 | 679,610 |
| Cash and Investments, beginning of year | 8,568,256 | 5,608,641 | 54,202 | 9,141,650 | 6,738,641 | 30,111,390 | 2,897,428 |
| Cash and Investments, end of year | \$ 8,969,829 | 6,369,503 | 71,125 | 14,458,458 | 7,233,689 | 37,102,604 | 3,577,038 |
| Reconciliation of cash and investments to the Statement of Net Position: | | | | | | | |
| Current assets | \$ 8,647,005 | 1,800,586 | 71,125 | 13,065,508 | 7,233,689 | 30,817,913 | 3,577,038 |
| Noncurrent assets | 322,824 | 4,568,917 | - | 1,392,950 | - | 6,284,691 | - |
| Total cash and investments | \$ 8,969,829 | 6,369,503 | 71,125 | 14,458,458 | 7,233,689 | 37,102,604 | 3,577,038 |

(continued)

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

| <i>Year Ended December 31, 2020</i> | Major Enterprise Funds | | | | Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|--|------------------------|----------------|---------------|--------------------------|---------------------------------|------------------------------|------------------------------|
| | Electric | Harbor | SMIC | Healthcare Facilities | | | |
| Reconciliation of earnings (loss) from operations to net cash flows from (for) operating activities: | | | | | | | |
| Income (loss) from operations | \$ 390,058 | (698,832) | (714,458) | 2,439,249 | 219,119 | 1,635,136 | 315,557 |
| Adjustments to reconcile earnings (loss) from operations to net cash flow from (for) operating activities: | | | | | | | |
| Depreciation | 1,629,122 | 1,527,283 | 784,747 | 1,268,825 | 806,568 | 6,016,545 | 405,767 |
| Other nonoperating revenues (expenses) | 126,588 | 4,102 | - | - | - | 130,690 | 53,405 |
| Noncash expense - PERS on-behalf | 10,385 | 34,371 | - | - | 21,669 | 66,425 | - |
| Increase (decrease) in allowance for doubtful accounts | - | 10,820 | - | 354,000 | (102,388) | 262,432 | - |
| (Increase) decrease in assets and deferred outflows of resources: | | | | | | | |
| Receivables | (244,731) | 95,210 | 32,435 | 56,001 | (84,227) | (145,312) | 34,072 |
| Prepaid expenses | - | - | - | - | - | - | - |
| Inventory | 278,086 | - | - | - | 2,950 | 281,036 | - |
| Other assets | - | - | - | 1,000 | - | 1,000 | - |
| Net pension and OPEB assets | (26,575) | (87,952) | - | - | (55,449) | (169,976) | - |
| Deferred outflows of resources - pension and OPEB | 3,305 | 10,937 | - | - | 6,896 | 21,138 | - |
| Increase (decrease) in liabilities and deferred inflows of resources: | | | | | | | |
| Accounts payable | (56,863) | 31,272 | (8,952) | 81,000 | (26,440) | 20,017 | 9,833 |
| Other payables | - | - | - | (3,357,000) | - | (3,357,000) | - |
| Accrued payroll and related liabilities | 9,413 | 9,863 | - | 213,000 | 11,025 | 243,301 | 67,502 |
| Accrued compensated absences | (29,495) | 13,995 | - | - | 19,391 | 3,891 | - |
| Customer deposits | (99,465) | (8,458) | (5,000) | (38,482) | - | (151,405) | - |
| Unearned revenue | - | 7,121 | (4,354) | 656,000 | - | 658,767 | - |
| Net pension and OPEB liabilities | 4,340 | 14,364 | - | - | 9,056 | 27,760 | - |
| Deferred inflows of resources - pension and OPEB | (13,023) | (43,099) | - | - | (27,172) | (83,294) | - |
| Net Cash Flows from Operating Activities | \$ 1,981,145 | 920,997 | 84,418 | 1,673,593 | 800,998 | 5,461,151 | 886,136 |

See accompanying notes to basic financial statements.

City of Seward, Alaska
Notes to Basic Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

Notes to Basic Financial Statements, Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Notes to Basic Financial Statements, Continued

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

Major Governmental Funds:

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

The *City CARES Act Special Revenue Fund* accounts for federal funds received from the state to help offset the effects of the Covid-19 pandemic.

The *Lowell Pt. Road Capital Project Fund* accounts for federal and state funds received to restore the City of Seward's Lowell Point Road back to its pre-disaster design, function, and capacity.

Major Proprietary Funds:

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

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

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

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State of Alaska entitlement revenues.

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

Estimates

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

Cash and Investments

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

Inventory

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

Restricted Assets

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

Accounts Receivable

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Cost is recorded as an expenditure or expense as the prepayment is applied (consumption method).

Interfund Balances

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

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.

Notes to Basic Financial Statements, Continued

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

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

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

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

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

Accrued Compensated Absences

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

Long-term Debt

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issues are reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal payments on debt are reported as debt service expenditures.

Fund Balance and Fund Balance Flow Assumptions

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

Notes to Basic Financial Statements, Continued

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 externally by creditors, grantors, contributors, or laws or regulations of other governments; or 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.

Net Position and Net Position Flow Assumptions

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund during the year. However, it is the City's policy to stop issuing purchase orders in early December. As a result, there are no outstanding encumbrances at December 31, 2020. Outstanding purchase orders, if any, at December 31, are cancelled and new ones are issued in the subsequent year.

Unearned Revenue

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

Grant and Other Intergovernmental Revenues

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

Pension Plans

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

Pension and Other Postemployment Benefits (OPEB)

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Property Taxes

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

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

2. Stewardship, Compliance, and Accountability

Allocation of Sales Tax Revenues

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

3. Cash and Investments

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

Investments

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

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

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

Reconciliation of Cash and Investment Balances

The following is a reconciliation of the City's cash and investment balances to the financial statements as of December 31, 2020:

| | |
|-----------------------------------|---|
| | Government-Wide Statement of Net Position |
| Cash and investments | \$ 45,876,891 |
| Restricted cash and investments | 6,284,691 |
| Total Cash and Investments | \$ 52,161,582 |

As of December 31, 2020, the City had the following investments:

| Investment | Fair Value | Investment Maturities (in Years) | | |
|--|----------------------|----------------------------------|------------------|--------------|
| | | Less than 1 year | 1 to 5 years | Over 5 years |
| U.S. treasury securities (SLGS) | \$ 248,518 | 248,518 | - | - |
| U.S. government bonds | 5,712,301 | 2,589,899 | 3,122,402 | - |
| Total Subject to Interest Rate Risk | 5,960,819 | 2,838,417 | 3,122,402 | - |
| Carried at Amortized Cost | | | | |
| Pooled investments / AMLIP | 11,280,272 | | | |
| Certificates of deposit | 15,415,689 | | | |
| Money market account | 1,419,038 | | | |
| Total Investments | 34,075,818 | | | |
| Cash | 18,085,764 | | | |
| Total Cash and Investments | \$ 52,161,582 | | | |

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City of Seward, Alaska

Notes to Basic Financial Statements, Continued

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's investments that are classified as Level 2 are valued using third party pricing models provided by brokerages. The City has the following recurring fair value measurements as of December 31, 2020:

| | Total | Level 1 | Level 2 | Level 3 |
|---|------------------|----------|------------------|----------|
| Investments by fair value level: | | | | |
| U.S. treasury securities (SLGS) | \$ 248,518 | - | 248,518 | - |
| U.S. government bonds | 5,712,301 | - | 5,712,301 | - |
| Total investments at fair value | 5,960,819 | - | 5,960,819 | - |

Investments measured at amortized cost:

| | |
|--|----------------------|
| Pooled investments / AMLIP | 11,280,272 |
| Certificates of deposit | 15,415,689 |
| Money market account | 1,419,038 |
| Total investments at amortized cost | 28,114,999 |
| Total Investments | \$ 34,075,818 |

Restricted Cash and Investments

The City maintains bond redemption and reserve accounts as required by bond covenants. The balances at December 31, 2020 are as follows:

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

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 | \$ 3,878,719 |
|------------------------|--------------|

Custodial Credit Risk

The fair value of the City's investments at year-end is shown below. GASB Statement 3, as amended by GASB Statement 40, establishes categories as an indication of the level of custodial credit risk involved in the investments. All of the City's remaining investments are in the category of least risk and include investments that are insured or registered in the City's name, or securities that are held by the City or its agent in the City's name. All of the United States treasury bills, treasury notes, and United States agency securities are held in custodial accounts in the U.S. Bank and Bank of New York Trust Departments and are recorded in the City's name, in accordance with safekeeping agreements. U.S. Bank and Bank of New York are not counter parties to security transactions. To limit exposure to custodial credit risk, City policy requires that all deposits and investments be fully insured or collateralized. As of December 31, 2020, \$3,877,000 of the Healthcare Facilities Enterprise Fund Cash balance attributable to PSMCC was subject to custodial credit risk.

Interest Rate Risk

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

Option Risk

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

Concentration of Credit Risk

The City's investment policy places no limit on the amount that can be invested in any one issuer. Approximately 5% of the total portfolio is held with the Federal Farm Credit Banks Funding Corporation, 5% is held with the Federal Home Loan Mortgage Corporation, and 6% is held by the Resolution Funding Corporation.

Credit Risk

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

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

At December 31, 2020, the City's investments in U.S. Treasuries (SLGS) and Bond investments implicitly guaranteed by the U.S. Government were rated as follows:

| Standard & Poor's | |
|-------------------|------|
| AAA | 69% |
| AA+ | 31% |
| | 100% |

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.

4. Accounts Receivable

Receivables at December 31, 2020, for the City's individual major fund, and Nonmajor funds in the aggregate including applicable allowances for doubtful accounts, are as follows:

| | Governmental Funds | | | Enterprise Funds | |
|---------------------------------------|--------------------|----------------|--------------------------|------------------|----------|
| | General Fund | Nonmajor Funds | Total Governmental Funds | Electric | Harbor |
| Receivables: | | | | | |
| Taxes | \$ 671,339 | - | 671,339 | - | - |
| Accounts | 170,487 | - | 170,487 | 1,118,242 | 99,712 |
| Grants and shared revenues | 84,199 | 466,241 | 550,440 | - | - |
| Accrued interest | 26,499 | - | 26,499 | - | - |
| Other | - | - | - | 263,955 | - |
| Gross receivables | 952,524 | 466,241 | 1,418,765 | 1,382,197 | 99,712 |
| Less: allowance for doubtful accounts | - | - | - | (50,350) | (31,712) |
| Net receivables | \$ 952,524 | 466,241 | 1,418,765 | 1,331,847 | 68,000 |

| | Enterprise Funds | | | | | |
|---------------------------------------|------------------|-----------------------|---------------------------|------------------------|------------------------|--------------------------|
| | SMIC | Healthcare Facilities | Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds | Total Primary Government |
| Receivables: | | | | | | |
| Taxes | \$ - | - | - | - | - | 671,339 |
| Accounts | 27,556 | 4,513,999 | 351,674 | 6,111,183 | - | 6,281,670 |
| Grants and shared revenues | - | - | - | - | - | 550,440 |
| Accrued interest | - | - | - | - | - | 26,499 |
| Other | 159 | 627,000 | 576 | 891,690 | 405 | 892,095 |
| Gross receivables | 27,715 | 5,140,999 | 352,250 | 7,002,873 | 405 | 8,422,043 |
| Less: allowance for doubtful accounts | - | (1,667,000) | (15,826) | (1,764,888) | - | (1,764,888) |
| Net receivables | \$ 27,715 | 3,473,999 | 336,424 | 5,237,985 | 405 | 6,657,155 |

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

5. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

| Governmental Activities | Balance January 1, 2020 | Additions and Reclassifications | Deletions and Reclassifications | Balance December 31, 2020 |
|--|-------------------------------|------------------------------------|------------------------------------|---------------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 5,509,589 | - | - | 5,509,589 |
| Construction in progress | 153,742 | 768,875 | (552,342) | 370,275 |
| Total assets not being depreciated | 5,663,331 | 768,875 | (552,342) | 5,879,864 |
| Capital assets being depreciated: | | | | |
| Buildings | 71,675,025 | - | - | 71,675,025 |
| Improvements other than buildings | 28,382,232 | 86,003 | - | 28,468,235 |
| Machinery and equipment | 9,556,469 | 1,030,903 | - | 10,587,372 |
| Total assets being depreciated | 109,613,726 | 1,116,906 | - | 110,730,632 |
| Less accumulated depreciation for: | | | | |
| Buildings | 32,983,062 | 1,752,382 | - | 34,735,444 |
| Improvements other than buildings | 17,019,074 | 644,434 | - | 17,663,508 |
| Machinery and equipment | 8,538,469 | 245,537 | - | 8,784,006 |
| Total accumulated depreciation | 58,540,605 | 2,642,353 | - | 61,182,958 |
| Total capital assets being depreciated | 51,073,121 | (1,525,447) | - | 49,547,674 |
| Governmental Activities Capital Assets, net | \$ 56,736,452 | (756,572) | (552,342) | 55,427,538 |

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City of Seward, Alaska

Notes to Basic Financial Statements, Continued

| Business-type Activities | Balance January 1, 2020 | Additions and Reclassifications | Deletions and Reclassifications | Balance December 31, 2020 |
|--|-------------------------------|------------------------------------|------------------------------------|---------------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 30,703,256 | - | - | 30,703,256 |
| Construction in progress | 1,851,000 | 267,636 | (1,757,000) | 361,636 |
| Total assets not being depreciated | 32,554,256 | 267,636 | (1,757,000) | 31,064,892 |
| Capital assets being depreciated: | | | | |
| Buildings | 37,201,367 | - | - | 37,201,367 |
| Infrastructure | 51,185,227 | - | - | 51,185,227 |
| Improvements other than buildings | 140,063,321 | - | - | 140,063,321 |
| Machinery and equipment | 27,631,055 | 2,191,350 | (108,837) | 29,713,568 |
| Total assets being depreciated | 256,080,970 | 2,191,350 | (108,837) | 258,163,483 |
| Less accumulated depreciation for: | | | | |
| Buildings | 20,927,385 | 1,022,922 | - | 21,950,307 |
| Infrastructure | 4,004,677 | 1,129,025 | - | 5,133,702 |
| Improvements other than buildings | 102,775,096 | 3,295,554 | - | 106,070,650 |
| Machinery and equipment | 21,178,474 | 974,811 | (73,837) | 22,079,448 |
| Total accumulated depreciation | 148,885,632 | 6,422,312 | (73,837) | 155,234,107 |
| Total capital assets being depreciated | 107,195,338 | (4,230,962) | (35,000) | 102,929,376 |
| Business-type Activities Capital | | | | |
| Assets, net | \$ 139,749,594 | (3,963,326) | (1,792,000) | 133,994,268 |

* The ending balances include \$8,045,443 and \$6,216,415 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, Continued

Depreciation for the year ended December 31, 2020 was charged to the functions as follows:

| Governmental Activities | | |
|---|-----------|------------------|
| General government | \$ | 75,173 |
| Public safety | | 128,646 |
| Public works | | 712,191 |
| Parks and recreation | | 68,930 |
| Library | | 242,428 |
| Clinic | | 14,611 |
| SeaLife Center | | 1,400,374 |
| Total Governmental Activities | \$ | 2,642,353 |
| Business-type Activities | | |
| Electric | \$ | 1,629,122 |
| Water | | 423,672 |
| Wastewater | | 353,873 |
| Harbor | | 1,527,283 |
| SMIC | | 784,747 |
| Parking | | 29,023 |
| Healthcare facilities | | 1,268,825 |
| In addition, depreciation on capital assets held by the City's Motor Pool internal service fund is charged to the various functions based on their usage of the assets. | | 405,767 |
| Total Business-type Activities | \$ | 6,422,312 |

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City of Seward, Alaska

Notes to Basic Financial Statements, Continued

6. Interfund Receivables, Payables and Transfers

A schedule of interfund balances and transfers as of and for the year ended December 31, 2020, follows. Interfund balances typically result from short-term operating or capital advances. Transfers typically result from capital matching, operating subsidies, and payment in lieu of taxes.

Due From Other Funds

| | |
|--|-----------|
| Due to the General Fund from Nonmajor Governmental Funds | \$ 14,680 |
|--|-----------|

Transfers

From General Fund to:

| | |
|--|------------------|
| SMIC Enterprise Fund | \$ 42,492 |
| Healthcare Facilities Enterprise Fund | 929,777 |
| Nonmajor Enterprise Funds | 16,000 |
| Motor Pool Internal Service Fund | 6,000 |
| Nonmajor Governmental Fund | 206,331 |
| Total transfers from General Fund | 1,200,600 |

From Electric Enterprise Fund to:

| | |
|-----------------------------|-----------|
| General Fund | 1,016,925 |
| Nonmajor Governmental Funds | 281,044 |

From Harbor Enterprise Fund to:

| | |
|-----------------------------|---------|
| General Fund | 448,919 |
| Nonmajor Governmental Funds | 246,371 |

From SMIC Enterprise Fund to:

| | |
|--------------|---------|
| General Fund | 113,251 |
|--------------|---------|

From Healthcare Facilities Enterprise Fund to:

| | |
|-----------------------------|---------|
| Nonmajor Governmental Funds | 100,000 |
|-----------------------------|---------|

From Nonmajor Enterprise Funds to:

| | |
|----------------------------------|---------|
| General Fund | 232,165 |
| Motor Pool Internal Service Fund | 5,781 |

From Nonmajor Governmental Funds to:

| | |
|-----------------------------------|---------|
| General Fund | 30,000 |
| Other Nonmajor Governmental Funds | 135,000 |

| | |
|---|---------------------|
| Total Transfers From Other Funds | \$ 2,609,456 |
|---|---------------------|

The City has one outstanding interfund loan.

In 2006, the Motor Pool Internal Service Fund and the Electric Enterprise Fund issued interfund loans in the total amount of \$1,708,125 to the Healthcare Facilities Enterprise Fund for the purpose of paying the Seward General Hospital PERS unfunded pension liability. Repayment is scheduled over twenty years bearing interest at 5.25%. In 2016, the Electric Enterprise Fund portion of the loan was retired. At December 31, 2020 the outstanding balance of the loan is \$496,368 of which \$72,517 is presented as current. At December 31, 2020 \$26,059 of interest has been accrued on this loan.

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

7. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended December 31, 2020:

| Governmental Activities | Balance at January 1, 2020 | Additions | Retirements | Balance at December 31, 2020 | Due Within One Year |
|--|----------------------------------|----------------|----------------|------------------------------------|---------------------------|
| General obligation bonds - | | | | | |
| \$3,480,000 2012 General Obligation bonds, due in annual installments of \$115,000 to \$240,000. Plus interest at 4.0% to 5.0% through July 1, 2036 | \$ 2,895,000 | - | 115,000 | 2,780,000 | 120,000 |
| \$2,890,000 2018 General Obligation bonds, due in annual installments of \$110,000 to \$200,000, plus interest at 2.5% to 5.0% through May 1, 2037 | 2,695,000 | - | 105,000 | 2,590,000 | 110,000 |
| Accrued compensated absences | 348,613 | 341,108 | 273,606 | 416,115 | 92,022 |
| Total Governmental Activities Long-term Liabilities | \$ 5,938,613 | 341,108 | 493,606 | 5,786,115 | 322,022 |
| Plus unamortized bond premium | | | | 250,187 | |
| | | | | <u>\$ 6,036,302</u> | |

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

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City of Seward, Alaska

Notes to Basic Financial Statements, Continued

| Business-type Activities | Balance at January 1, 2020 | Additions | Retirements | Balance at December 31, 2020 | Due Within One Year |
|---|----------------------------------|-----------|-------------|------------------------------------|---------------------------|
| Revenue bonds: | | | | | |
| \$17,135,000 refunding long-term care facility bonds, due in annual installments of \$870,000 to \$1,405,000, plus interest at 2.0% to 5.0% through August 1, 2033 | \$ 16,080,000 | - | 870,000 | 15,210,000 | 910,000 |
| \$5,045,000 refunding electric revenue bonds, due in annual installments of \$165,000 to \$330,000, plus interest at 2.0% to 5.0%, through August 1, 2038 | 4,735,000 | - | 170,000 | 4,565,000 | 180,000 |
| \$1,055,000 refunding harbor revenue bonds, due in annual installments of \$200,000 to \$230,000, plus interest at 4.0%, through December 1, 2021 | 445,000 | - | 215,000 | 230,000 | 230,000 |
| \$830,000 2014 A refunding harbor revenue bonds, due in annual installments of \$65,000 to \$100,000, plus interest at 5.0%, through April 1, 2025 | 545,000 | - | 80,000 | 465,000 | 85,000 |
| \$2,575,000 2014 B refunding harbor revenue bonds, due in annual installments of \$210,000 to \$320,000, plus interest at 3.0% to 5.0%, through April 1, 2026 | 1,925,000 | - | 235,000 | 1,690,000 | 245,000 |
| Notes payable: | | | | | |
| \$678,740 sewer note payable to State of Alaska Department of Environmental Conservation, due in annual installments of \$36,688 including interest at 1.5% through September 1, 2035 | 516,253 | - | 28,945 | 487,308 | 29,379 |

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

| Business-type Activities | Balance at January 1, 2020 | Additions | Retirements | Balance at December 31, 2020 | Due Within One Year |
|--|----------------------------------|-----------|-------------|------------------------------------|---------------------------|
| Notes payable, continued: | | | | | |
| \$620,047 sewer note payable to State of Alaska Department of Environmental Conservation, due in annual installments of \$35,944 including interest at 1.5% through September 11, 2035 | 507,928 | - | 28,326 | 479,602 | 28,749 |
| \$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 | 1,174,123 | - | 139,232 | 1,034,891 | 141,321 |
| Accrued compensated absences | 174,276 | 197,122 | 193,231 | 178,167 | 49,701 |
| Total Business-type Activities | | | | | |
| Long-term Liabilities | \$ 26,102,580 | 197,122 | 1,959,734 | 24,339,968 | 1,899,150 |
| Plus unamortized bond premium | | | | 1,746,955 | |
| | | | | <u>\$ 26,086,923</u> | |

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City of Seward, Alaska

Notes to Basic Financial Statements, Continued

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

| <i>General Obligation Bonds</i> Year Ending December 31, | Governmental Activities | | |
|---|--------------------------------|-----------|-----------|
| | Principal | Interest | Total |
| 2021 | \$ 230,000 | 223,456 | 453,456 |
| 2022 | 240,000 | 211,831 | 451,831 |
| 2023 | 255,000 | 199,706 | 454,706 |
| 2024 | 265,000 | 188,394 | 453,394 |
| 2025 | 275,000 | 177,982 | 452,982 |
| 2026-2030 | 1,560,000 | 696,604 | 2,256,604 |
| 2031-2035 | 1,915,000 | 344,306 | 2,259,306 |
| 2036-2037 | 630,000 | 25,013 | 655,013 |
| | \$ 5,370,000 | 2,067,292 | 7,437,292 |

| <i>Revenue Bonds</i> Year Ending December 31, | Business-type Activities | | |
|--|---------------------------------|-----------|------------|
| | Principal | Interest | Total |
| 2021 | \$ 1,650,000 | 838,006 | 2,488,006 |
| 2022 | 1,490,000 | 757,806 | 2,247,806 |
| 2023 | 1,570,000 | 683,306 | 2,253,306 |
| 2024 | 1,635,000 | 604,806 | 2,239,806 |
| 2025 | 1,720,000 | 523,056 | 2,243,056 |
| 2026-2030 | 7,630,000 | 1,706,913 | 9,336,913 |
| 2031-2035 | 5,515,000 | 544,975 | 6,059,975 |
| 2036-2038 | 950,000 | 66,613 | 1,016,613 |
| | \$ 22,160,000 | 5,725,481 | 27,885,481 |

| <i>Notes Payable</i> Year Ending December 31, | Business- type Activities | | |
|--|----------------------------------|----------|-----------|
| | Principal | Interest | Total |
| 2021 | \$ 199,449 | 30,027 | 229,476 |
| 2022 | 202,441 | 27,036 | 229,477 |
| 2023 | 205,477 | 23,999 | 229,476 |
| 2024 | 208,560 | 20,917 | 229,477 |
| 2025 | 211,689 | 17,788 | 229,477 |
| 2026-2030 | 629,410 | 47,440 | 676,850 |
| 2031-2035 | 344,775 | 15,588 | 360,363 |
| | \$ 2,001,801 | 182,795 | 2,184,596 |

8. Revenue Bond Requirements

Pledged Revenues

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

Electric Revenue Bonds

The Electric Enterprise Fund has pledged future electric customer revenues, net of specified operating expenses, to repay Electric Enterprise Fund revenue bonds. Proceeds from the bonds provided financing for construction and other capital improvements. The bonds are payable solely from electric customer net revenues and are payable through 2038. The total principal and interest remaining to be paid on the bonds is \$6,146,525. Principal and interest paid for the current year and total customer net revenues were \$341,949 and \$2,459,560, respectively.

Harbor Revenue Bonds

The Harbor Enterprise Fund has pledged future harbor customer revenues, net of specified operating expenses, to repay Harbor Enterprise Fund revenue bonds. Proceeds from the bonds provided financing for construction and other capital improvements. The bonds are payable solely from harbor customer net revenues and are payable through 2026. The total principal and interest remaining to be paid on the bonds is \$2,731,000. Principal and interest paid for the current year and total customer net revenues were \$664,899 and \$937,205, respectively.

Healthcare Revenue Bonds

The Healthcare Enterprise Fund has pledged future healthcare customer revenues, net of specified operating expenses, to repay Healthcare Enterprise Fund revenue bonds. Proceeds from the bonds provided financing for construction and other capital improvements. The bonds are payable solely from healthcare customer net revenues and are payable through 2038. The total principal and interest remaining to be paid on the bonds is \$19,007,956. Principal and interest paid for the current year and total customer net revenues were \$1,477,509 and \$3,862,598, respectively.

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City of Seward, Alaska

Notes to Basic Financial Statements, Continued

Revenue Requirements

The Electric and Harbor revenue bonds also require that rates be maintained at a level that will produce net revenues after certain adjustments, equal to 1.3 and 1.2, respectively, times the amount required each year to pay the principal and interest. The City met these revenue requirements for both bonds in 2020. The bond coverage calculations are as follows:

Electric Revenue Bonds

| | | |
|--|----|--------------|
| Total revenues, excluding grants | \$ | 12,516,634 |
| Total operating expenses, excluding depreciation | | (10,057,074) |

| | | |
|-----------------------------------|----|------------------|
| Available for Debt Service | \$ | 2,459,560 |
|-----------------------------------|----|------------------|

| | | |
|------------------------|----|---------|
| Debt service payments: | | |
| Principal | \$ | 170,000 |
| Interest | | 171,949 |

| | | |
|------------------------------------|----|----------------|
| Total Debt Service Payments | \$ | 341,949 |
|------------------------------------|----|----------------|

| | | |
|----------------------|--|-------------|
| Debt Coverage | | 7.19 |
|----------------------|--|-------------|

Harbor Revenue Bonds

| | | |
|--|----|-------------|
| Total revenues, excluding grants | \$ | 3,126,459 |
| Total operating expenses, excluding depreciation | | (2,189,254) |

| | | |
|-----------------------------------|----|----------------|
| Available for Debt Service | \$ | 937,205 |
|-----------------------------------|----|----------------|

| | | |
|------------------------|----|---------|
| Debt service payments: | | |
| Principal | \$ | 530,000 |
| Interest | | 134,899 |

| | | |
|------------------------------------|----|----------------|
| Total Debt Service Payments | \$ | 664,899 |
|------------------------------------|----|----------------|

| | | |
|----------------------|--|-------------|
| Debt Coverage | | 1.41 |
|----------------------|--|-------------|

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

9. Fund Balances

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

| | General Fund | Nonmajor Funds | Totals |
|-------------------------|---------------|----------------|------------|
| Nonpendable: | | | |
| Prepaid items | \$ 442,217 | - | 442,217 |
| Committed: | | | |
| Working capital | 1,500,000 | - | 1,500,000 |
| Hospital line of credit | 500,000 | - | 500,000 |
| Total committed | 2,000,000 | - | 2,000,000 |
| Assigned: | | | |
| Insurance | 512,487 | - | 512,487 |
| Other assignments | 100,000 | - | 100,000 |
| Capital projects | - | 1,422,394 | 1,422,394 |
| General government | - | 4,771 | 4,771 |
| Public works | - | 2,150 | 2,150 |
| Total assigned | 612,487 | 1,429,315 | 2,041,802 |
| Unassigned (deficit) | 7,169,606 | (10,639) | 7,158,967 |
| Total Fund Balances | \$ 10,224,310 | 1,418,676 | 11,642,986 |

A deficit of (\$10,639) exists in the Teen Council Special Revenue Fund as a result of the City transferring funds out of the fund to pay for Hoops for Seward. It is expected that this deficit will be eliminated through future revenues or transfers from the General Fund.

10. Employee Retirement Systems and Plans

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

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

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

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

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

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

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

Other Postemployment Benefit Plans (OPEB)

Occupational Death and Disability Plan (ODD)

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. For the year ended December 31, 2020 the employer contribution rate is 0.72% for peace officers/firefighters and 0.26% for all others.

Membership in the plan consisted of the following at June 30, 2020 (latest available report):

| Membership | PERS |
|-------------------------|--------|
| Active plan members | 23,378 |
| Participating employers | 152 |

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

Alaska Retiree Healthcare Trust Plan (ARHCT)

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF). For the plan year ended June 30, 2020 (latest available information) employer contributions were 4.88% of annual payroll. Membership in the plan consisted of the following at June 30, 2020 (latest available plan report):

| Membership | PERS |
|---|--------|
| Inactive plan members or beneficiaries currently receiving benefits | 36,140 |
| Inactive plan members entitled to but not yet receiving benefits | 7,208 |
| Inactive plan members not entitled to benefits | 10,575 |
| Active plan members | 11,162 |
| Total plan membership | 65,085 |

Retiree Medical Plan (RMP)

The retiree medical plan provides major medical coverage to retirees of the DC plan. The plan is self-insured. Members are not eligible to use this plan until they have at least 10 years of service and are Medicare age eligible. For the year ended December 31, 2020 employer contributions were 1.27%. Membership in the plan consists of the following at June 30, 2020 (latest available plan report):

| Membership | PERS |
|---|--------|
| Inactive plan members or beneficiaries currently receiving benefits | 46 |
| Inactive plan members entitled to but not yet receiving benefits | 1,717 |
| Inactive plan members not entitled to benefits | 14,643 |
| Active plan members | 23,378 |
| Total plan membership | 39,784 |

Healthcare Reimbursement Arrangement Plan

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. Employer contributions are 3% of the average annual compensation of all employees in the plan. Membership in the plan consists of the following at June 30, 2020 (latest available plan report):

| Membership | PERS |
|---|--------|
| Inactive plan members or beneficiaries currently receiving benefits | 63 |
| Inactive plan members entitled to but not yet receiving benefits | 1,717 |
| Inactive plan members not entitled to benefits | 14,643 |
| Active plan members | 23,378 |
| Total plan membership | 39,801 |

Notes to Basic Financial Statements, Continued

Investments

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

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

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual weighted rate of return, net of investment expense, for the year ended June 30, 2020 (latest available plan report) for the DB Plan for PERS is 4.03%, for the ARHCT plan is 4.16%, for the ODD Plan is 4.28%, and for the RMP is 4.33%.

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

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

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

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------|---|
| Broad Domestic Equity | 6.24% |
| Global Equity (non-U.S.) | 6.67% |
| Aggregate bonds | (0.16%) |
| Opportunistic | 3.01% |
| Real Assets | 3.82% |
| Private Equity | 10.00% |
| Cash Equivalents | (1.09%) |

Notes to Basic Financial Statements, Continued

Discount Rate: The discount rate used to measure the total pension and OPEB liabilities and assets is 7.38%, which did not change from the prior measurement period. The projection of the cash flows used to determine the discount rate assumes that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the net pension and OPEB plans fiduciary net pension and OPEB liabilities and assets were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments were applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities and assets. In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefits not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 2.66% as of June 30, 2020.

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

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

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

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

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

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

Employer Contribution rates for the year ended December 31, 2020 are as follows:

| | Employer Effective Rate | ARM Board Adopted Rate | State Contribution Rate |
|-------------------------------|-------------------------------|---------------------------------|-------------------------------|
| PERS: | | | |
| Pension | 14.57% | 26.58% | 8.85% |
| OPEB | 7.43% | 4.27% | 0% |
| Total PERS contribution rates | <u>22.00%</u> | <u>30.85%</u> | <u>8.85%</u> |

Termination Costs: If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group, or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City’s one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2021 the past service rate for PERS is 18.23%.

Actuarial Assumptions: The total pension and OPEB liabilities on June 30, 2020 (latest available plan report) were determined by an actuarial valuation as of June 30, 2019 which was rolled forward to the measurement date June 30, 2020. These actuarial assumptions were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017.

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

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

| | |
|------------------------------|--|
| Mortality (Post-termination) | Mortality rates based upon the 2013-2017 actual experience. 91% of male and 96% of female rates of RP-2014 health annuitant table with MP-2017 generational improvement. |
| Total turnover | Based upon the 2013-2017 actual withdrawal experience. |
| Disability | Incidence rates based on 2013-2017 actual experience. Post-disability mortality in accordance with the RP-2014 disability table with MP-2017 generational improvement. Disabilities are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for others. |
| Retirement | Retirement rates based upon the 2013-2017 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date. |
| Marriage and age difference | Males are assumed to be three years older than their wives. Females are assumed to be two years younger than their husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married. |
| Healthcare cost trend rates | Pre-65 medical: 7.0% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Prescription drugs: 8.0% grading down to 4.5% EGWP: 8.0% grading down to 4.5%. |

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

1. Per capita claims costs were updated to reflect recent experience.
2. Normal cost for administrative expenses were updated to reflect recent experience.
3. Healthcare cost trends were updated to reflect the repeal of the Cadillac Tax.

Notes to Basic Financial Statements, Continued

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

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

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

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

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

Currently there are 151 employers participating in PERS defined benefit plan, including the State of Alaska and 150 political subdivisions and public organizations.

The DB Plan's membership consisted of the following at June 30, 2020 (latest available report):

| | |
|---|---------------|
| Inactive plan members or beneficiaries currently receiving benefits | 36,140 |
| Inactive plan members entitled to but not receiving benefits | 7,208 |
| Inactive members not entitled to benefits | 10,575 |
| Active plan members | <u>11,162</u> |
| Total DB plan membership | <u>65,085</u> |

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

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

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

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

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

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

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

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

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

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

Employer contributions for the year ended December 31, 2020, were:

| | Pensions (DB) | Other Post-Employment Benefits (DB) | Total |
|----|------------------|--|---------|
| \$ | 570,443 | 217,821 | 788,264 |

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

Public Employees Retirement Plans

For the year ended December 31, 2020 the State of Alaska contributed \$395,755 (100% pension cost) on-behalf of the City, which has been recorded in the fund financial statements under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2020 to a total of \$294,631 , to represent the pension/OPEB expense attributable to the State under the full accrual basis of accounting.

Pension and OPEB Liabilities and Assets, Pension and OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and OPEB: At December 31, 2020, the City reported liabilities and assets that reflected a reduction for State pension and OPEB support provided to the City. The amount recognized by the City as its proportionate share of net pension and OPEB liabilities (assets), the related State support, and the total portion of the net pension and OPEB liabilities (assets) that were associated with the City were as follows:

| | | |
|---|----|-------------------|
| Defined Benefit: | | Pension |
| City's proportionate share of the net pension liability | \$ | 8,920,386 |
| State's proportionate share of the net pension liability | | <u>3,692,619</u> |
| Total | \$ | <u>12,613,005</u> |
| | | OPEB |
| City's proportionate share of the ARHCT OPEB liability (asset) | \$ | (684,490) |
| State's proportionate share of the ARHCT OPEB liability (asset) | | <u>(283,697)</u> |
| Total | \$ | <u>(968,187)</u> |
| City's proportionate share of the ODD OPEB liability (asset) | \$ | <u>(69,440)</u> |
| City's proportionate share of the RMP OPEB liability | \$ | <u>16,914</u> |
| Total City's share of net pension and OPEB liabilities | \$ | <u>8,937,300</u> |
| Total City's share of net pension and OPEB (assets) | \$ | <u>(753,930)</u> |

The net pension and OPEB liabilities and assets were measured as of June 30, 2020, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities and assets were determined by an actuarial valuation as of that date. The City's proportion of the net pension and OPEB liabilities and assets were based on the present value of contributions for FY2022 through FY2039, as determined by projections based on the June 30, 2020 valuation.

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

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

| | June 30, 2019 Measurement | June 30, 2020 Measurement | Change |
|---------|------------------------------|------------------------------|-----------|
| Pension | 0.1569% | 0.1512% | (0.0057)% |
| OPEB: | | | |
| ARHCT | 0.1569% | 0.1511% | (0.0058)% |
| ODD | 0.2477% | 0.2547% | 0.0070% |
| RMP | 0.2275% | 0.2385% | 0.0110% |

Based on the measurement date of June 30, 2020, the City recognized pension and OPEB expense of \$789,596 and (\$614,118), respectively, for the year ended December 31, 2020. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

| | Pension | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Defined Benefit: | | |
| Differences between expected and actual experience | \$ 28,298 | - |
| Changes of assumptions | - | |
| Net difference between projected and actual earnings on pension plan investments | 363,060 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | - | 96,082 |
| City contributions subsequent to the measurement date | 260,849 | - |
| Total | \$ <u>652,207</u> | <u>96,082</u> |

| | OPEB ARHCT | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | 54,911 |
| Changes of assumptions | - | 477,130 |
| Net difference between projected and actual earnings on OPEB plan investments | 274,635 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 18,200 | - |
| City contributions subsequent to the measurement date | 103,896 | - |
| Total | \$ <u>396,731</u> | <u>532,041</u> |

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

| | OPEB ODD | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | 23,299 |
| Changes of assumptions | - | 1,017 |
| Net difference between projected and actual earnings on OPEB plan investments | 2,382 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 477 | 3,516 |
| City contributions subsequent to the measurement date | 5,561 | - |
| Total | \$ <u>8,420</u> | <u>27,832</u> |

| | OPEB RMP | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 88 | 3,635 |
| Changes of assumptions | 23,753 | 43,725 |
| Net difference between projected and actual earnings on OPEB plan investments | 7,573 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 1,840 | 116 |
| City contributions subsequent to the measurement date | 21,181 | - |
| Total | \$ <u>54,435</u> | <u>47,476</u> |

\$260,849 and \$130,638 are reported as deferred outflows of resources related to pension and OPEB resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension and OPEB liabilities and as an increase to the net pension and OPEB assets in the year ended December 31, 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension and OPEB will be recognized in pension and OPEB expense as follows:

| Year Ended December 31, | Pension | OPEB ARHCT | OPEB ODD | OPEB RMP |
|----------------------------|-------------------|------------------|-----------------|-----------------|
| 2021 | \$ (61,368) | (516,050) | (4,083) | (1,616) |
| 2022 | 127,678 | 97,755 | (3,519) | (105) |
| 2023 | 134,951 | 104,962 | (3,507) | (131) |
| 2024 | 94,015 | 74,127 | (3,696) | (709) |
| 2025 | - | - | (4,297) | (2,534) |
| Thereafter | - | - | (5,871) | (9,127) |
| Total | \$ <u>295,276</u> | <u>(239,206)</u> | <u>(24,973)</u> | <u>(14,222)</u> |

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

For the year ended December 31, 2020, the City recognized (\$840,381) and (\$36,772) of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

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

| | 1% Decrease (6.38%) | Current Rate (7.38%) | 1% Increase (8.38%) |
|----------------------------------|------------------------|-------------------------|------------------------|
| Net pension liability (asset) | \$ 11,598,387 | 8,920,386 | 6,674,289 |
| Net OPEB ARHCT liability (asset) | \$ 714,251 | (684,490) | (1,843,061) |
| Net OPEB ODD liability (asset) | \$ (65,252) | (69,440) | (72,787) |
| Net OPEB RMP liability | \$ 104,781 | 16,914 | (49,598) |

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

| | 1% Decrease | Current Rate | 1% Increase |
|----------------------------------|----------------|--------------|-------------|
| Net OPEB ARHCT liability (asset) | \$ (1,987,901) | (684,490) | 882,968 |
| Net OPEB RMP liability (asset) | \$ (59,346) | 16,914 | 120,643 |

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

Plan Description and Funding Requirements. City's and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.27% for the retiree medical plan (DB), 0.31% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Additionally, there is a defined benefit unfunded liability (DBUL) amount levied against the DC plan and allocated to the DB Plan's pension and OPEB contribution.

Plan members are 100% vested with their contributions.

Notes to Basic Financial Statements, Continued

Members become vested in employers' contributions as follows:

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

The City contributed \$288,479 for the year ended December 31, 2020, which included forfeitures of \$12,427 which have been applied as employer contributions.

11. International Brotherhood of Electrical Workers

Defined Benefit Plan

Certain Electric Fund employees are members of the International Brotherhood of Electrical Workers (IBEW), and participate in a cost-sharing defined benefit plan, *the Alaska Electrical Pension Plan of the Alaska Electrical Pension Fund* (IEBW Plan). The Alaska Electrical Pension Trust (AEPT) Board of Trustees administers the IBEW Plan and has the authority to establish and amend benefit terms and approve changes in employer required contributions. Each year, AEPT issues annual financial reports that can be obtained by writing the plan administrator, Alaska Electrical Pension Trust, 2600 Denali Street, Suite 200, Anchorage, Alaska 99503. The City had six employees covered by the Plan as of December 31, 2020.

The IBEW Plan provides several levels of retirement benefits, including early retirement, normal retirement, late retirement, and disability retirement and includes several options for spouse participation and death benefits. The City contributes to the IBEW Plan for its covered employees according to the terms of its Agreement Covering Terms and Conditions of Employment (Agreement) with the IBEW Local 1547. The current Agreement became effective on July 1, 2019 and expires on June 30, 2022. The Agreement automatically renews for a period of one year from its expiration date and for successive periods of one year each thereafter for so long as there is no proper notification of an intent to negotiate a successor Agreement.

Employer contributions are determined from hours of work reported by participating employers and the contractual employer contribution rate in effect. The City's required contribution to the IBEW Plan for each hour for which compensation is paid to the employee for July 1, 2019 to June 30, 2020 was \$8.46 and July 1, 2020 to December 31, 2020 was \$8.71. The City's total employer contributions to the IBEW Plan for 2020 were \$133,453. These amounts are paid during the normal course of business in the month following each year end. The City is not subject to withdrawal penalties, nor are there any future minimum payments to the IBEW Plan required other than the contribution per hour compensated as required by the Agreement.

Defined Contribution Plan - Money Purchase Plan

The Agreement requires employer contributions to be made in an amount of \$225 per month for eligible employees to the Alaska Electrical Workers Money Purchase Plan (Money Purchase Plan). The City's employer and employee contributions to the Money Purchase Plan during 2020 were \$17,775 and \$3,323, respectively. One hundred percent (100%) of the City's required contributions to the IBEW plans have been made through these contributions to the AETF.

12. 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.

13. 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, 2020.

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.

14. Commitments and Contingencies

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

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

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

15. Change in Accounting Principles

In 2020, the City of Seward adopted the provisions GASB Statement No. 84 *Fiduciary Activities*, which established criteria for identifying fiduciary activities of the City and reporting of said fiduciary activities. As a result of these accounting principles, the City of Seward reevaluated its previously reported Teen Council Agency Fund. Under GASB Statement No. 84 the City determined that this fund no longer meets the criteria for reporting as a Fiduciary Fund due to the extent of administrative involvement over the fund which is also not administered through a trust legally protected from creditors of the City.

City of Seward, Alaska

Notes to Basic Financial Statements, Continued

As a result of this change, the fund is now presented as the Teen Council Special Revenue Fund of the City, and the previously reported Due to Teen Council liability of the Teen Council Agency Fund of \$19,526 in 2019 has been restated to fund balance to align with the new principle. Accordingly, the total beginning fund balance of the Other Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balance has been updated to reflect the following changes:

| | | Total Other Governmental Funds |
|---|----|--------------------------------------|
| Beginning fund balance, as originally presented | \$ | 2,963,035 |
| Change in accounting principle adjustment | | 19,526 |
| Beginning fund balance, as restated | \$ | 2,982,561 |

Beginning net position of the governmental activities in the Statement of Activities has been updated to reflect the following changes:

| | | Governmental Activities |
|---|----|----------------------------|
| Beginning net position, as originally presented | \$ | 57,548,669 |
| Change in accounting principle adjustment | | 19,526 |
| Beginning net position, as restated | \$ | 57,568,195 |

16. Subsequent Accounting Pronouncements

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

- GASB 87 *Leases*. Effective for fiscal years beginning after June 15, 2021.
- GASB 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for fiscal years beginning after December 15, 2020.
- GASB 91 *Conduit Debt Obligations*. Effective for fiscal years beginning after December 15, 2021.
- GASB 92 *Omnibus 2020*. This Statement has multiple effective dates which vary by topic.
- GASB 93 *Replacement of Interbank Offered Rates*. Effective for fiscal years beginning after June 15, 2021.
- GASB 94 *Public-Private and Public-Public Partnerships and Availability Payments Arrangements*. Effective for fiscal years beginning after June 15, 2022.
- GASB 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. Effective immediately.
- GASB 96 *Subscription-Based Information Technology Arrangements*. Effective for fiscal years beginning after June 15, 2022.
- GASB 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Effective for fiscal years beginning after June 15, 2021.

Notes to Basic Financial Statements, Continued

GASB Statements No. 93, 94, and 96 are not expected to have any significant impact on the financial statements of the City.

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

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

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

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

GASB Statement No. 95 provides temporary relief to governments in light of the COVID-19 pandemic. The effective dates of the following pronouncement are postponed by one year: GASB Statements No. 83, No. 84, No. 88, No. 89, No. 90, No. 91, No. 92, and No. 93. The effective date for GASB 87 has been postponed by 18 months.

GASB Statement No. 97 will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

Required Supplementary Information

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

| <i>Year Ended December 31, 2020</i> | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-------------------|-------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 7,706,600 | 7,706,600 | 5,636,427 | (2,070,173) |
| Licenses and permits | 143,600 | 143,600 | 136,475 | (7,125) |
| Intergovernmental | 860,021 | 870,021 | 1,078,448 | 208,427 |
| Charges for services | 3,112,371 | 3,093,771 | 2,809,873 | (283,898) |
| Fines and bails | 17,000 | 17,000 | 11,075 | (5,925) |
| Investment income | 71,500 | 71,500 | 150,417 | 78,917 |
| Other | 17,500 | 26,100 | 118,427 | 92,327 |
| Total Revenues | 11,928,592 | 11,928,592 | 9,941,142 | (1,987,450) |
| Expenditures | | | | |
| Current: | | | | |
| General government | 3,391,577 | 3,391,577 | 3,280,752 | 110,825 |
| Public safety | 4,260,622 | 4,260,622 | 3,117,515 | 1,143,107 |
| Public works | 1,438,877 | 1,438,877 | 1,546,116 | (107,239) |
| Parks and recreation | 1,657,835 | 1,657,835 | 1,340,371 | 317,464 |
| Library | 675,544 | 675,544 | 649,865 | 25,679 |
| Debt service: | | | | |
| Principal payments | 220,000 | 220,000 | 220,000 | - |
| Retirement benefits | 729,457 | 729,457 | - | 729,457 |
| Interest and other costs | 234,581 | 234,581 | 234,581 | - |
| Total Expenditures | 12,608,493 | 12,608,493 | 10,389,200 | 2,219,293 |
| Excess of Revenues Over (Under) Expenditures | (679,901) | (679,901) | (448,058) | 231,843 |
| Other Financing Uses | | | | |
| Transfers in | 2,114,152 | 2,114,152 | 1,841,260 | (272,892) |
| Transfers out | (1,417,242) | (1,417,242) | (1,200,600) | 216,642 |
| Total Other Financing Sources (Uses) | 696,910 | 696,910 | 640,660 | (56,250) |
| Change in Fund Balance | \$ 17,009 | 17,009 | 192,602 | 175,593 |
| Fund Balance, beginning of year | | | 10,031,708 | |
| Fund Balance, end of year | | | \$ 10,224,310 | |

See accompanying notes to required supplementary information.

City of Seward, Alaska
City CARES Act Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Original and Final Budget and Actual

| <i>Year Ended December 31, 2020</i> | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 5,330,532 | 5,330,532 | 5,330,532 | - |
| Investment income | - | - | 306 | 306 |
| Total Revenues | 5,330,532 | 5,330,532 | 5,330,838 | 306 |
| Expenditures | | | | |
| Current: | | | | |
| General government | | | 124,090 | |
| Public safety | | | 1,620,181 | |
| Community support | | | 3,586,567 | |
| Total Expenditures | 5,330,532 | 5,330,532 | 5,330,838 | (306) |
| Excess of Revenues Over (Under) Expenditures | \$ - | - | - | - |
| Fund Balance, beginning of year | | | - | |
| Fund Balance, end of year | | | \$ - | |

See accompanying notes to required supplementary information.

City of Seward, Alaska

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

Public Employees' Retirement System (PERS)

December 31, 2020

| Year | City's Proportion of the Net Pension Liability | City's Proportionate Share of the Net Pension Liability | State of Alaska Proportionate Share of the Net Pension Liability | Total Net Pension Liability | City's Covered Payroll | City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------|--|---|--|-----------------------------|------------------------|--|--|
| 2015 | 0.1853% | \$ 8,985,893 | \$ 2,408,070 | \$ 11,393,963 | \$ 5,021,085 | 179% | 63.96% |
| 2016 | 0.2068% | \$ 11,558,576 | \$ 1,457,718 | \$ 13,016,294 | \$ 4,968,887 | 233% | 59.55% |
| 2017 | 0.1565% | \$ 8,088,553 | \$ 3,013,251 | \$ 11,101,804 | \$ 5,031,902 | 161% | 63.37% |
| 2018 | 0.1867% | \$ 9,276,595 | \$ 2,687,289 | \$ 11,963,884 | \$ 5,141,955 | 180% | 65.19% |
| 2019 | 0.1569% | \$ 8,586,970 | \$ 3,409,173 | \$ 11,996,143 | \$ 4,908,713 | 175% | 63.42% |
| 2020 | 0.1512% | \$ 8,920,386 | \$ 3,692,619 | \$ 12,613,005 | \$ 4,728,623 | 189% | 61.61% |

Notes to Schedule:

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

City of Seward, Alaska

Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset)

Public Employees' Retirement System (PERS)

December 31, 2020

| Year | City's Proportion of the Net OPEB Liability (Asset) | City's Proportionate Share of the Net OPEB Liability (Asset) | State of Alaska Proportionate Share of the Net OPEB Liability (Asset) | Total Net OPEB Liability (Asset) | City's Covered Payroll | City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset) |
|--|--|---|--|---|------------------------------|--|---|
| Alaska Retiree Healthcare Trust Plan (ARHCT): | | | | | | | |
| 2017 | 0.1565% | \$ 1,321,817 | \$ 492,356 | \$ 1,814,173 | \$ 4,902,901 | 26.96% | 89.68% |
| 2018 | 0.1866% | \$ 1,915,028 | \$ 556,157 | \$ 2,471,185 | \$ 5,160,904 | 37.11% | 88.12% |
| 2019 | 0.1569% | \$ 232,830 | \$ 92,538 | \$ 325,368 | \$ 4,908,713 | 4.74% | 98.13% |
| 2020 | 0.1511% | \$ (684,490) | \$ (283,697) | \$ (968,187) | \$ 4,728,623 | -14.48% | 106.15% |
| Occupational Death and Disability (ODD): | | | | | | | |
| 2017 | 0.2280% | \$ (32,352) | \$ - | \$ (32,352) | \$ 4,902,901 | -0.66% | 212.97% |
| 2018 | 0.2258% | \$ (43,856) | \$ - | \$ (43,856) | \$ 5,160,904 | -0.85% | 270.62% |
| 2019 | 0.2477% | \$ (60,055) | \$ - | \$ (60,055) | \$ 4,908,713 | -1.22% | 297.43% |
| 2020 | 0.2547% | \$ (69,440) | \$ - | \$ (69,440) | \$ 4,728,623 | -1.47% | 283.81% |
| Retiree Medical Plan (RMP): | | | | | | | |
| 2017 | 0.2280% | \$ 11,890 | \$ - | \$ 11,890 | \$ 4,902,901 | 0.24% | 93.98% |
| 2018 | 0.2258% | \$ 28,734 | \$ - | \$ 28,734 | \$ 5,160,904 | 0.56% | 88.71% |
| 2019 | 0.2275% | \$ 54,424 | \$ - | \$ 54,424 | \$ 4,908,713 | 1.11% | 83.17% |
| 2020 | 0.2385% | \$ 16,914 | \$ - | \$ 16,914 | \$ 4,728,623 | 0.36% | 95.23% |

Notes to Schedule:

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

City of Seward, Alaska

Schedule of the City's Contributions (Pension)

Public Employees' Retirement System (PERS)

December 31, 2020

| Year | Contractually Required Contribution | Contributions Relative to the Contractually Required Contribution | Contribution Deficiency (Excess) | City's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|------|---|---|--|------------------------------|---|
| 2015 | \$ 485,647 | \$ (485,647) | \$ - | \$ 5,098,436 | 9.53% |
| 2016 | \$ 541,407 | \$ (541,407) | \$ - | \$ 4,902,901 | 11.04% |
| 2017 | \$ 645,662 | \$ (645,662) | \$ - | \$ 5,160,904 | 12.51% |
| 2018 | \$ 644,586 | \$ (644,586) | \$ - | \$ 5,123,006 | 12.58% |
| 2019 | \$ 550,925 | \$ (547,855) | \$ 3,070 | \$ 4,838,355 | 11.39% |
| 2020 | \$ 567,373 | \$ (570,443) | \$ (3,070) | \$ 4,894,286 | 11.59% |

Notes to schedule

- Valuation date: June 30, 2019, which was rolled forward to the plan measurement date of June 30, 2020.
- Actuarially determined contribution rates are calculated as of June 30th, eighteen months prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

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

City of Seward Alaska

Schedule of the City's Contributions (OPEB)

Public Employees' Retirement System (PERS)

December 31, 2020

| Year | Contractually Required Contribution | Contributions Relative to the Contractually Required Contribution | Contribution Deficiency (Excess) | City's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|--|---|---|--|------------------------------|---|
| Alaska Retiree Healthcare Trust Plan (ARHCT): | | | | | |
| 2017 | \$ 285,897 | \$ (285,897) | \$ - | \$ 5,160,904 | 5.54% |
| 2018 | \$ 207,098 | \$ (207,098) | \$ - | \$ 5,123,006 | 4.04% |
| 2019 | \$ 209,371 | \$ (209,371) | \$ - | \$ 4,838,355 | 4.33% |
| 2020 | \$ 163,155 | \$ (163,155) | \$ - | \$ 4,894,286 | 3.33% |
| Occupational Death and Disability (ODD): | | | | | |
| 2017 | \$ 5,285 | \$ (5,285) | \$ - | \$ 5,160,904 | 0.10% |
| 2018 | \$ 7,742 | \$ (7,742) | \$ - | \$ 5,123,006 | 0.15% |
| 2019 | \$ 10,726 | \$ (10,726) | \$ - | \$ 4,838,355 | 0.22% |
| 2020 | \$ 12,097 | \$ (12,097) | \$ - | \$ 4,894,286 | 0.25% |
| Retiree Medical Plan (RMP): | | | | | |
| 2017 | \$ 26,831 | \$ (26,831) | \$ - | \$ 5,160,904 | 0.52% |
| 2018 | \$ 26,770 | \$ (26,770) | \$ - | \$ 5,123,006 | 0.52% |
| 2019 | \$ 34,650 | \$ (34,650) | \$ - | \$ 4,838,355 | 0.72% |
| 2020 | \$ 42,569 | \$ (42,569) | \$ - | \$ 4,894,286 | 0.87% |

Notes to schedule

- Valuation date: June 30, 2019, which was rolled forward to the plan measurement date of June 30, 2020.
- Actuarially determined contribution rates are calculated as of June 30th, eighteen months prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

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

City of Seward, Alaska

Schedule of the City's Contributions (Pension)

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

December 31, 2020

| Year | Contractually Required Contribution | Contributions Relative to the Contractually Required Contribution | Contribution Deficiency (Excess) | City's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|------|---|---|--|------------------------------|---|
| 2010 | \$ 59,231 | \$ (59,231) | \$ - | \$ 649,553 | 9.12% |
| 2011 | \$ 65,956 | \$ (65,956) | \$ - | \$ 697,056 | 9.46% |
| 2012 | \$ 70,686 | \$ (70,686) | \$ - | \$ 661,071 | 10.69% |
| 2013 | \$ 88,389 | \$ (88,389) | \$ - | \$ 719,381 | 12.29% |
| 2014 | \$ 72,669 | \$ (72,669) | \$ - | \$ 806,727 | 9.01% |
| 2015 | \$ 81,964 | \$ (81,964) | \$ - | \$ 668,257 | 12.27% |
| 2016 | \$ 102,429 | \$ (102,429) | \$ - | \$ 752,587 | 13.61% |
| 2017 | \$ 129,627 | \$ (129,627) | \$ - | \$ 790,348 | 16.40% |
| 2018 | \$ 103,547 | \$ (103,547) | \$ - | \$ 958,591 | 10.80% |
| 2019 | \$ 113,631 | \$ (113,631) | \$ - | \$ 862,937 | 13.17% |
| 2020 | \$ 133,453 | \$ (133,453) | \$ - | \$ 865,034 | 15.43% |

See accompanying notes to required supplementary information.

City of Seward, Alaska
Notes to Required Supplementary Information - Budgetary Comparison Schedules
December 31, 2020

The City follows these procedures in establishing the budgetary data reflected in the fund financial statements:

- The City manager must submit to the city council by November 15th a proposed operating budget for the next biennial fiscal year commencing the following January 1. The operating budget includes proposed expenditures which shall not exceed the expected revenues of the city.
- The budget proposal of the city manager shall be reviewed by the council and shall be available for public inspection in the office of the city clerk. The Council shall direct that a public hearing on the biennial budget proposal shall be held not less than one week before its final adoption. Notice of the public hearing shall be published in a newspaper by the City clerk at least one week prior to the date of the hearing.
- At a regular meeting held not less than ten days prior to the end of the fiscal year, the council shall, by resolution, adopt a budget for the next two fiscal years and make appropriation of the money needed therefore. If the council does not adopt a biennial budget prior to the third day preceding the commencement of the next fiscal year, it shall be held to make an appropriation therefore, without any further council action.
- Amendments to the budget can occur anytime during the fiscal year through the City Council or administrative action. Generally, the following actions are required at the level of the particular change.
 - The City Council may at any time, amend the budget by passing an appropriating resolution that amends the original budget.
 - Unencumbered appropriation balances may be transferred to any department within the same fund by the city manager at any time. At the request of the city manager, or on its own initiative, the council may transfer unencumbered balances from one fund to another.
- Appropriations lapse at year end to the extent that they have not been expended for all funds, except Capital Projects Funds, which lapse at project completion.
- Budgets adopted by the City Council are in accordance with accounting principles generally accepted in the United States of America.
- The City published a separate 2020-2021 biennial budget document. That document may be obtained from the City of Seward, City Clerk, 410 Adams Street City Halling Building, Seward, AK 99664 or at www.cityofseward.us.

Excess of Expenditures over Appropriations

The Council approves operating budgets and appropriations of direct costs at the function and department level. For the year ended December 31, 2020, expenditures exceeded appropriations in the following General Fund function:

| | |
|--------------|-------------------|
| Public works | \$ <u>107,239</u> |
|--------------|-------------------|

Additional Supplementary Information

General Fund

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

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

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

| <i>Year Ended December 31,</i> | 2020 | | |
|---|---------------------|------------------|--------------------|
| | Final Budget | Actual | Variance |
| Revenues | | | |
| Taxes: | | | |
| Sales | \$ 5,523,175 | 3,805,487 | (1,717,688) |
| Property | 1,475,425 | 1,564,692 | 89,267 |
| Hotel/motel room | 644,000 | 217,434 | (426,566) |
| Payments in lieu of taxes | 62,500 | 46,312 | (16,188) |
| Penalties and interest | 1,500 | 2,502 | 1,002 |
| Total taxes | 7,706,600 | 5,636,427 | (2,070,173) |
| Licenses and permits: | | | |
| Building permits | 40,800 | 45,777 | 4,977 |
| Taxi permits | 1,100 | 868 | (232) |
| Department of Motor Vehicles commissions | 77,000 | 64,031 | (12,969) |
| Animal control licenses | 200 | 235 | 35 |
| Business licenses | 21,000 | 22,590 | 1,590 |
| Miscellaneous | 3,500 | 2,974 | (526) |
| Total licenses and permits | 143,600 | 136,475 | (7,125) |
| Intergovernmental: | | | |
| Jail contract | 350,000 | 368,952 | 18,952 |
| Dispatch contracts | 98,800 | 98,800 | - |
| Raw fish tax | 400,000 | 179,066 | (220,934) |
| Shared fisheries business and landing tax | 2,500 | 2,531 | 31 |
| Liquor tax | 16,000 | - | (16,000) |
| Library grants | - | 8,250 | 8,250 |
| Community assistance program | - | 75,856 | 75,856 |
| PERS relief program | - | 306,531 | 306,531 |
| Other grants | 2,721 | 38,462 | 35,741 |
| Total intergovernmental | 870,021 | 1,078,448 | 208,427 |
| Charges for services: | | | |
| Administrative | 1,983,595 | 1,983,596 | 1 |
| Rents and leases | 126,726 | 141,040 | 14,314 |
| Copying charges | 7,000 | 2,450 | (4,550) |
| Work orders | 2,000 | 1,474 | (526) |
| Recreation | 955,450 | 676,618 | (278,832) |
| Library | 19,000 | 4,695 | (14,305) |
| Total charges for services | \$ 3,093,771 | 2,809,873 | (283,898) |

(continued)

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

| <i>Year Ended December 31,</i> | 2020 | | |
|------------------------------------|-------------------|------------------|--------------------|
| | Final Budget | Actual | Variance |
| Revenues, continued | | | |
| Fines and bails | \$ 17,000 | 11,075 | (5,925) |
| Investment income | 71,500 | 150,417 | 78,917 |
| Other revenues: | | | |
| Sale of land, equipment and gravel | - | 38,660 | 38,660 |
| Refuse contract | 17,500 | 22,833 | 5,333 |
| Insurance recovery | - | 37,710 | 37,710 |
| Other | 8,600 | 19,224 | 10,624 |
| Total other | 26,100 | 118,427 | 92,327 |
| Total Revenues | 11,928,592 | 9,941,142 | (1,987,450) |
| Expenditures | | | |
| General government: | | | |
| Mayor and council: | | | |
| Salaries | 52,755 | 35,128 | 17,627 |
| Employee benefits | 22,681 | 27,752 | (5,071) |
| Audit | 115,000 | 93,625 | 21,375 |
| Legal | 80,000 | 82,077 | (2,077) |
| Purchased services | 7,728 | 8,738 | (1,010) |
| Supplies and maintenance | 31,656 | 22,629 | 9,027 |
| Legislative representation | 185,000 | 176,508 | 8,492 |
| General and administrative | 52,558 | 60,322 | (7,764) |
| Total mayor and council | 547,378 | 506,779 | 40,599 |
| City manager: | | | |
| Salaries | 255,554 | 256,892 | (1,338) |
| Employee benefits | 111,090 | 174,560 | (63,470) |
| Purchased services | 16,300 | 16,312 | (12) |
| Supplies and maintenance | 11,000 | 8,230 | 2,770 |
| General and administrative | 34,500 | 34,476 | 24 |
| Total city manager | 428,444 | 490,470 | (62,026) |
| City clerk: | | | |
| Salaries | 156,436 | 136,406 | 20,030 |
| Employee benefits | 94,481 | 139,636 | (45,155) |
| Purchased services | 18,200 | 23,694 | (5,494) |
| Supplies and maintenance | - | 453 | (453) |
| General and administrative | 12,200 | 6,969 | 5,231 |
| Total city clerk | \$ 281,317 | 307,158 | (25,841) |

(continued)

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

| <i>Year Ended December 31,</i> | 2020 | | |
|---|---------------------|------------------|-----------------|
| | Final Budget | Actual | Variance |
| Expenditures, continued | | | |
| Management information systems: | | | |
| Salaries | \$ 205,747 | 199,151 | 6,596 |
| Employee benefits | 107,340 | 177,127 | (69,787) |
| Purchased services | 20,000 | 17,935 | 2,065 |
| Supplies and maintenance | 43,000 | 42,915 | 85 |
| General and administrative | 23,000 | 20,193 | 2,807 |
| Total management information systems | 399,087 | 457,321 | (58,234) |
| Finance: | | | |
| Salaries | 523,503 | 345,573 | 177,930 |
| Employee benefits | 284,725 | 316,445 | (31,720) |
| Purchased services | 33,800 | 50,416 | (16,616) |
| Supplies and maintenance | 47,500 | 39,186 | 8,314 |
| General and administrative | 22,400 | 6,677 | 15,723 |
| Total finance | 911,928 | 758,297 | 153,631 |
| Community development: | | | |
| Salaries | 177,357 | 141,360 | 35,997 |
| Employee benefits | 99,084 | 156,397 | (57,313) |
| Purchased services | 26,950 | 11,528 | 15,422 |
| Supplies and maintenance | 22,000 | 6,172 | 15,828 |
| General and administrative | 12,500 | 3,436 | 9,064 |
| Total community development | 337,891 | 318,893 | 18,998 |
| General services: | | | |
| Employee benefits | 10,000 | - | 10,000 |
| Purchased services | 69,200 | 43,064 | 26,136 |
| Supplies and maintenance | 4,800 | 714 | 4,086 |
| General and administrative | 18,500 | 10,526 | 7,974 |
| Capital outlay | - | 4,498 | (4,498) |
| Total general services | 102,500 | 58,802 | 43,698 |
| Contributions to organizations: | | | |
| Senior Citizens | 80,000 | 80,000 | - |
| Chamber of Commerce | 278,032 | 278,032 | - |
| Boys and Girls Club | 25,000 | 25,000 | - |
| Total contributions to organizations | 383,032 | 383,032 | - |
| Total general government | \$ 3,391,577 | 3,280,752 | 110,825 |

(continued)

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

| <i>Year Ended December 31,</i> | 2020 | | |
|---------------------------------|-------------------|------------------|-----------------|
| | Final Budget | Actual | Variance |
| Expenditures, continued | | | |
| Public safety: | | | |
| Police: | | | |
| Salaries | \$ 1,315,397 | 627,666 | 687,731 |
| Employee benefits | 721,386 | 576,626 | 144,760 |
| Purchased services | 116,400 | 182,821 | (66,421) |
| Supplies and maintenance | 78,500 | 93,004 | (14,504) |
| General and administrative | 110,500 | 83,968 | 26,532 |
| Total police | 2,342,183 | 1,564,085 | 778,098 |
| Jail: | | | |
| Salaries | 380,243 | 142,982 | 237,261 |
| Employee benefits | 243,319 | 169,949 | 73,370 |
| Purchased services | 60,700 | 60,790 | (90) |
| Supplies and maintenance | 25,000 | 17,125 | 7,875 |
| General and administrative | 116,953 | 110,487 | 6,466 |
| Total jail | 826,215 | 501,333 | 324,882 |
| Animal control: | | | |
| Salaries | 86,479 | 72,000 | 14,479 |
| Employee benefits | 44,262 | 100,841 | (56,579) |
| Purchased services | 8,700 | - | 8,700 |
| Supplies and maintenance | 11,700 | 1,758 | 9,942 |
| General and administrative | 6,200 | 372 | 5,828 |
| Total animal control | 157,341 | 174,971 | (17,630) |
| Fire: | | | |
| Salaries | 211,293 | 96,404 | 114,889 |
| Employee benefits | 116,008 | 120,038 | (4,030) |
| Purchased services | 200,516 | 192,109 | 8,407 |
| Supplies and maintenance | 48,606 | 34,414 | 14,192 |
| General and administrative | 70,984 | 67,792 | 3,192 |
| Total fire | 647,407 | 510,757 | 136,650 |
| Volunteer training: | | | |
| Employee benefits | 4,500 | 4,163 | 337 |
| Purchased services | 24,724 | 25,070 | (346) |
| Supplies and maintenance | 31,154 | 40,200 | (9,046) |
| General and administrative | 46,241 | 43,162 | 3,079 |
| Total volunteer training | \$ 106,619 | 112,595 | (5,976) |

(continued)

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

| <i>Year Ended December 31,</i> | 2020 | | |
|-------------------------------------|---------------------|------------------|------------------|
| | Final Budget | Actual | Variance |
| Expenditures, continued | | | |
| Public safety, continued: | | | |
| Emergency preparedness: | | | |
| Purchased services | \$ 9,656 | 5,779 | 3,877 |
| Supplies and maintenance | 3,852 | 2,006 | 1,846 |
| General and administrative | 2,300 | - | 2,300 |
| Total emergency preparedness | 15,808 | 7,785 | 8,023 |
| Building inspection: | | | |
| Salaries | 100,745 | 114,272 | (13,527) |
| Employee benefits | 45,807 | 114,157 | (68,350) |
| Purchased services | 3,241 | 6,544 | (3,303) |
| Supplies and maintenance | 4,826 | 5,635 | (809) |
| General and administrative | 10,430 | 5,381 | 5,049 |
| Total building inspection | 165,049 | 245,989 | (80,940) |
| Total public safety | 4,260,622 | 3,117,515 | 1,143,107 |
| Public works: | | | |
| Roads and streets: | | | |
| Salaries | 268,698 | 219,992 | 48,706 |
| Employee benefits | 183,195 | 254,514 | (71,319) |
| Purchased services | 176,000 | 155,312 | 20,688 |
| Supplies and maintenance | 163,150 | 196,693 | (33,543) |
| General and administrative | 133,450 | 128,677 | 4,773 |
| Total roads and streets | 924,493 | 955,188 | (30,695) |
| City shop: | | | |
| Salaries | 82,176 | 101,842 | (19,666) |
| Employee benefits | 46,545 | 78,572 | (32,027) |
| Purchased services | 68,000 | 70,875 | (2,875) |
| Supplies and maintenance | 49,300 | 76,373 | (27,073) |
| General and administrative | 13,000 | 11,698 | 1,302 |
| Capital outlay | - | 12,434 | (12,434) |
| Total city shop | 259,021 | 351,794 | (92,773) |
| Municipal building: | | | |
| Salaries | 46,237 | 35,454 | 10,783 |
| Employee benefits | 39,726 | 44,808 | (5,082) |
| Purchased services | 145,900 | 144,929 | 971 |
| Supplies and maintenance | 21,800 | 13,391 | 8,409 |
| General and administrative | 1,700 | 552 | 1,148 |
| Total municipal building | 255,363 | 239,134 | 16,229 |
| Total public works | \$ 1,438,877 | 1,546,116 | (107,239) |

(continued)

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

| <i>Year Ended December 31,</i> | 2020 | | |
|---|-------------------|----------------------|------------------|
| | Final Budget | Actual | Variance |
| Expenditures, continued | | | |
| Parks and recreation: | | | |
| Salaries | \$ 641,220 | 439,506 | 201,714 |
| Employee benefits | 337,415 | 240,104 | 97,311 |
| Purchased services | 396,000 | 518,793 | (122,793) |
| Supplies and maintenance | 196,400 | 91,736 | 104,664 |
| General and administrative | 84,050 | 42,648 | 41,402 |
| Capital outlay | 2,750 | 7,584 | (4,834) |
| Total parks and recreation | 1,657,835 | 1,340,371 | 317,464 |
| Library: | | | |
| Salaries | 265,801 | 215,038 | 50,763 |
| Employee benefits | 139,734 | 212,931 | (73,197) |
| Purchased services | 176,909 | 154,691 | 22,218 |
| Supplies and maintenance | 75,200 | 59,514 | 15,686 |
| General and administrative | 17,900 | 7,691 | 10,209 |
| Total library | 675,544 | 649,865 | 25,679 |
| Debt service: | | | |
| Principal payments | 220,000 | 220,000 | - |
| Retirement benefits | 729,457 | - | 729,457 |
| Interest and other costs | 234,581 | 234,581 | - |
| Total debt service | 1,184,038 | 454,581 | 729,457 |
| Total Expenditures | 12,608,493 | 10,389,200 | 2,219,293 |
| Excess of revenues over (under) expenditures | (679,901) | (448,058) | 231,843 |
| Other Financing Sources (Uses) | | | |
| Transfers in | 2,114,152 | 1,841,260 | (272,892) |
| Transfers out | (1,417,242) | (1,200,600) | 216,642 |
| Total Other Financing Sources (Uses) | 696,910 | 640,660 | (56,250) |
| Change in fund balance | \$ <u>17,009</u> | 192,602 | <u>175,593</u> |
| Fund Balance, beginning of year | | <u>10,031,708</u> | |
| Fund Balance, end of year | | \$ <u>10,224,310</u> | |

Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

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

Teen Council - To account for the funds held by the City on behalf of the local teen council.

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

Bus Transportation - To account for city bussing transportation.

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

KPB CARES Act - To account for federal funds received from the Kenai Peninsula Borough to help offset the effects of the Covid-19 pandemic.

Nonmajor Capital Project Funds

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

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

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.

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

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

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

Utility Improvement - To account for public utility improvements of the approved improvement districts of the City.

Jesse Lee Home - To account for a State Designated Legislative grant for use towards hazardous material removal and site remediation at the Jesse Lee Home.

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

City of Seward, Alaska
Other Governmental Funds
Combining Balance Sheet

| <i>December 31, 2020</i> | Special Revenue Funds | | | | Total Special Revenue Funds |
|--|-----------------------|----------------|-----------------------|-----------------------|-----------------------------------|
| | Teen Council | SCHC | Bus Transportation | Beachfront Erosion | |
| Assets | | | | | |
| Cash and investments | \$ 6,126 | 2,317 | 4,771 | 2,150 | 15,364 |
| Grants receivable | - | 451,113 | - | - | 451,113 |
| Total Assets | \$ 6,126 | 453,430 | 4,771 | 2,150 | 466,477 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 16,765 | 453,430 | - | - | 470,195 |
| Due to other funds | - | - | - | - | - |
| Total Liabilities | 16,765 | 453,430 | - | - | 470,195 |
| Fund Balances | | | | | |
| Assigned: | | | | | |
| Capital projects | - | - | - | - | - |
| General government | - | - | 4,771 | - | 4,771 |
| Public works | - | - | - | 2,150 | 2,150 |
| Unassigned (deficit) | (10,639) | - | - | - | (10,639) |
| Total Fund Balances | (10,639) | - | 4,771 | 2,150 | (3,718) |
| Total Liabilities and Fund Balances | \$ 6,126 | 453,430 | 4,771 | 2,150 | 466,477 |

(continued)

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

| <i>December 31, 2020</i> | Capital Project Funds | | | | | Total Capital Project Funds | Total Other Governmental Funds |
|--|------------------------|-------------------|-------------------------|----------------------|-------------------|-----------------------------------|--------------------------------------|
| | Capital Acquisition | Animal Shelter | Street and Sidewalks | Energy Efficiency | Jesse Lee Home | | |
| Assets | | | | | | | |
| Cash and investments | \$ 801,199 | 163,188 | 357,054 | 111,212 | - | 1,432,653 | 1,448,017 |
| Grants receivable | - | - | - | - | 15,128 | 15,128 | 466,241 |
| Total Assets | \$ 801,199 | 163,188 | 357,054 | 111,212 | 15,128 | 1,447,781 | 1,914,258 |
| Liabilities and Fund Balances | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 259 | - | - | 10,000 | 448 | 10,707 | 480,902 |
| Due to other funds | - | - | - | - | 14,680 | 14,680 | 14,680 |
| Total Liabilities | 259 | - | - | 10,000 | 15,128 | 25,387 | 495,582 |
| Fund Balances | | | | | | | |
| Assigned: | | | | | | | |
| Capital projects | 800,940 | 163,188 | 357,054 | 101,212 | - | 1,422,394 | 1,422,394 |
| General government | - | - | - | - | - | - | 4,771 |
| Public works | - | - | - | - | - | - | 2,150 |
| Unassigned (deficit) | - | - | - | - | - | - | (10,639) |
| Total Fund Balances | 800,940 | 163,188 | 357,054 | 101,212 | - | 1,422,394 | 1,418,676 |
| Total Liabilities and Fund Balances | \$ 801,199 | 163,188 | 357,054 | 111,212 | 15,128 | 1,447,781 | 1,914,258 |

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

| Year Ended December 31, 2020 | Special Revenue Funds | | | | | Total Special Revenue Funds | Capital Project Funds | |
|---|-----------------------|-----------|--------------------|--------------------|---------------|-----------------------------|-----------------------|---------------------|
| | Teen Council | SCHC | Bus Transportation | Beachfront Erosion | KPB CARES Act | | ASLC Seawall | Capital Acquisition |
| Revenues | | | | | | | | |
| Intergovernmental | \$ - | 2,381,413 | - | - | 1,495,170 | 3,876,583 | 23,216 | - |
| Investment income | 726 | - | - | - | - | 726 | - | - |
| Other | 327 | - | - | - | - | 327 | - | - |
| Total Revenues | 1,053 | 2,381,413 | - | - | 1,495,170 | 3,877,636 | 23,216 | - |
| Expenditures | | | | | | | | |
| General government | - | - | 246,371 | - | - | 246,371 | - | - |
| Parks and recreation | 1,218 | - | - | - | - | 1,218 | - | - |
| Clinic | - | 2,481,413 | - | - | - | 2,481,413 | - | - |
| Community support | - | - | - | - | 1,495,170 | 1,495,170 | - | - |
| Capital outlay | - | - | - | - | - | - | 23,216 | 776,686 |
| Total Expenditures | 1,218 | 2,481,413 | 246,371 | - | 1,495,170 | 4,224,172 | 23,216 | 776,686 |
| Excess of revenues over (under) expenditures | (165) | (100,000) | (246,371) | - | - | (346,536) | - | (776,686) |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers in | - | 100,000 | 246,371 | - | - | 346,371 | - | - |
| Transfers out | (30,000) | - | - | - | - | (30,000) | - | (135,000) |
| Net Other Financing Sources (Uses) | (30,000) | 100,000 | 246,371 | - | - | 316,371 | - | (135,000) |
| Change in fund balances | (30,165) | - | - | - | - | (30,165) | - | (911,686) |
| Fund Balances, beginning of year, as previously stated | | | | | | | | |
| | - | - | 4,771 | 2,150 | - | 6,921 | - | 1,712,626 |
| Cumulative effect of a change in accounting principle | | | | | | | | |
| | 19,526 | - | - | - | - | 19,526 | - | - |
| Fund Balances, beginning of year, as restated | | | | | | | | |
| | 19,526 | - | 4,771 | 2,150 | - | 26,447 | - | 1,712,626 |
| Fund Balances, end of year | | | | | | | | |
| | \$ (10,639) | - | 4,771 | 2,150 | - | (3,718) | - | 800,940 |

(continued)

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

| Year Ended December 31, 2020 | Capital Project Funds | | | | | | Total Capital Project Funds | Total Other Governmental Funds |
|--|-----------------------|-------------------------|----------------------|------------------------|-------------------|---------------------|-----------------------------------|--------------------------------------|
| | Animal Shelter | Street and Sidewalks | Energy Efficiency | Utility Improvement | Jesse Lee Home | Flood Mitigation | | |
| Revenues | | | | | | | | |
| Intergovernmental | \$ - | - | 29,400 | - | 24,308 | - | 76,924 | 3,953,507 |
| Investment income | - | - | - | - | - | - | - | 726 |
| Other | - | - | - | - | - | - | - | 327 |
| Total Revenues | - | - | 29,400 | - | 24,308 | - | 76,924 | 3,954,560 |
| Expenditures | | | | | | | | |
| General government | - | - | - | - | - | - | - | 246,371 |
| Parks and recreation | - | - | - | - | - | - | - | 1,218 |
| Clinic | - | - | - | - | - | - | - | 2,481,413 |
| Community support | - | - | - | - | - | - | - | 1,495,170 |
| Capital outlay | 21,000 | 145,695 | 84,739 | 337,375 | 24,308 | 685,000 | 2,098,019 | 2,098,019 |
| Total Expenditures | 21,000 | 145,695 | 84,739 | 337,375 | 24,308 | 685,000 | 2,098,019 | 6,322,191 |
| Excess of revenues over (under) expenditures | (21,000) | (145,695) | (55,339) | (337,375) | - | (685,000) | (2,021,095) | (2,367,631) |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers in | - | - | - | 337,375 | - | 285,000 | 622,375 | 968,746 |
| Transfers out | - | - | - | - | - | - | (135,000) | (165,000) |
| Net Other Financing Sources (Uses) | - | - | - | 337,375 | - | 285,000 | 487,375 | 803,746 |
| Change in fund balances | (21,000) | (145,695) | (55,339) | - | - | (400,000) | (1,533,720) | (1,563,885) |
| Fund Balances, | | | | | | | | |
| beginning of year, as previously stated | 184,188 | 502,749 | 156,551 | - | - | 400,000 | 2,956,114 | 2,963,035 |
| Cumulative effect of a change in accounting principle | - | - | - | - | - | - | - | 19,526 |
| Fund Balances, | | | | | | | | |
| beginning of year, as restated | 184,188 | 502,749 | 156,551 | - | - | 400,000 | 2,956,114 | 2,982,561 |
| Fund Balances, | | | | | | | | |
| end of year | \$ 163,188 | 357,054 | 101,212 | - | - | - | 1,422,394 | 1,418,676 |

Enterprise Funds and Internal Service Funds

Enterprise Funds

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

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

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

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

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

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

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

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

Internal Service Funds

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

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

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

| <i>December 31, 2020</i> | Water | Wastewater | Parking | Total |
|---|----------------------|------------------|------------------|-------------------|
| Assets and Deferred Outflows of Resources | | | | |
| Current Assets | | | | |
| Cash and investments | \$ 2,773,874 | 3,042,708 | 1,417,107 | 7,233,689 |
| Receivables | | | | |
| Accounts | 162,415 | 189,259 | - | 351,674 |
| Other | 541 | - | 35 | 576 |
| Less allowance for doubtful accounts | (7,309) | (8,517) | - | (15,826) |
| Inventory | 86,420 | - | - | 86,420 |
| Total Current Assets | 3,015,941 | 3,223,450 | 1,417,142 | 7,656,533 |
| Noncurrent Assets | | | | |
| Land | 100,420 | 111,011 | - | 211,431 |
| Property, plant and equipment, net of accumulated depreciation | 8,725,076 | 5,217,944 | 122,071 | 14,065,091 |
| Net pension and OPEB assets | 31,797 | 23,652 | - | 55,449 |
| Total Assets | 11,873,234 | 8,576,057 | 1,539,213 | 21,988,504 |
| Deferred Outflows of Resources | | | | |
| Related to pensions and OPEB | 40,307 | 40,976 | - | 81,283 |
| Total Assets and Deferred Outflows of Resources | \$ 11,913,541 | 8,617,033 | 1,539,213 | 22,069,787 |
| Liabilities, Deferred Inflows of Resources, and Net Position | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 7,207 | 5,891 | 69 | 13,167 |
| Accrued payroll and related liabilities | 16,579 | 17,478 | - | 34,057 |
| Accrued interest | 11,858 | 4,973 | - | 16,831 |
| Current portion: | | | | |
| Accrued compensated absences | 5,077 | 6,723 | - | 11,800 |
| Notes payable | 141,321 | 58,128 | - | 199,449 |
| Total Current Liabilities | 182,042 | 93,193 | 69 | 275,304 |
| Noncurrent liabilities, net of current portion | | | | |
| Accrued compensated absences | 21,010 | 31,563 | - | 52,573 |
| Notes payable | 893,570 | 908,782 | - | 1,802,352 |
| Net pension and OPEB liabilities | 315,982 | 292,335 | - | 608,317 |
| Total Noncurrent Liabilities | 1,230,562 | 1,232,680 | - | 2,463,242 |
| Total Liabilities | 1,412,604 | 1,325,873 | 69 | 2,738,546 |
| Deferred Inflows of Resources | | | | |
| Related to pensions and OPEB | 22,940 | 15,879 | - | 38,819 |
| Total Liabilities and Deferred Inflows of Resources | 1,435,544 | 1,341,752 | 69 | 2,777,365 |
| Net Position | | | | |
| Net investment in capital assets | 7,790,605 | 4,362,045 | 122,071 | 12,274,721 |
| Unrestricted | 2,687,392 | 2,913,236 | 1,417,073 | 7,017,701 |
| Total Net Position | 10,477,997 | 7,275,281 | 1,539,144 | 19,292,422 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 11,913,541 | 8,617,033 | 1,539,213 | 22,069,787 |

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

| <i>Year Ended December 31, 2020</i> | Water | Wastewater | Parking | Total |
|--|----------------------|------------------|------------------|-------------------|
| Operating Revenues - charges for services | \$ 1,275,656 | 1,208,541 | 246,467 | 2,730,664 |
| Operating Expenses | | | | |
| Salaries and employee benefits | 371,389 | 280,750 | 13,581 | 665,720 |
| Purchased services | 316,562 | 248,948 | 19,645 | 585,155 |
| Supplies and maintenance | 35,278 | 50,006 | 3,434 | 88,718 |
| Administration | 173,977 | 166,543 | 24,864 | 365,384 |
| Depreciation | 423,672 | 353,873 | 29,023 | 806,568 |
| Total Operating Expenses | 1,320,878 | 1,100,120 | 90,547 | 2,511,545 |
| Earnings (loss) from operations | (45,222) | 108,421 | 155,920 | 219,119 |
| Nonoperating Revenues | | | | |
| Intergovernmental - PERS on-behalf | 12,426 | 9,243 | - | 21,669 |
| Investment income | 58,729 | 64,070 | 28,414 | 151,213 |
| Interest expense | (16,016) | (15,363) | - | (31,379) |
| Total Nonoperating Revenues | 55,139 | 57,950 | 28,414 | 141,503 |
| Income Before Transfers | 9,917 | 166,371 | 184,334 | 360,622 |
| Transfers in | - | 16,000 | - | 16,000 |
| Transfers out | (108,026) | (102,656) | (27,264) | (237,946) |
| Change in net position | (98,109) | 79,715 | 157,070 | 138,676 |
| Net Position, beginning of year | 10,576,106 | 7,195,566 | 1,382,074 | 19,153,746 |
| Net Position, end of year | \$ 10,477,997 | 7,275,281 | 1,539,144 | 19,292,422 |

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

| <i>Year Ended December 31, 2020</i> | Water | Wastewater | Parking | Total |
|---|---------------------|------------------|------------------|------------------|
| Cash Flows from (for) Operating Activities | | | | |
| Receipts from customers and users | \$ 1,140,303 | 1,157,144 | 246,602 | 2,544,049 |
| Payments to suppliers | (266,737) | (309,063) | (23,730) | (599,530) |
| Payments to employees | (384,264) | (282,459) | (13,581) | (680,304) |
| Payments for interfund services used | (271,147) | (167,533) | (24,537) | (463,217) |
| Net cash flows from (for) operating activities | 218,155 | 398,089 | 184,754 | 800,998 |
| Cash Flows from (for) Noncapital Financing Activities | | | | |
| Transfers in | - | 16,000 | - | 16,000 |
| Transfers out | (108,026) | (102,656) | (27,264) | (237,946) |
| Net cash flows from (for) noncapital financing activities | (108,026) | (86,656) | (27,264) | (221,946) |
| Cash Flows from (for) Capital Financing Activities | | | | |
| Principal payments on notes payable | (139,232) | (57,271) | - | (196,503) |
| Interest payments on notes payable | (17,611) | (15,363) | - | (32,974) |
| Acquisition of property, plant and equipment | - | - | (5,740) | (5,740) |
| Net cash flows from (for) capital financing activities | (156,843) | (72,634) | (5,740) | (235,217) |
| Cash Flows from Investing Activities | | | | |
| Investment income received | 58,729 | 64,070 | 28,414 | 151,213 |
| Net increase in cash and investments | 12,015 | 302,869 | 180,164 | 495,048 |
| Cash and Investments, beginning of year | 2,761,859 | 2,739,839 | 1,236,943 | 6,738,641 |
| Cash and Investments, end of year | \$ 2,773,874 | 3,042,708 | 1,417,107 | 7,233,689 |
| Reconciliation of earnings (loss) from operations to net cash flows from (for) operating activities: | | | | |
| Earnings (loss) from operations | \$ (45,222) | 108,421 | 155,920 | 219,119 |
| Adjustments to reconcile earnings (loss) from operations to net cash flows from (for) operating activities: | | | | |
| Depreciation | 423,672 | 353,873 | 29,023 | 806,568 |
| Noncash State PERS relief | 12,426 | 9,243 | - | 21,669 |
| Increase (decrease) in allowance for doubtful accounts | (99,611) | (2,777) | - | (102,388) |
| (Increase) decrease in assets and deferred outflows of resources: | | | | |
| Receivables | (35,742) | (48,620) | 135 | (84,227) |
| Inventory | 2,950 | - | - | 2,950 |
| Net pension and OPEB assets | (31,797) | (23,652) | - | (55,449) |
| Deferred outflows of resources - pension and OPEB | 3,955 | 2,941 | - | 6,896 |
| Increase (decrease) in liabilities and deferred inflows of resources: | | | | |
| Accounts payable | (15,017) | (11,099) | (324) | (26,440) |
| Accrued payroll and related liabilities | 3,111 | 7,914 | - | 11,025 |
| Accrued compensated absences | 9,819 | 9,572 | - | 19,391 |
| Net pension and OPEB liabilities | 5,193 | 3,863 | - | 9,056 |
| Deferred inflows of resources - pension and OPEB | (15,582) | (11,590) | - | (27,172) |
| Net cash flows from (for) operating activities | \$ 218,155 | 398,089 | 184,754 | 800,998 |

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

| <i>December 31, 2020</i> | Motor Pool | Compensated Annual Leave | Total |
|--|---------------------|--------------------------------|------------------|
| Assets and Deferred Outflows of Resources | | | |
| Current Assets | | | |
| Cash and investments | \$ 3,160,923 | 416,115 | 3,577,038 |
| Receivables | | | |
| Accrued interest | 26,059 | - | 26,059 |
| Other | 405 | - | 405 |
| Interfund loans - current portion | 72,517 | - | 72,517 |
| Total Current Assets | 3,259,904 | 416,115 | 3,676,019 |
| Noncurrent Assets | | | |
| Interfund loans, net of current portion | 423,851 | - | 423,851 |
| Property, plant and equipment, net | | | |
| Equipment and vehicles | 8,045,443 | - | 8,045,443 |
| Less accumulated depreciation | (6,216,415) | - | (6,216,415) |
| Net property, plant and equipment in service | 1,829,028 | - | 1,829,028 |
| Total Noncurrent Assets | 2,252,879 | - | 2,252,879 |
| Total Assets | \$ 5,512,783 | 416,115 | 5,928,898 |
| Liabilities and Net Position | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 9,833 | - | 9,833 |
| Accrued compensated absences - current portion | - | 92,022 | 92,022 |
| Total Current Liabilities | 9,833 | 92,022 | 101,855 |
| Noncurrent Liabilities | | | |
| Accrued compensated absences, net of current portion | - | 324,093 | 324,093 |
| Total Liabilities | 9,833 | 416,115 | 425,948 |
| Net Position | | | |
| Net investment in capital assets | 1,829,028 | - | 1,829,028 |
| Unrestricted | 3,673,922 | - | 3,673,922 |
| Total Net Position | 5,502,950 | - | 5,502,950 |
| Total Liabilities and Net Position | \$ 5,512,783 | 416,115 | 5,928,898 |

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

| <i>Year Ended December 31, 2020</i> | Motor Pool | Compensated Annual Leave | Total |
|--|---------------------|--------------------------------|------------------|
| Operating Revenues | | | |
| Vehicle rental and interfund charges | \$ 732,000 | 341,108 | 1,073,108 |
| Operating Expenses | | | |
| Salaries and employee benefits | - | 341,108 | 341,108 |
| Supplies and maintenance | 10,676 | - | 10,676 |
| Depreciation | 405,767 | - | 405,767 |
| Total Operating Expenses | 416,443 | 341,108 | 757,551 |
| Earnings (loss) from operations | 315,557 | - | 315,557 |
| Nonoperating Revenues | | | |
| Interest income | 26,059 | - | 26,059 |
| Investment income | 66,928 | - | 66,928 |
| Other revenue (expenses) | 53,405 | - | 53,405 |
| Total Nonoperating Revenues | 146,392 | - | 146,392 |
| Income Before Transfers | 461,949 | - | 461,949 |
| Transfers in | 11,781 | - | 11,781 |
| Change in net position | 473,730 | - | 473,730 |
| Net Position, beginning of year | 5,029,220 | - | 5,029,220 |
| Net Position, end of year | \$ 5,502,950 | - | 5,502,950 |

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

| <i>Year Ended December 31, 2020</i> | Motor Pool | Compensated Annual Leave | Total |
|---|---------------------|--------------------------------|------------------|
| Cash Flows from (for) Operating Activities | | | |
| Receipts from vehicle rentals and interfund charges | \$ 732,000 | 341,108 | 1,073,108 |
| Receipts from other sources | 87,477 | - | 87,477 |
| Payments to suppliers | (843) | - | (843) |
| Payments to employees | - | (273,606) | (273,606) |
| Net cash flows from (for) operating activities | 818,634 | 67,502 | 886,136 |
| Cash Flows from (for) Noncapital Financing Activities | | | |
| Transfers in | 11,781 | - | 11,781 |
| Interfund interest received | 29,677 | - | 29,677 |
| Interfund loan receipts | 68,900 | - | 68,900 |
| Net cash flows from (for) noncapital and related financing activities | 110,358 | - | 110,358 |
| Cash Flows from (for) Capital Financing Activities | | | |
| Acquisition of equipment and vehicles | (383,812) | - | (383,812) |
| Cash Flows from Investing Activities | | | |
| Investment income received | 66,928 | - | 66,928 |
| Net increase (decrease) in cash and investments | 612,108 | 67,502 | 679,610 |
| Cash and Investments, beginning of year | 2,548,815 | 348,613 | 2,897,428 |
| Cash and Investments, end of year | \$ 3,160,923 | 416,115 | 3,577,038 |
| Reconciliation of earnings (loss) from operations to net cash flows from (for) operating activities: | | | |
| Income (loss) from operations | \$ 315,557 | - | 315,557 |
| Adjustments to reconcile earnings (loss) from operations to net cash flows from (for) operating activities: | | | |
| Other nonoperating revenues (expenses) | 53,405 | - | 53,405 |
| Depreciation | 405,767 | - | 405,767 |
| (Increase) decrease in assets - other accounts receivable | 34,072 | - | 34,072 |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | 9,833 | - | 9,833 |
| Accrued compensated absences | - | 67,502 | 67,502 |
| Net cash flows from (for) operating activities | \$ 818,634 | 67,502 | 886,136 |

City of Seward, Alaska
Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

| Federal Grantor | CFDA | Grant Number or Pass Through Grantor's Award Number | Program / Award Amount | Federal Expenditures |
|---|--------|---|---------------------------|-------------------------|
| U.S. Department of the Treasury: | | | | |
| Passed through the Kenai Peninsula Borough COVID-19 - CARES Act | 21.019 | 271.95215.CAR22.43011 | \$ 1,495,170 | 1,495,170 |
| Passed through the Kenai Peninsula Borough - COVID-19 - CARES Act | 21.019 | 20-CRF-185 | 5,330,532 | 5,330,532 |
| Total Department of the Treasury | | | <u>6,825,702</u> | <u>6,825,702</u> |
| U.S. Department of Justice: | | | | |
| Direct - | | | | |
| Bulletproof Vest Partnership Program | 16.607 | None | 1,736 | 1,736 |
| Passed through the State of Alaska, Department of Public Safety - | | | | |
| COVID-19 - Coronavirus Emergency Supplemental Funds | 16.034 | None | 7,317 | 7,317 |
| Passed through the Municipality of Anchorage - | | | | |
| Alaska Internet Crimes Against Children | 16.543 | 2019-MC-FX-K019 | 6,000 | 5,999 |
| Total Department of Justice | | | <u>15,053</u> | <u>15,052</u> |
| Institute of Museum and Library Services: | | | | |
| Passed through the State of Alaska, Department of Education and Early Development - | | | | |
| Grants to States | 45.310 | L5-00-19-0002-19 | 1,250 | 1,250 |
| U.S. Department of Health and Human Services: | | | | |
| Direct: | | | | |
| Health Center Program Cluster: | | | | |
| Grants for New and Expanded Services under the Health Center Program | 93.527 | 6 H80CS26600 | 1,876,102 | 419,591 |
| Grants for New and Expanded Services under the Health Center Program | 93.527 | 7 H80CS26600 | 1,218,872 | 929,574 |
| Grants for New and Expanded Services under the Health Center Program | 93.224 | 7 H80CS26600 | 271,713 | 204,977 |
| COVID-19 - Coronavirus Supplement Funding for Health Centers | 93.224 | 1 H8CCS33972 | 52,039 | 52,039 |
| COVID-19 - Health Center CARES Act Funding | 93.224 | 1 H8DCS35389 | 540,350 | 540,350 |
| COVID-19 - Expanding Capacity for Coronavirus Testing | 93.224 | 1 H8ES37707 | 131,629 | 131,629 |
| Total Health Center Program Cluster | | | <u>4,090,705</u> | <u>2,278,160</u> |
| U.S. Department of Homeland Security: | | | | |
| Direct - | | | | |
| COVID-19 - Assistance to Firefighters Grant | 97.044 | EMW-2020-FG-01874 | 14,491 | 14,491 |
| Passed through the State of Alaska, Department of Military and Veterans Affairs: | | | | |
| FEMA 2017 Storm Surge PW005 | 97.036 | FEMA-DR-4369-AK | 2,751,657 | 2,583,586 |
| FEMA 2017 Storm Surge PW006 | 97.036 | FEMA-DR-4369-AK | 232,289 | 17,412 |
| Total CFDA 97.036 | | | <u>2,983,946</u> | <u>2,600,998</u> |
| Total Department of Homeland Security | | | <u>2,998,437</u> | <u>2,615,489</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 13,931,147</u> | <u>11,735,653</u> |
| Reconciliation to Intergovernmental Revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance: | | | | |
| Total Federal financial assistance per above schedule | | | | 11,735,653 |
| Total State financial assistance | | | | 1,917,287 |
| Less state cruise ship tax expenditures | | | | (336,371) |
| Intergovernmental contracts not included on the SEFA or SSFA | | | | 467,752 |
| Provider Relief Funds reported as Intergovernmental Revenues in the SCHC Special Revenue Fund that are not reported on the SEFA | | | | 103,253 |
| PERS supplement on-behalf recorded in the enterprise funds prior to adjustment to match the measurement of the net pension and OPEB assets and liabilities as required by GASB Statements 68 and 75. | | | | <u>(89,224)</u> |
| Total Intergovernmental Revenues in the Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit D-1). | | | | <u>\$ 13,798,350</u> |

See accompanying notes to the Schedule.

City of Seward, Alaska

Notes to the Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of City of Seward, Alaska, under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of City of Seward, it is not intended to and does not present the basic financial statements of City of Seward.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Provider Relief Funds

The CARES Act authorizes funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Provider Relief Fund). Payments from the Provider Relief Fund are to be used to prevent, prepare for, and respond to the Coronavirus pandemic, and shall reimburse the recipient for health care related expenses or lost revenues attributable to the Coronavirus pandemic and are not required to be repaid, provided the recipients attest to and comply with the terms and conditions of the funding. For the year ended December 31, 2020, the Healthcare Facilities Enterprise Fund and the SCHC Special Revenue Fund received payments of approximately \$4,174,000 and \$103,253, respectively, from the Provider Relief Fund and have reported revenues of \$649,000 and \$103,253, respectively. Recipients of these funds are required to report eligible expenses or lost revenues through the U.S. Department of Health and Human Services' Provider Relief Fund Portal in six month increments beginning July 1, 2021. Guidance released on July 15, 2021, postponed reporting eligible expenditures and/or lost revenues on the Schedule of Expenditures of Federal Awards until fiscal years ending on or after June 30, 2021. Accordingly, Provider Relief Funds have been excluded from the December 31, 2020 Schedule of Expenditures of Federal Awards.

(5) Passed Through Awards

The City of Seward did not pass any federal funds through to subrecipients during the year ended December 31, 2020.

City of Seward, Alaska
 Schedule of State Financial Assistance
 Year Ended December 31, 2020

| Grantor | Pass Through Grantor's Award Number | Program / Award Amount | State Share of Expenditures |
|--|--|---------------------------|-----------------------------------|
| Department of Commerce, Community and Economic Development: | | | |
| Designated Legislative Grant - Jesse Lee Home | 19-RR-004 | \$ 1,073,441 | 24,308 |
| Fisheries Resource Landing Tax | None | 2,531 | 2,531 |
| Community Assistance Program | None | 75,856 | 75,856 |
| Total Department of Commerce, Community and Economic Development | | <u>1,151,828</u> | <u>102,695</u> |
| Alaska Energy Authority: | | | |
| Heat Pump System | 7091242 | <u>725,000</u> | <u>29,400</u> |
| Department of Administration: | | | |
| * PERS Relief | None | <u>395,755</u> | <u>395,755</u> |
| Department of Revenue: | | | |
| * Fisheries Business Tax | None | 179,066 | 179,066 |
| Commercial Passenger Vessel Tax 2017 | None | 458,165 | 40,000 |
| Passed through Kenai Peninsula Borough: | | | |
| Commercial Passenger Vessel Tax 2017 | None | 458,165 | 9,210 |
| * Commercial Passenger Vessel Tax 2018 | None | 522,255 | 287,161 |
| Total Department of Revenue | | <u>1,617,651</u> | <u>515,437</u> |
| Department of Education and Early Development: | | | |
| Public Library Assistance | PLA21-Seward | <u>7,000</u> | <u>7,000</u> |
| Department of Military and Veterans Affairs: | | | |
| * FEMA 2017 Storm Surge PW005 | FEMA-DR-4369-AK | 917,219 | 861,196 |
| FEMA 2017 Storm Surge PW006 | FEMA-DR-4369-AK | 77,429 | 5,804 |
| Total Department of Military and Veterans Affairs | | <u>994,648</u> | <u>867,000</u> |
| Total State Financial Assistance | | <u>\$ 4,891,882</u> | <u>1,917,287</u> |

See accompanying notes to the Schedule.

City of Seward, Alaska

Notes to the Schedule of State Financial Assistance

Year Ended December 31, 2020

(1) Basis of Presentation

The accompanying Schedule of State Financial Assistance (the "Schedule") includes the state award activity of City of Seward, Alaska, under programs of the State of Alaska for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of City of Seward, it is not intended to and does not present the basic financial statements of City of Seward.

(2) Summary of Significant Accounting Policies

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

(3) Subrecipients

The City did not pass any state funds through to subrecipients during the year ended December 31, 2020.

(4) Commercial Passenger Vessel Tax - State Assistance

Cash receipts for commercial passenger vessel taxes have been recorded as revenue in the Harbor Enterprise Fund on an accrual basis. Any unspent portion of these funds, is reported as restricted net position in the fund financial statements. At December 31, 2020, the cumulative unspent vessel tax receipts were \$2,289,905. Total vessel tax funds expended in 2020 and reported on the schedule of state financial assistance were \$336,371.

(5) PERS On-behalf

The City has recorded \$395,755 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 2020 and relates to both pension and OPEB contributions.

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

City of Seward, Alaska

Notes to the Schedule of State Financial Assistance, Continued

However, in the full accrual financial statements (the government-wide and enterprise fund financial statements), GASB 68 provisions prescribe that on-behalf pension contributions in a special funding situation may only be recognized during the measurement period in which the plan recognized the contributions. For the City of Seward, the PERS plan measurement period is July 1, 2019 through June 30, 2020, creating a six month timing difference between the cash contribution and revenue and expense recognition for the pension on-behalf by the City in those funds.

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

(6) Major Programs

* denotes a major program for compliance audit purposes.

City of Seward, Alaska

Statistical Section

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

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------------------|------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 56,122 | 61,393 | 60,740 | 59,408 | 58,190 | 57,113 | 57,141 | 55,207 | 50,880 | 49,807 |
| Restricted | 3,730 | 26 | 26 | 2,442 | - | - | - | - | - | - |
| Unrestricted | 5,785 | 8,669 | 10,143 | 8,715 | 6,278 | 5,327 | 5,915 | 5,886 | 6,668 | 6,165 |
| Total Governmental Activities | | | | | | | | | | |
| Net Position | \$ 65,637 | 70,088 | 70,909 | 70,565 | 64,468 | 62,440 | 63,056 | 61,093 | 57,548 | 55,972 |
| Business-type Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 68,657 | 65,910 | 70,569 | 82,209 | 91,783 | 108,513 | 111,762 | 113,424 | 117,621 | 110,856 |
| Restricted | 1,388 | 5,150 | 5,441 | 2,066 | 1,354 | 675 | 1,403 | 1,761 | 2,626 | 2,290 |
| Unrestricted | 15,649 | 10,944 | 10,892 | 15,516 | 17,582 | 10,576 | 12,969 | 16,213 | 20,572 | 28,860 |
| Total Business-type Activities | | | | | | | | | | |
| Net Position | \$ 85,694 | 82,004 | 86,902 | 99,791 | 110,719 | 119,764 | 126,134 | 131,398 | 140,819 | 142,006 |
| Primary Government | | | | | | | | | | |
| Net investment in capital assets | \$ 124,779 | 127,302 | 131,309 | 141,617 | 149,973 | 165,626 | 168,903 | 168,631 | 168,501 | 160,663 |
| Restricted | 5,118 | 5,176 | 5,467 | 4,508 | 1,354 | 675 | 1,403 | 1,761 | 2,626 | 2,290 |
| Unrestricted | 21,434 | 19,613 | 21,035 | 24,231 | 23,860 | 15,903 | 18,884 | 22,099 | 27,240 | 35,025 |
| Total Primary Government | | | | | | | | | | |
| Net Position | \$ 151,331 | 152,091 | 157,811 | 170,356 | 175,187 | 182,204 | 189,190 | 192,491 | 198,367 | 197,978 |

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-----------------------|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 2,031,590 | 1,981,876 | 2,199,711 | 3,291,580 | 3,517,517 | 3,473,276 | 1,909,713 | 2,546,120 | 2,502,395 | 1,431,168 |
| Public safety | 3,140,921 | 3,360,091 | 3,510,922 | 3,476,471 | 3,563,666 | 3,902,294 | 3,642,114 | 3,939,768 | 3,596,487 | 4,495,915 |
| Public works | 1,988,748 | 2,410,794 | 1,851,321 | 1,635,967 | 1,791,967 | 2,421,447 | 2,174,105 | 1,973,267 | 1,775,480 | 6,357,270 |
| Parks and recreation | 1,395,705 | 1,320,447 | 1,338,404 | 1,315,282 | 1,463,364 | 1,446,971 | 1,511,469 | 1,581,736 | 1,477,450 | 1,326,003 |
| Library | 466,300 | 446,200 | 489,548 | 804,539 | 785,299 | 806,047 | 794,077 | 808,835 | 802,425 | 836,239 |
| Clinic | - | - | - | 1,454,476 | 1,682,532 | 1,846,150 | 1,660,050 | 1,637,780 | 1,654,018 | 2,496,024 |
| * Community support | - | - | - | - | - | - | - | - | - | 5,081,737 |
| Sealife Center | 51,939 | 965,206 | 848,940 | 1,279,570 | 1,457,308 | 1,355,558 | 1,465,285 | 1,556,943 | 1,398,053 | 1,400,374 |
| Unallocated interest | 173,993 | 206,778 | 208,840 | 157,984 | 153,950 | 149,966 | 232,290 | 251,372 | 225,493 | 215,476 |
| Total governmental activities expenses | 9,249,196 | 10,691,392 | 10,447,686 | 13,415,869 | 14,415,603 | 15,401,709 | 13,389,103 | 14,295,821 | 13,431,801 | 23,640,206 |
| Business-type activities: | | | | | | | | | | |
| Electric | 10,493,512 | 9,935,695 | 10,590,994 | 10,255,601 | 10,599,641 | 11,023,942 | 12,120,052 | 11,390,325 | 11,865,052 | 11,680,216 |
| Water | 1,230,833 | 1,246,997 | 1,087,747 | 1,175,129 | 1,241,671 | 1,189,786 | 1,373,707 | 1,499,502 | 1,474,729 | 1,334,374 |
| Wastewater | 1,044,654 | 1,013,492 | 1,015,474 | 1,117,152 | 1,097,494 | 1,211,625 | 1,086,821 | 1,078,091 | 1,071,306 | 1,112,963 |
| Harbor | 3,676,190 | 4,243,734 | 3,837,952 | 3,792,623 | 3,858,440 | 4,353,766 | 4,093,848 | 4,065,082 | 3,508,574 | 3,779,722 |
| Seward Marine Industrial Center | 1,081,862 | 928,458 | 899,343 | 1,013,658 | 1,260,159 | 1,342,506 | 1,161,489 | 1,389,912 | 1,336,436 | 1,411,205 |
| Healthcare facilities | 20,416,615 | 21,856,797 | 20,858,042 | 20,344,929 | 19,589,784 | 19,329,722 | 21,153,694 | 21,845,021 | 22,540,528 | 22,474,188 |
| Parking | 205,407 | 237,522 | 146,239 | 214,775 | 178,886 | 231,666 | 227,174 | 214,637 | 196,181 | 83,994 |
| Total business-type activities expenses | 38,149,073 | 39,462,695 | 38,435,791 | 37,913,867 | 37,826,075 | 38,683,013 | 41,216,785 | 41,482,570 | 41,992,806 | 41,876,662 |
| Total Primary Government Expenses | \$ 47,398,269 | 50,154,087 | 48,883,477 | 51,329,736 | 52,241,678 | 54,084,722 | 54,605,888 | 55,778,391 | 55,424,607 | 65,516,868 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 190,795 | 184,410 | 202,893 | 282,318 | 294,499 | 233,945 | 217,317 | 411,980 | 418,449 | 374,760 |
| Public safety | 740,204 | 809,645 | 897,319 | 937,659 | 817,995 | 614,253 | 576,829 | 589,388 | 477,448 | 479,062 |
| Public works | 40,910 | 36,721 | 30,565 | 20,383 | 22,278 | 27,985 | 32,359 | 25,814 | 27,373 | 27,373 |
| Parks and recreation | 620,943 | 609,342 | 653,054 | 663,298 | 778,350 | 913,970 | 914,318 | 960,186 | 1,032,968 | 676,618 |
| Library | 9,953 | 9,208 | 29,911 | 39,707 | 33,762 | 25,200 | 25,094 | 28,644 | 27,639 | 4,695 |
| Clinic | - | - | - | 62,306 | 75,085 | 69,134 | 60,000 | 60,000 | - | - |
| Operating grants and contributions | 1,128,278 | 1,037,711 | 1,002,434 | 1,148,124 | 1,156,755 | 1,402,137 | 1,100,497 | 1,418,770 | 1,415,242 | 9,443,898 |
| Capital grants and contributions | 3,573,497 | 3,442,599 | 23,034 | 819,241 | 621,712 | 1,278,997 | 3,101,498 | 584,688 | 594,420 | 3,512,787 |
| Total governmental activities program revenues: | 6,304,580 | 6,129,636 | 2,839,210 | 3,973,036 | 3,800,436 | 4,565,621 | 6,027,912 | 4,079,470 | 3,993,539 | 14,519,193 |
| Business-type activities: | | | | | | | | | | |
| Electric | 10,309,524 | 11,224,511 | 11,040,608 | 11,433,004 | 11,482,077 | 11,550,772 | 12,892,924 | 11,054,343 | 12,272,714 | 12,330,867 |
| Water | 1,069,732 | 1,150,109 | 1,280,710 | 1,227,631 | 1,283,986 | 1,292,890 | 1,411,320 | 1,356,104 | 1,453,343 | 1,275,656 |
| Wastewater | 864,740 | 929,514 | 960,591 | 1,016,890 | 1,096,290 | 1,151,763 | 1,193,276 | 1,244,542 | 1,239,669 | 1,208,541 |
| Harbor | 2,968,021 | 3,169,744 | 3,235,923 | 3,212,432 | 3,359,455 | 3,302,689 | 3,437,043 | 3,495,592 | 3,485,047 | 3,021,807 |
| Seward Marine Industrial Center | 413,454 | 414,737 | 391,954 | 469,793 | 593,307 | 608,810 | 531,842 | 1,076,575 | 666,303 | 696,747 |
| Healthcare facilities | 16,838,000 | 18,728,364 | 21,880,406 | 18,004,351 | 18,330,000 | 17,729,000 | 19,384,000 | 21,736,000 | 24,587,000 | 24,320,000 |
| Parking | 268,105 | 293,443 | 312,248 | 293,379 | 318,223 | 328,347 | 330,625 | 352,617 | 355,565 | 246,467 |
| Operating grants and contributions | 401,734 | 154,295 | 170,531 | 472,944 | 113,439 | 91,380 | 85,831 | 297,410 | (64,177) | 741,425 |
| Capital grants and contributions | 2,291,919 | 1,732,343 | 4,125,258 | 14,713,420 | 13,559,150 | 12,059,662 | 7,254,741 | 5,935,187 | 2,754,505 | - |
| Total business-type activities program revenues | 35,425,229 | 37,797,060 | 43,398,229 | 50,843,844 | 50,135,927 | 48,115,313 | 46,521,602 | 46,548,370 | 46,749,969 | 43,841,510 |
| Total Primary Government Revenues | \$ 41,729,809 | 43,926,696 | 46,237,439 | 54,816,880 | 53,936,363 | 52,680,934 | 52,549,514 | 50,627,840 | 50,743,508 | 58,360,703 |
| Net (Expenses)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (2,944,616) | (4,561,756) | (7,608,476) | (9,442,833) | (10,615,167) | (10,836,088) | (7,361,191) | (10,216,351) | (9,438,262) | (9,121,013) |
| Business-type activities | (2,723,844) | (1,665,635) | 4,962,438 | 12,929,977 | 12,309,852 | 9,432,300 | 5,304,817 | 5,065,800 | 4,757,163 | 1,964,848 |
| Total Primary Government Net Expense | \$ (5,668,460) | (6,227,391) | (2,646,038) | 3,487,144 | 1,694,685 | (1,403,788) | (2,056,374) | (5,150,551) | (4,681,099) | (7,156,165) |

(continued)

* Community support expenses in 2020 solely related to CARES Act funds received due to COVID-19. No taxpayer dollars were used.

See Statement of Activities (Exhibit B-1) of CAFR, p. 18.

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------------------|--------------------|------------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Sales tax | \$ 4,147,010 | 4,189,330 | 4,583,057 | 4,535,707 | 4,883,996 | 5,004,992 | 5,160,344 | 5,326,437 | 5,674,689 | 3,805,487 |
| Property tax | 999,737 | 1,025,266 | 1,261,276 | 989,910 | 1,013,370 | 1,152,116 | 1,208,090 | 1,473,199 | 1,556,874 | 1,564,692 |
| Other tax | 413,398 | 456,370 | 489,926 | 421,981 | 546,936 | 596,227 | 520,907 | 556,065 | 591,674 | 217,434 |
| Grants and entitlements | 1,346,755 | 1,250,895 | 1,491,511 | 1,766,622 | 850,297 | 608,651 | 880,255 | 768,250 | 570,325 | 342,227 |
| Investment earnings | 91,248 | 119,662 | 57,958 | 141,034 | 125,636 | 51,306 | 118,637 | 143,248 | 234,551 | 151,449 |
| Transfers | (1,290,998) | 1,970,983 | 546,005 | 1,243,171 | 1,181,852 | 1,393,673 | 89,589 | 899,264 | (2,710,077) | 1,444,406 |
| Total governmental activities | 5,707,150 | 9,012,506 | 8,429,733 | 9,098,425 | 8,602,087 | 8,806,965 | 7,977,822 | 9,166,463 | 5,918,036 | 7,525,695 |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 203,129 | 209,176 | 138,115 | 236,175 | 278,688 | 89,578 | 238,518 | 327,860 | 765,327 | 666,348 |
| Grants and entitlements | 1,411,435 | 343,265 | 343,265 | 961,178 | 1,242,072 | 917,500 | 916,330 | 1,044,510 | 1,188,868 | - |
| Other | - | - | - | 5,520 | 522 | - | - | - | - | - |
| Transfers | 1,290,998 | (1,970,983) | (546,005) | (1,243,171) | (1,181,852) | (1,393,673) | (89,589) | (899,264) | 2,710,077 | (1,444,406) |
| Total business-type activities | 2,905,562 | (1,418,542) | (64,625) | (40,298) | 339,430 | (386,595) | 1,065,259 | 473,106 | 4,664,272 | (778,058) |
| Total primary government | 8,612,712 | 7,593,964 | 8,365,108 | 9,058,127 | 8,941,517 | 8,420,370 | 9,043,081 | 9,639,569 | 10,582,308 | 6,747,637 |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities | \$ 2,762,534 | 4,450,750 | (1,013,100) | (344,408) | (2,013,080) | (2,029,123) | 616,631 | (1,049,888) | (3,520,226) | (1,595,318) |
| Business-type activities | 181,718 | (3,084,177) | 4,897,813 | 12,889,679 | 12,649,282 | 9,045,705 | 6,370,076 | 5,538,906 | 9,421,435 | 1,186,790 |
| Total Primary Government | \$ 2,944,252 | 1,366,573 | 3,884,713 | 12,545,271 | 10,636,202 | 7,016,582 | 6,986,707 | 4,489,018 | 5,901,209 | (408,528) |
| Beginning Net Position | \$ 149,457,107 ** | 151,796,018 | 152,091,921 | 157,810,991 | 170,356,262 | 175,187,361 * | 182,203,943 | 188,002,717 *** | 192,466,735 | 198,387,470 # |
| Ending Net Position | 152,401,359 | 153,162,591 | 155,976,634 | 170,356,262 | 182,578,327 | 182,203,943 | 189,190,650 | 192,491,735 | 198,367,944 | 197,978,942 |
| Change in Net Position | \$ 2,944,252 | 1,366,573 | 3,884,713 | 12,545,271 | 10,636,202 | 7,016,582 | 6,986,707 | 4,489,018 | 5,901,209 | (408,528) |

* Beginning net position restated for implementation of GASB 68.

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

*** Beginning net position restated for implementation of GASB 75.

Beginning net position restated for implementation of GASB No. 84.

See p. 18 (Exhibit B-1) of CAFR for details

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------------|-----------|-----------|------------|------------|------------|------------|------------|------------|------------|
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 397,406 | 457,897 | 481,449 | 351,045 | 600,308 | 622,337 | 394,161 | 392,169 | 439,653 | 442,217 |
| Committed | 2,126,418 | 2,126,418 | 2,126,418 | 2,126,418 | 2,126,418 | 2,126,418 | 2,126,418 | 2,126,418 | 2,000,000 | 2,000,000 |
| Assigned | - | - | 120,768 | 271,966 | 324,465 | 335,280 | 335,280 | 407,976 | 574,777 | 612,487 |
| Unassigned | 3,510,601 | 4,827,055 | 5,948,459 | 4,698,970 | 4,718,517 | 4,873,463 | 4,621,429 | 5,638,726 | 7,017,278 | 7,169,606 |
| Total General Fund | \$ 6,034,425 | 7,411,370 | 8,677,094 | 7,448,399 | 7,769,708 | 7,957,498 | 7,477,288 | 8,565,289 | 10,031,708 | 10,224,310 |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$ - | - | - | 16,746 | 9,676 | 5,858 | - | - | - | - |
| Restricted | 279,901 | 26,080 | 26,080 | - | - | - | - | - | - | - |
| Assigned | 3,730,137 | 891,865 | 864,471 | 2,752,119 | 2,507,741 | 2,797,134 | 2,845,888 | 2,896,785 | 2,963,035 | 1,429,315 |
| Unassigned (deficit) | (12,880) | (12,880) | - | - | - | - | (8,383) | (40,531) | - | (10,639) |
| Total All Other Governmental Funds | \$ 3,997,158 | 905,065 | 890,551 | 2,768,865 | 2,517,417 | 2,802,992 | 2,837,505 | 2,856,254 | 2,963,035 | 1,418,676 |
| Total All Governmental Funds | \$ 10,031,583 | 8,316,435 | 9,567,645 | 10,217,264 | 10,287,125 | 10,760,490 | 10,314,793 | 11,421,543 | 12,994,743 | 11,642,986 |

See p. 19 (Exhibit C-1) of CAFR

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|---------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 5,563,249 | 5,661,136 | 6,351,525 | 6,027,632 | 6,438,604 | 6,755,941 | 7,003,205 | 7,421,769 | 7,906,241 | 5,636,427 |
| Licenses and permits | 160,096 | 159,114 | 204,926 | 185,925 | 206,365 | 158,174 | 125,690 | 144,462 | 226,052 | 136,475 |
| Intergovernmental | 6,542,863 | 5,749,394 | 3,091,794 | 3,921,858 | 3,401,334 | 3,188,211 | 5,278,081 | 3,083,426 | 3,177,394 | 13,798,350 |
| Charges for Services | 2,645,948 | 2,540,717 | 2,614,684 | 2,650,995 | 2,775,824 | 2,931,087 | 2,950,159 | 3,124,918 | 3,127,545 | 2,809,873 |
| Investment earnings | 25,744 | 56,752 | 5,359 | 80,658 | 78,716 | 10,354 | 65,059 | 87,248 | 234,551 | 151,449 |
| Other revenues | 167,034 | 708,556 | 186,662 | 693,177 | 208,397 | 247,101 | 183,793 | 330,898 | 177,893 | 129,829 |
| Total Revenues | 15,104,934 | 14,875,669 | 12,454,950 | 13,560,245 | 13,109,240 | 13,290,868 | 15,605,987 | 14,192,721 | 14,849,676 | 22,662,403 |
| Expenditures | | | | | | | | | | |
| General government | 3,186,257 | 3,084,356 | 3,434,883 | 3,229,754 | 3,279,972 | 3,433,174 | 3,318,178 | 3,601,390 | 3,868,104 | 3,651,213 |
| Public safety | 4,767,575 | 3,535,153 | 3,280,724 | 3,480,308 | 3,366,320 | 3,373,133 | 3,489,111 | 3,677,579 | 4,005,450 | 4,737,696 |
| Public works | 1,883,297 | 2,339,996 | 1,832,897 | 1,659,642 | 1,523,557 | 2,047,067 | 1,901,390 | 1,400,688 | 1,181,051 | 1,546,116 |
| Parks and Recreation | 1,563,361 | 1,501,366 | 1,291,197 | 1,363,572 | 1,374,393 | 1,301,314 | 1,440,658 | 1,488,698 | 1,506,635 | 1,341,589 |
| Library | 2,364,176 | 7,291,434 | 535,747 | 572,512 | 553,272 | 543,123 | 573,535 | 573,595 | 627,727 | 649,865 |
| Clinic | - | - | - | 1,454,476 | 1,682,532 | 1,846,150 | 1,660,050 | 1,637,780 | 1,637,563 | 2,481,413 |
| Community Support | - | - | # | - | - | - | - | - | - | 5,081,737 |
| Retirement benefits | 631,278 | 656,294 | 836,750 | 1,373,271 | 1,401,165 | 591,859 | 616,846 | 576,741 | - | - |
| Capital outlay | - | - | 378,147 | 775,862 | 647,858 | 756,498 | 5,844,519 | 575,008 | 803,385 | 5,533,882 |
| Debt service: | | | | | | | | | | |
| Principal | 100,477 | - | - | 85,000 | 90,000 | 95,000 | 100,000 | 200,000 | 210,000 | 220,000 |
| Interest and other costs | 75,547 | 153,201 | 159,400 | 159,400 | 155,150 | 151,550 | 204,993 | 253,756 | 244,106 | 234,581 |
| Total Expenditures | 14,571,968 | 18,561,800 | 11,749,745 | 14,153,797 | 14,074,219 | 14,138,868 | 19,149,280 | 13,985,235 | 14,084,021 | 25,478,092 |
| Excess of Revenues Over (Under) Expenditures | 532,966 | (3,686,131) | 705,205 | (593,552) | (964,979) | (848,000) | (3,543,293) | 207,486 | 765,655 | (2,815,689) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Proceeds from debt issuance: | | | | | | | | | | |
| Par value | 3,480,000 | - | - | - | - | - | 2,790,000 | - | - | - |
| Premium | 259,854 | - | - | - | - | - | 199,733 | - | - | - |
| Transfers in | 1,979,290 | 4,263,668 | 2,389,220 | 5,003,400 | 3,421,759 | 3,593,615 | 3,293,372 | 3,147,358 | 3,083,277 | 2,810,000 |
| Transfers out | (3,270,288) | (2,292,685) | (1,843,215) | (3,760,229) | (2,386,919) | (2,272,250) | (3,185,509) | (2,248,094) | (2,250,732) | (1,365,600) |
| Net bond proceeds | - | - | - | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | 2,448,856 | 1,970,983 | 546,005 | 1,243,171 | 1,034,840 | 1,321,365 | 3,097,596 | 899,264 | 832,545 | 1,444,406 |
| Net Change in Fund Balance | \$ 2,981,822 | (1,715,148) | 1,251,210 | 649,619 | 69,861 | 473,365 | (445,697) | 1,106,750 | 1,598,200 | (1,371,283) |
| Fund Balances, beginning | \$ 7,049,761 | 10,031,583 | 8,316,435 | 9,567,645 | 10,217,264 | 10,287,125 | 10,760,490 | 10,314,793 | 11,396,543 | 13,014,269 |
| Fund Balances, ending | 10,031,583 | 8,316,435 | 9,567,645 | 10,217,264 | 10,287,125 | 10,760,490 | 10,314,793 | 11,421,543 | 12,994,743 | 11,642,986 |
| Net Change in Fund Balances | \$ 2,981,822 | (1,715,148) | 1,251,210 | 649,619 | 69,861 | 473,365 | (445,697) | 1,106,750 | 1,598,200 | (1,371,283) |
| Debt service as a percentage of noncapital expenditures (a ÷ b) ^ | 1.21% | 0.83% | 1.40% | 1.83% | 1.83% | 1.84% | 2.29% | 3.38% | 3.42% | 2.28% |
| Total non-capital expenditures | \$ 14,571,968 | \$ 18,561,800 | \$ 11,371,598 | \$ 13,377,935 | \$ 13,426,361 | \$ 13,382,370 | \$ 13,304,761 | \$ 13,410,227 | \$ 13,280,636 | \$ 19,944,210 |

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

See p. 21 (Exhibit D-1) 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 |
|--------------------|--------------|-----------------------------|---------------------------|-----------------------------|------------------------|-----------------|--------------|--------------|
| 2011 | 5,563,249 | 160,096 | 1,987,846 | 2,645,948 | 12,177 | 25,744 | 59,189 | 10,454,249 |
| 2012 | 5,661,136 | 159,114 | 1,953,472 | 2,540,717 | 8,386 | 56,690 | 51,824 | 10,431,339 |
| 2013 | 6,351,525 | 204,926 | 2,095,358 | 2,614,684 | 9,530 | 5,359 | 167,360 | 11,448,742 |
| 2014 | 6,027,632 | 185,925 | 2,611,218 | 2,650,995 | 14,073 | 80,658 | 124,873 | 11,695,374 |
| 2015 | 6,438,604 | 206,365 | 2,280,061 | 2,757,831 | 17,993 | 78,716 | 125,812 | 11,905,382 |
| 2016 | 6,755,941 | 158,174 | 1,092,998 | 2,912,722 | 18,365 | 10,354 | 90,735 | 11,039,289 |
| 2017 | 7,003,205 | 125,690 | 1,229,617 | 2,950,159 | 17,006 | 65,059 | 81,718 | 11,472,454 |
| 2018 | 7,421,769 | 144,462 | 1,374,253 | 3,124,918 | 14,317 | 87,248 | 215,581 | 12,382,548 |
| 2019 | 7,906,241 | 226,052 | 1,213,515 | 3,127,545 | 9,496 | 234,551 | 97,293 | 12,814,693 |
| 2020 | 5,636,427 | 136,475 | 1,078,448 | 2,809,873 | 11,075 | 150,417 | 118,427 | 9,941,142 |

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> |
|--------------------|---------------------|----------------------|-------------------------------------|--------------------------------|------------------|--------------|
| 2011 | 1,001,020 | 4,147,010 | 78,574 | 334,824 | 1,821 | 5,563,249 |
| 2012 | 1,013,580 | 4,189,330 | 76,160 | 380,210 | 1,856 | 5,661,136 |
| 2013 | 1,276,898 | 4,583,057 | 81,670 | 408,256 | 1,644 | 6,351,525 |
| 2014 | 986,449 | 4,535,707 | 82,490 | 421,981 | 1,005 | 6,027,632 |
| 2015 | 1,003,665 | 4,883,996 | 88,331 | 458,605 | 4,007 | 6,438,604 |
| 2016 | 1,152,216 | 5,004,992 | 90,382 | 505,845 | 2,506 | 6,755,941 |
| 2017 | 1,213,627 | 5,160,344 | 107,157 | 520,907 | 1,170 | 7,003,205 |
| 2018 | 1,464,361 | 5,326,437 | 73,207 | 556,065 | 1,699 | 7,421,769 |
| 2019 | 1,556,874 | 5,674,689 | 76,694 | 591,674 | 6,310 | 7,906,241 |
| 2020 | 1,564,692 | 3,805,487 | 46,312 | 217,434 | 2,502 | 5,636,427 |

- 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.

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> |
|--------------------|-------------|--------------------|-----------------|--------------------------|--------------|
| 2011 | 3.12 | 4.50 | 0.00 | 0.50 | 8.12 |
| 2012 | 3.12 | 4.50 | 0.00 | 0.50 | 8.12 |
| 2013 | 3.12 | 4.50 | 0.00 | 0.50 | 8.12 |
| 2014 | 3.12 | 4.50 | 0.00 | 0.50 | 8.12 |
| 2015 | 3.12 | 4.50 | 0.00 | 0.75 | 8.37 |
| 2016 | 3.12 | 4.50 | 0.00 | 0.75 | 8.37 |
| 2017 | 3.12 | 4.50 | 0.00 | 0.75 | 8.37 |
| 2018 | 3.84 | 4.70 | 0.00 | 0.75 | 9.29 |
| 2019 | 3.84 | 4.70 | 0.00 | 0.75 | 9.29 |
| 2020 | 3.84 | 4.70 | 0.00 | 0.75 | 9.29 |

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

Source: Kenai Peninsula Borough FY 2020 Budget

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

| Fiscal Year | Total Tax Levy for Fiscal Year | Collected in the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------|--------------------------------|--|--------------------|---------------------------------|---------------------------|--------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2011 | 973,756 | 945,194 | 97.067% | 20,773 | 965,967 | 99.200% |
| 2012 | 981,134 | 944,950 | 96.312% | 29,603 | 974,553 | 99.329% |
| 2013 | 1,235,742 | 1,212,490 | 98.118% | 18,734 | 1,231,224 | 99.634% |
| 2014 | 968,272 | 942,952 | 97.385% | 21,572 | 964,523 | 99.613% |
| 2015 | 1,006,912 | 978,629 | 97.191% | 21,119 | 978,629 | 97.191% |
| 2016 | 1,101,723 | 1,074,987 | 97.573% | 22,950 | 1,097,937 | 99.656% |
| 2017 | 1,189,014 | 1,172,169 | 98.583% | 28,556 | 1,200,725 | 100.985% |
| 2018 | 1,458,073 | 1,419,345 | 97.344% | 13,990 | 1,433,335 | 98.303% |
| 2019 | 1,552,098 | 1,486,245 | 95.757% | 56,760 | 1,543,005 | 99.414% |
| 2020 | 1,563,721 | 1,489,328 | 95.243% | 41,880 | 1,531,208 | 97.921% |

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 | |
| 2011 | 227,195,200 | 242,523,700 | 77,748,676 | 103,889,200 | 304,943,876 | 346,412,900 | 3.12 | 5.00 | 8.12 | 88.03% |
| 2012 | 222,716,400 | 253,609,300 | 92,111,313 | 124,568,800 | 314,827,713 | 378,178,100 | 3.12 | 5.00 | 8.12 | 83.25% |
| 2013 | 228,195,800 | 248,357,800 | 168,416,865 * | 405,452,500 * | 396,612,665 | 653,810,300 | 3.12 | 5.00 | 8.12 | 60.66% |
| 2014 | 212,690,900 | 249,826,500 | 79,542,045 | 110,605,000 | 292,232,945 | 360,431,500 | 3.12 | 5.00 | 8.12 | 81.08% |
| 2015 | 239,873,088 | 251,015,800 | 80,345,819 | 109,149,800 | 320,218,907 | 360,165,600 | 3.12 | 5.00 | 8.12 | 88.91% |
| 2016 | 247,469,769 | 267,717,900 | 100,668,606 | 129,667,600 | 348,138,375 | 397,385,500 | 3.12 | 5.25 | 8.37 | 87.61% |
| 2017 | 265,631,189 | 274,511,700 | 102,282,822 | 139,869,000 ** | 381,263,951 | 414,380,700 | 3.12 | 5.25 | 8.37 | 92.01% |
| 2018 | 272,890,000 | 282,031,815 | 94,933,968 | 129,822,201 | 367,823,968 | 411,854,016 | 3.84 | 5.45 | 9.29 | 89.31% |
| 2019 | 285,579,453 | 305,984,502 | 107,419,854 | 145,391,590 | 392,999,307 | 451,376,092 | 3.84 | 5.45 | 9.29 | 87.07% |
| 2020 | 293,699,390 | 309,253,199 | 113,771,003 | 153,171,921 | 407,470,393 | 462,425,120 | 3.84 | 5.45 | 9.29 | 88.12% |

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

Source: State of Alaska "Alaska Taxable 2020" (1) and Kenai Peninsula Borough Certified Tax Roll (2).

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

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

City of Seward, Alaska
Principal Property Taxpayers
Compared with Nine Years Ago
December 31, 2020

| <u>Taxpayer (2)</u> | <u>Type of Business</u> | <u>2020 Value (1)</u> | <u>Rank</u> | <u>Percentage of Total Taxable Assessed Value (2)</u> | <u>2011 Assessed Value (1)</u> | <u>Rank</u> | <u>Percentage of Total Taxable Assessed Value (2)</u> |
|----------------------------------|-------------------------|-----------------------|-------------|---|--------------------------------|-------------|---|
| Leirer Enterprises, LLC | Property | \$ 13,961,800 | 1 | 3.4% | | | 0.0% |
| CAT/Viad Corp | | 12,676,365 | 2 | 3.1% | | | 0.0% |
| Vitus Energy, LLC | | 9,318,656 | 3 | 2.3% | | | 0.0% |
| Carr Gottstein | Grocery | 8,058,501 | 4 | 2.0% | 7,808,570 | 5 | 2.6% |
| Crowley Fuels LLC | Marine Services | 7,465,761 | 5 | 1.8% | 8,646,879 | | 2.8% |
| Four Seasons Marine Service Corp | Marine Services | 6,491,368 | 6 | 1.6% | | | 0.0% |
| Harbor 360, LLC | Communications | 6,386,100 | 7 | 1.6% | | | 0.0% |
| GCI | Hotel/Retail | 6,364,690 | 8 | 1.6% | 4,882,489 | 9 | 1.6% |
| Mindenbergs Juris | Hotel/Retail | 5,658,100 | 9 | 1.4% | | | 0.0% |
| Y C Seward Hotel Group, LLC | Hotel/Retail | 3,960,300 | 10 | 1.0% | | | 0.0% |
| Shoreside Petroleum | Petroleum Products | | | | 8,649,008 | 3 | 2.8% |
| Ciri Alaska Tourism | Tourism | | | | 16,735,075 | 1 | 5.5% |
| Icicle Seafoods | Seafood Processing | | | | 12,085,890 | 2 | 4.0% |
| Crowley Marine Services | Marine Services | | | | 8,646,879 | 4 | 2.8% |
| Seward Hospitality LLC | Hotel/Retail | | | | 6,420,000 | 6 | 2.1% |
| Breeze Inn Motel | Hotel/Retail | | | | 6,258,500 | 7 | 2.1% |
| Kishan Group | Hotel/Retail | | | | 5,286,100 | 8 | 1.7% |
| Seward Ships Drydock Inc | Marine Services | | | | 2,881,106 | 10 | 0.9% |
| Total | | \$ 80,341,641 | | 19.7% | \$ 88,300,496 | | 29.0% |

1) Includes real, personal and oil taxes based on 2019 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 \$304,943,876 in 2011 and \$407,470,393 in 2020.

City of Seward, Alaska
Principal Taxable Sales by Line of Business
December 31, 2020

| Type of Business | CY20 Taxable Sales (1) | Percent of Total Taxable Sales | CY11 Taxable Sales (2) | Percent of Total Taxable Sales |
|---|---------------------------|--------------------------------------|---------------------------|--------------------------------------|
| Retail Trade | 47,365,606 | 49.8% | \$ 42,179,661 | 40.7% |
| Accommodations, Food Service, Entertainment | \$ 15,430,390 | 16.2% | 21,696,563 | 20.9% |
| Guiding Water | 9,457,461 | 9.9% | 17,608,879 | 17.0% |
| Public Administration | 8,436,820 | 8.9% | 7,051,631 | 6.8% |
| Wholesale Trade | 4,551,387 | 4.8% | 5,756,128 | 5.5% |
| Rental Property | 3,189,036 | 3.4% | 1,987,481 | 1.9% |
| Services | 4,992,863 | 5.3% | 1,448,866 | 1.4% |
| Transportation & Warehousing | 147,462 | 0.2% | | 0.0% |
| Professional, Scientific | 607,912 | 0.6% | | 0.0% |
| Manufacturing | 314,454 | 0.3% | | 0.0% |
| Construction | 534,471 | 0.6% | | 0.0% |
| Other | 28,334 | 0.0% | 5,986,394 | 5.8% |
| | \$ 95,056,194 | 100% | \$ 103,715,603 | 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 Government | Total Primary Gov't | Governmental | | Total Primary Gov't | |
| 2011 | 3,480,000 | - | 420,717 | 1,550,000 | | 39,930,000 | - | 2,775,339 | 48,156,056 | 3.2% | 39.8% | 1,427 | 17,620 | 13.90% |
| 2012 | 3,729,027 | - | 229,498 | 710,000 | | 38,475,000 | - | 2,155,164 | 45,298,689 | 3.1% | 34.9% | 1,437 | 16,448 | 11.98% |
| 2013 | 3,718,200 | - | 31,320 | - | | 37,444,409 | - | 1,968,688 | 43,162,617 | 3.1% | 35.8% | 1,508 | 17,355 | 6.60% |
| 2014 | 3,622,373 | - | - | - | | 35,531,424 | - | 1,840,021 | 40,993,818 | 2.7% | 30.4% | 1,309 | 14,810 | 11.37% |
| 2015 | 3,521,546 | - | - | - | | 34,210,046 | - | 4,275,945 | 42,007,537 | 2.6% | 30.2% | 1,285 | 15,331 | 11.66% |
| 2016 | 3,210,000 | - | - | - | | 28,370,000 | - | 4,085,777 | 35,665,781 | 2.4% | 26.7% | 1,205 | 13,017 | 8.98% |
| 2017 | 6,299,126 | - | - | - | | 29,075,650 | - | 2,629,364 | 38,004,144 | 5.0% | 30.2% | 2,502 | 14,271 | 9.17% |
| 2018 | 6,082,813 | - | - | - | | 27,314,418 | - ** | 2,391,901 | 35,789,132 | 4.7% | 27.8% | 2,354 | 13,850 | 8.69% |
| 2019 | 5,856,500 | - | - | - | | 25,643,187 | - | 2,198,304 | 33,697,991 | 4.4% | 25.4% | 2,301 | 13,241 | 7.47% |
| 2020 | 5,370,000 | - | - | - | | 22,160,000 | - | 2,001,801 | 29,531,801 | 3.9% | 21.5% | 2,140 | 11,770 | 6.39% |

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

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

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

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

5) Estimated Actual Taxable Value data can be found in State of Alaska "Alaska Taxable 2020" (<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 | | |
| 2011 | 2,733 | 304,944 | 3,480 | 1,550 | 5,030 | 1.60% | 1,840 |
| 2012 | 2,754 | 314,828 | 3,729 | 710 | 4,439 | 1.12% | 1,612 |
| 2013 | 2,487 | 296,613 * | 3,718 | - | 3,718 | 1.27% | 1,495 |
| 2014 | 2,768 | 292,233 | 3,622 | - | 3,622 | 1.13% | 1,309 |
| 2015 | 2,740 | 320,219 | 3,522 | - | 3,522 | 1.10% | 1,285 |
| 2016 | 2,663 | 348,138 | 3,210 | - | 3,210 | 0.92% | 1,205 |
| 2017 | 2,518 | 381,264 | 6,299 | - | 6,299 | 1.65% | 2,502 |
| 2018 | 2,584 | 367,824 | 6,082 | - | 6,082 | 1.65% | 2,354 |
| 2019 | 2,545 | 392,999 | 5,636 | - | 5,636 | 1.43% | 2,215 |
| 2020 | 2,509 | 407,470 | 5,370 | - | 5,370 | 1.32% | 2,140 |

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.

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, 2020

| Jurisdiction | Net General Obligation Bonded Debt Outstanding | Percentage Applicable to Seward | Amount Applicable to City of Seward |
|-------------------------------|---|---------------------------------------|--|
| Direct: | | | |
| City of Seward | \$ 5,370,000 | 100% | 5,370,000 |
| Overlapping: | | | |
| Kenai Peninsula Borough (KPB) | <u>29,585,000</u> | 4.8% | <u>1,423,633</u> |
| | <u>\$ 34,955,000</u> | | <u>6,793,633</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 \$33,320,000 less Central Emergency Services unrelated to Seward.

3) Based on ratio of City of Seward assessed value (real and personal property = \$407,470,393)
to total assessed value of the Kenai Peninsula Borough (\$8,467,779,536)

Source: "2020 Alaska Taxable" State of Alaska, and KPB main and supplemental tax rolls.

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

City of Seward, Alaska

**Legal Debt Margin
December 31, 2020**

No debt limit mandated by law.

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

| Fiscal Year | Gross Revenues (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Debt Service Requirements (3) | | | Coverage (4) |
|-------------|--------------------|------------------------|--|-------------------------------|----------|---------|--------------|
| | | | | Principal | Interest | Total | |
| 2011 | 10,410,908 | 8,620,529 | 1,790,379 | 330,000 | 339,298 | 669,298 | 2.68 |
| 2012 | 11,344,047 | 7,844,098 | 3,499,949 | 345,000 | 323,987 | 668,987 | 5.23 |
| 2013 | 11,139,471 | 8,531,996 | 2,607,475 | 360,000 | 308,210 | 668,210 | 3.90 |
| 2014 | 11,236,195 | 8,073,997 | 3,162,198 | 380,000 | 290,053 | 670,053 | 4.72 |
| 2015 | 11,674,228 | 8,887,162 | 2,787,066 | 400,000 | 273,261 | 673,261 | 4.14 |
| 2016 | 11,607,631 | 9,421,854 | 2,185,777 | 240,000 | 109,739 | 349,739 | 6.25 |
| 2017 | 13,010,358 | 10,267,321 | 2,743,037 | 150,000 | 193,118 | 343,118 | 7.99 |
| 2018 | 11,168,299 | 9,730,414 | 1,437,885 | 160,000 | 185,400 | 345,400 | 4.16 |
| 2019 | 12,544,308 | 9,801,084 | 2,743,224 | 165,000 | 180,199 | 345,199 | 7.95 |
| 2020 | 12,516,634 | 10,057,074 | 2,459,560 | 170,000 | 171,949 | 341,949 | 7.19 |

- 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 | |
| 2011 | 3,017,003 | 2,040,903 | 976,100 | 385,000 | 318,459 | 703,459 | 1.39 |
| 2012 | 3,228,955 | 2,171,180 | 1,057,775 | 400,000 | 299,765 | 699,765 | 1.51 |
| 2013 | 3,266,821 | 2,187,206 | 1,079,615 | 420,000 | 284,374 | 704,374 | 1.53 |
| 2014 | 3,257,122 | 2,358,618 | 898,504 | 294,885 | 179,484 | 474,369 | 1.89 |
| 2015 | 3,396,213 | 2,289,480 | 1,106,733 | 460,000 | 223,262 | 683,262 | 1.62 |
| 2016 | 3,323,340 | 2,500,625 | 822,715 | 470,000 | 200,380 | 670,380 | 1.23 |
| 2017 | 3,480,176 | 2,132,971 | 1,347,205 | 480,000 | 193,100 | 673,100 | 2.00 |
| 2018 | 3,564,884 | 2,268,324 | 1,296,560 | 490,000 | 177,900 | 667,900 | 1.94 |
| 2019 | 3,616,290 | 1,961,095 | 1,655,195 | 510,000 | 158,301 | 668,301 | 2.48 |
| 2020 | 3,126,459 | 2,189,254 | 937,205 | 530,000 | 134,899 | 664,899 | 1.41 |

- 1) Total revenues, including interest, exclusive of grants and PERS on-behalf.
- 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.

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) |
| 2011 | 2,733 | 552 | 113,609,003 | 44,313 | 40.6 | 55,400 | 9,148 | 9.50% |
| 2012 | 2,754 | 593 | 122,039,039 | 47,121 | 40.6 | 56,369 | 9,083 | 8.60% |
| 2013 | 2,768 | 574 | 117,189,666 | 48,485 | 41.4 | 56,756 | 8,892 | 7.90% |
| 2014 | 2,768 | 588 | 134,207,628 | 48,728 | 40.0 | 56,862 | 8,832 | 7.80% |
| 2015 | 2,740 | 605 | 133,515,899 | 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% |
| 2018 | 2,584 | 585 | 128,682,204 | 49,800 | 41.5 | 58,471 | 9,005 | 7.70% |
| 2019 | 2,545 | 599 | 132,519,283 | 52,015 | 41.8 | 58,367 | 8,881 | 7.00% |
| 2020 | 2,509 | 474 | 137,668,490 | 54,870 | 37.3 | 58,708 | 8,085 | 9.10% |

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

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

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

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

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

City of Seward, Alaska

Principal Employment by Industry - Current and Nine Years Ago

| Industry | 2020 Resident Workers | 2011 Resident Workers |
|---|-----------------------------|-----------------------------|
| Trade, Transportation and Utilities | 218 | 272 |
| Leisure and Hospitality | 159 | 160 |
| Local Government | 116 | 123 |
| Educational and Health Services | 111 | 108 |
| State Government | 103 | 119 |
| Professional and Business Services | 75 | 75 |
| Manufacturing | 46 | 36 |
| Construction | 37 | 44 |
| Financial Activities | 29 | 32 |
| Other | 22 | 33 |
| Natural Resources and Mining Information | 21 4 | 11 7 |
| | 941 | 1,020 |

Source: Alaska Department of Labor and Workforce Development, Research and Analysis.

[Http://live.laborstats.alaska.gov/alari/](http://live.laborstats.alaska.gov/alari/)

* 2020 updated data unavailable from the Department of Labor and Workforce Development. Used data from 2019 CAFR for comparison

* Beginning in 2012, the State of Alaska by statute prohibits release of data relative to the number of employees working for an employer. Data for 2011 unavailable to compare.

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| General Fund: | | | | | | | | | | |
| City Clerk | 2.90 | 3.00 | 3.20 | 3.00 | 3.00 | 3.11 | 3.23 | 3.53 | 3.00 | 3.05 |
| City Manager and Legislative | 4.10 | 4.40 | 4.10 | 4.00 | 4.00 | 3.00 | 3.00 | 4.15 | 3.44 | 3.41 |
| M.I.S. | 2.00 | 2.00 | 2.00 | 2.50 | 2.50 | 2.76 | 2.72 | 2.73 | 2.63 | 3.02 |
| Finance | 6.90 | 7.10 | 6.70 | 7.00 | 7.00 | 9.29 | 8.04 | 7.45 | 8.35 | 6.07 |
| Police, Jail, Animal Control | 24.90 | 24.20 | 24.30 | 25.50 | 25.50 | 24.34 | 23.73 | 23.15 | 23.20 | 24.24 |
| Fire | 2.75 | 2.80 | 2.75 | 2.75 | 2.75 | 2.93 | 2.74 | 2.75 | 2.97 | 2.81 |
| Building Inspection | 1.25 | 1.20 | 1.25 | 1.25 | 1.25 | 1.00 | 1.00 | 1.00 | 1.00 | 2.01 |
| Public Works | 6.90 | 7.20 | 5.90 | 5.94 | 5.94 | 6.45 | 7.11 | 5.83 | 4.46 | 7.12 |
| Community Development | 1.90 | 1.60 | 2.00 | 2.00 | 2.00 | 2.01 | 2.40 | 1.96 | 1.88 | 2.63 |
| Maintenance | 2.00 | 2.00 | 2.10 | 2.03 | 2.03 | 2.02 | 2.01 | 1.37 | 1.00 | 1.01 |
| Parks & Recreation | 16.00 | 14.20 | 14.90 | 15.24 | 14.10 | 13.74 | 14.46 | 14.26 | 13.53 | 9.66 |
| Library | 4.60 | 4.50 | 4.60 | 4.59 | 4.59 | 4.98 | 5.16 | 5.06 | 4.65 | 4.22 |
| General Fund Total | 76.20 | 74.20 | 73.80 | 75.80 | 74.66 | 75.63 | 75.60 | 73.24 | 70.12 | 69.25 |
| Parking | 2.30 | 2.10 | 1.60 | 3.29 | 3.09 | 1.04 | 1.67 | 1.62 | 0.96 | 0.10 |
| Harbor and SMIC | 11.70 | 12.00 | 11.60 | 11.65 | 11.65 | 11.72 | 12.12 | 11.77 | 12.25 | 11.70 |
| Electric | 10.10 | 10.90 | 11.30 | 11.00 | 11.00 | 10.82 | 11.89 | 11.46 | 10.63 | 10.69 |
| Water | 2.70 | 2.70 | 2.60 | 3.53 | 3.53 | 2.52 | 2.86 | 3.36 | 3.37 | 2.19 |
| Wastewater | 2.60 | 2.50 | 2.60 | 2.53 | 2.53 | 2.18 | 1.74 | 2.37 | 2.30 | 2.27 |
| Total All Funds | 105.60 | 104.40 | 103.50 | 107.80 | 106.46 | 103.91 | 105.88 | 103.82 | 99.63 | 96.20 |

Source: City of Seward finance department

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

| Function | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Public Safety | | | | | | | | | | |
| Police Services: | | | | | | | | | | |
| Physical arrests | 300 | 251 | 345 | 289 | 270 | 322 | 244 | 242 | 97 | 231 |
| Traffic violations/warnings | 1,466 | 1,129 | 1,400 | 1,225 | 2,042 | 785 | 944 | 1,149 | 1,180 | 641 |
| Parking violations | 30 | 150 | 79 | 29 | 63 | 74 | 79 | 249 | 336 | 254 |
| Fire and Emergency Services: | | | | | | | | | | |
| Number of calls answered | 323 | 307 | 339 | 349 | 376 | 359 | 361 | 264 | 300 | 230 |
| Harbor | | | | | | | | | | |
| Registered vessels | 3,348 | 3,608 | 3,992 | 4,928 | 4,860 | 5,193 | 5,053 | 5,565 | 5,813 | 5,159 |
| Number on waiting list for slips | 206 | 192 | 171 | 183 | 184 | 161 | 171 | 147 | 161 | 166 |
| Number of boat lifts | 507 | 467 | 551 | 590 | 602 | 509 | 553 | 576 | 526 | 485 |
| General cargo tonnage (a) | 79 | 20,421 | 27 | 140 | 112 | - | - | - | 2,044 | 45 |
| Fish product tonnage | 13,471 | 17,119 | 24,563 | 10,862 | 21,632 | 10,085 | 8,702 | 15,670 | 13,410 | 8,225 |
| Petroleum (gallons) (b) | 2,310,694 | 3,934,806 | 2,856,968 | 2,536,738 | 3,450,054 | 3,637,401 | 2,853,828 | 2,786,987 | 2,423,856 | 1,855,312 |
| Water and Wastewater Systems: | | | | | | | | | | |
| Water service connections | 950 | 949 | 961 | 958 | 973 | 976 | 982 | 980 | 981 | 996 |
| Daily average consumption (gallons) | 1,029,077 | 1,580,641 | 1,472,000 | 1,144,677 | 1,130,528 | 1,484,754 | 1,109,546 | 1,059,115 | 971,670 | 841,561 |
| Sewer service connections | 922 | 922 | 935 | 934 | 948 | 950 | 954 | 952 | 955 | 970 |
| Daily average treatment (gallons) | 723,896 | 681,749 | 657,821 | 519,132 | 519,132 | 652,321 | 609,545 | 653,872 | 591,175 | 450,000 |
| Electric System: | | | | | | | | | | |
| Number of service connections | 3,224 | 3,218 | 2,706 | 2735 | 2,759 | 2,796 | 2,818 | 2,821 | 2,855 | 2,897 |
| Total kilowatt hour sales | 57,253,825 | 58,738,003 | 57,950,087 | 55,190,496 | 54,842,755 | 53,103,072 | 53,263,395 | 51,784,110 | 51,672,753 | 52,268,253 |

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

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

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

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

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------------------|-------|-------|-------|------|------|------|-------|--------|------|------|
| Lane miles of street | 54.40 | 54.40 | 54.40 | 54.4 | 54.8 | 54.8 | 55 | 55 | 55 | 55 |
| Number of street lights | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 |
| Public Safety | | | | | | | | | | |
| Number of fire stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fire rating (ISO) | 5/9 | 5/9 | 5/9 | 4/9 | 4/9 | 4/9 | 4/9 * | 4/4x * | 3/3y | 3/3y |
| Number of fire hydrants | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 232 |
| Number of police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of Facilities | | | | | | | | | | |
| Parks and playgrounds | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 21 |
| 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 | 69 | 69 | 69 | 69 | 69 | 69 | 69 | 69 | 69 |
| Electric substations | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |

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

*New ISO rating system beginning in 2018

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

| Fiscal Year | Total Real Property Value (1) | Commercial Construction | | Residential Construction | | Bank Deposits (2) |
|-------------|-------------------------------|-------------------------|------------------|--------------------------|------------------|-------------------|
| | | Number of Permits | Value of Permits | Number of Permits | Value of Permits | |
| 2011 | 242,523,700 | 36 | 10,468,128 | 27 | 873,920 | 76,678,691 |
| 2012 | 253,609,300 | 36 | 6,254,641 | 18 | 717,400 | 82,765,489 |
| 2013 | 248,357,800 | 30 | 14,551,644 | 22 | 927,616 | 75,607,197 |
| 2014 | 249,826,500 | 25 | 8,072,217 | 26 | 1,070,400 | 79,852,000 |
| 2015 | 251,015,800 | 30 | 16,808,765 | 11 | 759,860 | 75,514,000 |
| 2016 | 267,717,900 | 27 | 2,661,974 | 26 | 1,603,866 | 87,091,000 |
| 2017 | 274,511,700 | 14 | 2,324,733 | 21 | 1,070,477 | 86,329,000 |
| 2018 | 282,031,815 | 20 | 3,993,376 | 23 | 1,391,200 | 81,076,000 |
| 2019 | 305,984,502 | 19 | 10,577,917 | 20 | 1,406,850 | 80,659,000 |
| 2020 | 462,425,120 | 24 | 3,590,628 | 21 | 2,984,130 | 95,961,000 |

- 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, 2020

| | |
|---|-------------------|
| 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 | 36,839 |
| Fire Department - Number of volunteers | 25 |
| Sewer System - Maximum daily capacity (gallons) | 841,561 |
| Water System - Maximum daily capacity (gallons) | 450,000 |
| Electric System: | |
| Miles of distribution lines | 69 |
| Miles of transmission lines | 50 |
| Harbor - Number of permanent slips | 573 |
| City Employees: | |
| Regular Employees - Full-time equivalent | 90 |
| Temporary Employees - Full-time equivalent | 6 |
| Demographics: | |
| School Enrollment, City of Seward (3) | 474 |
| Unemployment Rate - Borough-Wide (1) | 9.1% |
| Population (2) | 2,509 |
| Per-capita Personal Income (4) | 54,870 |
| Qualified Voters | 1,832 |
| Facilities and Services not included in the reporting entity: | |
| Education: | |
| Elementary School | |
| Number of students enrolled | 214 |
| Number of teachers | 21 |
| Middle School | |
| Number of students enrolled | 113 |
| Number of teachers | 13 |
| High School | |
| Number of students enrolled | 147 |
| Number of teachers | 21 |
| Alaska Vocational Technical Center | |
| Number of students served annually | 631 |
| Number of teachers (includes Instructional Aides) | 26 |
| 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: | 130 |
| Exempt | 14 |
| Non-Exempt (includes non-staff rotating physicians) | 116 |

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

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

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

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

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

Independent Auditor's Report

Honorable Mayor and City Council
City of Seward, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Seward, Alaska, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Seward's basic financial statements and have issued our report thereon dated August 17, 2021. Our report includes a reference to other auditors who audited the financial statements of the Providence Seward Medical and Care Center, as described in our report of City of Seward's basic financial statements. Providence Seward Medical and Care Center was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Providence Seward Medical and Care Center or that are reported on separately by those auditors who audited the financial statements of the Providence Medical and Care Center.

Internal Control over Financial Reporting

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

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

Honorable Mayor and City Council
City of Seward, Alaska

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying federal schedule of findings and questioned costs as Findings 2020-001, 2020-002, and 2020-003, that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Seward's Response to Findings

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

Purpose of this Report

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



Anchorage, Alaska
August 17, 2021

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

Independent Auditor's Report

Honorable Mayor and City Council
City of Seward, Alaska

Report on Compliance for Each Major Federal Program

We have audited the City of Seward's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Seward's major federal programs for the year ended December 31, 2020. City of Seward's major federal programs are identified in the summary of auditor's results section of the accompanying federal schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Seward's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Seward complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

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

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

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

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



Anchorage, Alaska
August 17, 2021

City of Seward, Alaska

Federal Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unmodified

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

Internal control over financial reporting:
Material weakness(es) identified? X Yes No
Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs (2 CFR 200.516 (a)(1)):
Material weakness(es) identified? Yes X No
Significant deficiency(es) identified? Yes X None reported

Any material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a)(2))? Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, (2 CFR 200.516 (a)(3) or (4))? Yes X No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 21.019 | Coronavirus Relief Fund |

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

Auditee qualified as low-risk auditee? Yes X No

Federal Schedule of Findings and Questioned Costs, Continued

Section II - Financial Statement Findings

Finding 2020-001 **Lack of Internal Controls over Governmental Activities Capital Assets**

Material Weakness

Criteria: Internal controls should be in place to ensure proper and accurate financial reporting in accordance with Generally Accepted Accounting Principles.

Condition and Context: During the audit we noted that the governmental activities capital asset schedule lacked significant additions as a result of capital expenditures in the governmental fund financial statements not properly being identified for capitalization on the City's capital asset schedule. During the audit we performed a search for unrecorded assets and noted a material understatement of capital assets and a corresponding overstatement of expenses reported in governmental activities.

Cause: The City does not have adequate processes and controls in place to ensure that the governmental activities capital asset balances are accurately recorded at year end.

Effect: Without effective controls in place, the ending capital asset balances could be materially misstated.

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

Recommendation: We recommend the City strengthen processes and controls related to capital assets.

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

Finding 2020-002 **Lack of Internal Controls over Year End Close Procedures**
Material Weakness

Criteria: Internal controls should be in place to ensure proper and accurate financial reporting in accordance with Generally Accepted Accounting Principles (GAAP).

Condition and Context: A number of general ledger accounts were not properly reconciled at the start of the audit. As a result the balances for capital assets, accrued interest, cash, debt, PERS on-behalf, and the Compensated Annual Leave Internal Service Fund charges required adjustments.

Federal Schedule of Findings and Questioned Costs, Continued

- Cause:** The City does not have adequate processes and controls in place to ensure that general ledger account balances are reconciled at year end.
- Effect:** A number of account balances were misstated prior to being adjusted by management.
- Repeat Finding:** This repeat finding and due to the number of account balances that were misstated, we believe this to be a systemic issue.
- Recommendation:** We recommend the City strengthen its processes and controls related to year end close procedures.

Finding 2020-003
Material Weakness

Lack of Internal Controls over Utility Billings

- Criteria:** Internal controls should be in place to ensure proper and accurate financial reporting in accordance with Generally Accepted Accounting Principles (GAAP).
- Condition and Context:** During our testing of internal controls over the utility billing system, we noted two instances where customers were classified as the incorrect account type, one instance where a customer was charged more than one equivalent residential unit for water and sewer service without adequate documentation, and one instance where a customer was not charged for water and sewer service although they were using those services.
- Cause:** The City does not have adequate processes and controls in place to ensure that all utility accounts are billed the correct rate and for the correct service.
- Effect:** A number of utility customers are being billed incorrectly. In some cases customers are being overbilled, in some cases customers are being under billed. The amounts noted are immaterial in nature but indicate a lack of internal controls over utility billings.
- Repeat Finding:** This is not a repeat finding, however it appears to be a systemic issue.
- Recommendation:** We recommend the City strengthen its processes and controls related to individual utility account balances and charges
- Management's Response:** Management agrees with this finding. See Corrective Action Plan.

Section III - Federal Award Findings

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

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

Independent Auditor's Report

Honorable Mayor and City Council
City of Seward, Alaska

Report on Compliance for Each Major State Program

We have audited City of Seward's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Seward's major state programs for the year ended December 31, 2020. City of Seward's major state programs are identified in the accompanying Schedule of State Financial Assistance.

Management's Responsibility

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

Auditor's Responsibility

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

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

Honorable Mayor and City Council
City of Seward, Alaska

Opinion on Each Major State Program

In our opinion, City of Seward complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

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

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

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

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



Anchorage, Alaska
August 17, 2021

City of Seward, Alaska

State Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X Yes No

Significant deficiency(ies) identified?

 Yes X None reported

Noncompliance material to financial statements?

 Yes X No

State Awards

Internal control over major programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None reported

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

Unmodified

Dollar threshold used to distinguish a state major program:

\$ 150,000

Section II - Financial Statement Findings

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

Section III - State Award Findings

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

CITY OF SEWARD

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



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

Summary of Prior Audit Findings

Year Ended December 31, 2020

Financial Statement Findings

Finding 2019-001 Material Weakness

Lack of Internal Controls over Year End Inventory Balances

Condition:

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

Status:

This finding was resolved.

Finding 2019-002 Material Weakness

Lack of Internal Controls over Year End Close Procedures

Condition:

A number of general ledger accounts were not properly reconciled at the start of the audit. As a result the balances for capital assets, accrued interest, cash, debt, inventory, and sales tax receivable required adjustments.

Status:

This finding was not resolved and is repeated as Finding 2020-002.

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Corrective Action Plan

Year Ended December 31, 2020

Financial Statement Findings

Finding 2020-001

Material Weakness

Lack of Internal Controls over Capital Assets

Name of Contact Person: Jessra Snyder, Finance Director

Corrective Action Plan: The majority of work performed over Capital Assets was completed by an external contractor who was hired to assist the Finance Department when finance was shorthanded. Although finance is ultimately responsible in ensuring accurate financial reporting and internal controls are in place, work done by someone outside the Finance Department ran the risk of oversights due to lack of understanding City procedures. However, going forward finance will be solely responsible for all aspects of accounting and reporting and will ensure capital assets are thoroughly reviewed. The City recently hired a new Finance Director who is reviewing internal controls over all accounting and reporting. Finance is looking to implement a new step to improve internal controls, over capital assets, including adding a capital asset category at the requisition level within the accounting system. This will be an additional control feature throughout the purchasing process that will also allow finance to track and report capital assets year-round.

Proposed Completion Date: December 31, 2021, through year-end process of May 31, 2022

Corrective Action Plan, Continued

Finding 2020-002
Material Weakness

Lack of Internal Controls over Year End Close Procedures

Name of Contact Person: Jessra Snyder, Finance Director

Corrective Action Plan: Finance was short staffed for the duration of the accounting and reporting period, as well as during the audit. This made it difficult to prepare for the audit in a timely manner. City Code allows for 120 days, from year-end, for the completion of the audit and another 30 days to finalize the financial statements. However, finance had the auditors onsite in March which didn't allow for ample time to review, reconcile, and balance accordingly. Going forward, Finance will work with the auditors to change the onsite date to allow both the finance team and the auditors enough time to complete the audit prep work as well as complete the audit. Additionally, the Finance Department lacked a Finance Director and as such a lot of scheduling and procedures were not implemented in an opportune time. However, with the hire of a new Finance Director, and with the help of the finance team, finance is taking a new approach to some items and the year-end process will receive a fresh review with some potential changes that will allow for a proper secondary level of review. This will help to ensure accurate internal controls over all year-end processes.

Proposed Completion Date: May 31, 2022

Finding 2020-003
Material Weakness

Lack of Internal Controls over Utility Billings

Name of Contact Person: Jessra Snyder, Finance Director

Corrective Action Plan: The City is in the process of addressing weaknesses regarding utility billing. An external forensic audit is being conducted for utility billing as well as an internal audit of utility billings. Finance is in the process of reviewing and updating all billing errors as a result of these audits. It is finance's desire to ensure utility billings are billed in accordance with each utility tariff without error. With the hire of a new Finance Director and a Utility Billing Manager, finance will be implementing a second count of cash as a secondary level of review. Further discussions, internally, in finance are taking place to ensure proper secondary level of review and segregation of duties is achieved.

Proposed Completion Date: March 31, 2022