

# City of Seward, Alaska



## Comprehensive Annual Financial Report

For the Year Ended December 31, 2014

Prepared by City of Seward Finance Department

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

---

For the Fiscal Year Ended  
December 31, 2014

**Jean Bardarson**  
MAYOR

**Jim Hunt**  
CITY MANAGER

Prepared by the Finance Department

**Kristin M. Erchinger, CGFM, MPA**  
FINANCE DIRECTOR

# City of Seward, Alaska

## Contents

---

	<u>Exhibit</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Table of Contents		I-V
Letter of Transmittal		VI-XII
Certificate of Achievement for Excellence in Financial Reporting		XIII
List of Principal Officials		XIV
Seward Citizens - Organizational Chart		XV
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report		1-4
Management's Discussion and Analysis		5-17
<b>Basic Financial Statements</b>		
Government-wide Financial Statements:		
Statement of Net Position	A-1	20
Statement of Activities	A-2	21
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	22
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	B-2	23
Statement of Revenues, Expenditures and Changes in Fund Balances	B-3	24
Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities	B-4	25
Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - General Fund	B-5	26
Proprietary Funds:		
Statement of Net Position	C-1	27
Statement of Revenues, Expenses and Changes in Net Position	C-2	28
Statement of Cash Flows	C-3	29-30
Statement of Fiduciary Net Position	D-1	31
Notes to Basic Financial Statements		32-58

# City of Seward, Alaska

## Contents

---

	<u>Exhibit</u>	<u>Page</u>
<b>FINANCIAL SECTION, continued</b>		
<b>Supplementary Information</b>		
Combining and Individual Fund Financial Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	E-1	60
Combining Statement of Revenues, Expenditures and Change in Fund Balances	E-2	61
Nonmajor Enterprise Funds:		
Combining Statement of Net Position	F-1	62
Combining Statement of Revenues, Expenses and Change in Net Position	F-2	63
Combining Statement of Cash Flows	F-3	64-65
Internal Service Funds:		
Combining Statement of Net Position	G-1	66
Combining Statement of Revenues, Expenses and Change in Net Position	G-2	67
Combining Statement of Cash Flows	G-3	68
General Fund:		
Balance Sheet	H-1	70-71
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual	H-2	72-78
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	I-1	80
Combining Statement of Revenues, Expenditures and Change in Fund Balances	I-2	81
Nonmajor Capital Project Funds:		
Combining Balance Sheet	J-1	83
Combining Statement of Revenues, Expenditures and Change in Fund Balances	J-2	84
Enterprise Funds:		
Electric:		
Statement of Net Position	K-1	86-87
Statement of Revenues, Expenses and Change in Net Position	K-2	88
Statement of Cash Flows	K-3	89-90
Schedule of Operating Expenses	K-4	91
Schedule of Composition of Net Position	K-5	92
Schedule of Electric Capital Projects	K-6	93

# City of Seward, Alaska

## Contents

---

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information, continued		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Enterprise Funds, continued:		
Water:		
Statement of Net Position	K-7	94
Statement of Revenues, Expenses and Change in Net Position	K-8	95
Statement of Cash Flows	K-9	96
Schedule of Composition of Net Position	K-10	97
Wastewater:		
Statement of Net Position	K-11	98
Statement of Revenues, Expenses and Change in Net Position	K-12	99
Statement of Cash Flows	K-13	100
Schedule of Composition of Net Position	K-14	101
Harbor:		
Statement of Net Position	K-15	102-103
Statement of Revenues, Expenses and Change in Net Position	K-16	104
Statement of Cash Flows	K-17	105-106
Schedule of Composition of Net Position	K-18	107
Schedule of Harbor Capital Projects	K-19	108
Seward Marine Industrial Center:		
Statement of Net Position	K-20	109
Statement of Revenues, Expenses and Change in Net Position	K-21	110
Statement of Cash Flows	K-22	111
Schedule of Composition of Net Position	K-23	112
Parking:		
Statement of Net Position	K-24	113
Statement of Revenues, Expenses and Change in Net Position	K-25	114
Statement of Cash Flows	K-26	115
Schedule of Composition of Net Position	K-27	116
Healthcare Facilities:		
Statement of Net Position	K-28	117
Statement of Revenues, Expenses and Change in Net Position	K-29	118
Statement of Cash Flows	K-30	119
Internal Service Funds:		
Motor Pool:		
Statement of Net Position	L-1	122
Statement of Revenues, Expenses and Change in Net Position	L-2	123
Statement of Cash Flows	L-3	124
Schedule of Composition of Net Position	L-4	125

# City of Seward, Alaska

## Contents

---

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information, continued		
Combining and Individual Fund Financial Statements and Schedules, continued:		
Internal Service Funds, continued:		
Compensated Annual Leave:		
Statement of Net Position	L-5	126
Statement of Revenues, Expenses and Change in Net Position	L-6	127
Statement of Cash Flows	L-7	128
Teen Council Agency Fund		
Statement of Changes in Assets and Liabilities	M-1	129
Capital Assets:		
Schedule of Governmental Capital Assets	N-1	130
Schedule of Changes in Governmental Capital Assets	N-2	131
Schedule of Governmental Capital Assets by Function and Activity	N-3	132
Schedule of Changes in Governmental Capital Assets by Function and Activity	N-4	133
Schedule of Expenditures of Federal Awards	O-1	134-135
Schedule of State Financial Assistance	O-2	136
Notes to Schedules of Expenditures of Federal Awards and Schedule of State Financial Assistance		137

# City of Seward, Alaska

## Contents

---

	<u>Exhibit</u>	<u>Page</u>
<b>STATISTICAL SECTION</b>		
Net Position by Component	1	140
Changes in Net Position	2	141-142
Fund Balances of Governmental Funds	3	143
Changes in Fund Balances of Governmental Funds	4	144
General Fund Revenues by Source	5	145
General Fund Tax Revenues by Source	6	146
Property Tax Rates	7	147
Property Tax Levies and Collections	8	148
Assessed and Estimated Actual Value of Taxable Property	9	149
Principal Property Taxpayers	10	150
Principal Taxable Sales by Line of Business	11	151
Ratios of Outstanding Debt by Type	12	152
Ratio of General Obligation Bonded Debt to Assessed Value and General Obligation Bonded Debt per Capita	13	153
Computation of Direct and Overlapping Bonded Debt	14	154
Legal Debt Margin	15	155
Revenue Bond Coverage - Electric Enterprise Fund	16	155
Revenue Bond Coverage - Harbor Enterprise Fund	17	157
Demographic and Economic Statistics	18	158
Principal Employers	19	159
Full-Time Equivalent Employees by Fund	20	160
Operating Indicators by Function	21	161
Capital Asset Statistics By Function	22	162
Property Value, Construction, and Bank Deposits	23	163
Miscellaneous Statistics	24	164
<b>SINGLE AUDIT SECTION</b>		
<b>Single Audit Reports</b>		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		165-166
Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133		167-169
Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>		170-171
Schedule of Findings and Questioned Costs		172-174
Summary Schedule of Prior Audit Findings		175
Corrective Action Plan		176



June 21, 2015

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

The City of Seward (City) **Comprehensive Annual Financial Report (CAFR)** for the year ended December 31, 2014 is hereby submitted in accordance with Alaska Statutes 29.35.120 and the Seward City Code. This report satisfies the requirement that the City issues an annual report on its financial position and activities, and that the report is audited by an independent firm of certified public accountants.

The CAFR is presented in three sections; Introduction, Financial, and Statistical, as follows:

The **Introduction Section** is unaudited and includes this letter of transmittal, a Certificate of Achievement for Excellence in Financial Reporting for the City of Seward's 2013 CAFR, an organization chart, and a list of principal officials.

The **Financial Section** includes the auditor's report, Management's Discussion and Analysis (MD&A), the financial statements; which include government-wide financial statements and fund financial statements with comparative budgetary information, notes to the financial statements, and combining and individual statements and schedules, as applicable, arranged according to fund type.

The **Statistical Section** is unaudited and includes a broad range of information including historical trends over a ten-year period, demographic information, and other non-financial information.

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

The City's financial statements have been audited by BDO USA, LLP, an independent auditing firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall presentation of the financial statements. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented in the financial section of this report.

As a recipient of federal grant funds, the City is required to undergo an audit in accordance with the provisions of the U.S. Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and associated *Compliance Supplement*. 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 in accordance with OMB Circular A-133.

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

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state granting agencies. The standards governing Single Audit engagements require the auditor to report not only on the fair presentation of the financial statements, but also on internal controls and compliance with certain legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These findings are presented in the Single Audit Section of this report.

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

#### **Profile of the City of Seward**

The City was incorporated on June 1, 1912, and became a first class City under Alaska Statute's home rule provisions (AS 29.04.010) upon adoption of the City Charter by a referendum vote on January 5, 1960. The community is located on the eastern side of the Kenai Peninsula in Southcentral Alaska, 125 highway miles south of Anchorage. Year-round access is available by road, rail, water and two small-aircraft runways. The City has an area of 22 square miles and a population of 2,768. 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 each serve a term of two years.

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

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

### **Budgetary Control**

The City's budget serves as the foundation for financial planning and control. The City Council adopts a biennial budget which represents a two-year period of time. 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. All departments submit budget requests to the City Manager on or before September 1 every odd-numbered year. The City Manager utilizes these requests to formulate a proposed budget and submits the proposed budget to the City Council at a regular meeting in October. The Council holds public hearings on the proposed budget and generally adopts the budget in November. The City Manager is authorized to make transfers between departments and line items within a Fund for amounts up to \$50,000. Council action is required for transfers between funds, for all single-item purchases exceeding \$50,000 (and all purchases of new motor vehicles regardless of cost), and for all new appropriations. Budget-to-actual comparisons are provided in this report for the General Fund.

### **Factors Affecting Financial Condition**

#### **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 new marine-related businesses, and a destination of choice for tens of thousands of visitors. The cost of living in Seward is also relatively low for Alaska, and taxes are low and stable. The cost of utilities is relatively high in Seward, as in most of Alaska, but the recent drop in oil prices has brought relief to residents and business recently struggling with high winter energy costs. Seward is investigating renewable energy opportunities following the Alaska Sealife Center's successful project converting abundant seawater for heating, and recent temperature studies on bore holes along the waterfront which demonstrate the feasibility of utilizing geothermal technology to heat City-owned buildings in the downtown corridor.

Seward has a fairly diversified economy relative to many other places in the state, although it remains fairly dependent on the visitor industry for jobs and tax revenues. The community's strong tourism, commercial and recreational fishing, boat tours and amazing outdoor recreational opportunities, bring outside money into Seward's economy, resulting in strong visitor-related sales. Retail trade in Seward represents 39.2% of all taxable sales, followed by guided water sales (17.5%), restaurant and bar (11.9%), hotels and beds and breakfast (11.1%), public administration (6.2%), wholesale trade (4.5%), and others (9.6%). The Borough unemployment rate is at 7.8%, which is lower than ten-year average rate of 8.58%. Borough-wide, per capita personal income has risen nearly 50% in the last ten years, from \$32,529 in 2005 to \$48,728 in 2014, while during that same time period, Seward's population has risen 9.0% from 2,540 in 2005 to 2,768 in 2014. Taxable sales activity in Seward has increased 31% over the past ten years, averaging 3.1% annual growth, reaching \$115,650,415 in taxable sales in 2014. Since sales tax represents the single largest revenue source for the City's General Fund, the growth in taxable sales is an important measure of the ability of the City to pay for general government services. Taxable sales have risen from recessionary levels by 27.0%, averaging 5.4% annual growth over each of the last five years (taxable sales increased from \$90.8 Million in 2009 to \$115.6 Million in 2014).

There is growing interest in expansion of marine transportation, ship repair, commercial fishing moorage, land development and related business activity, and the City is embarking on a \$20 Million project to expand the Seward Marine Industrial Center to enclose the SMIC basin to accommodate larger marine vessels. This project is generating significant interest from commercial fishing fleets, transportation companies, marine scientists, and other large marine vessel operators with interest in new commercial harbor facilities. The Alaska Railroad has also unveiled future plans to expand dock facilities in Seward, demonstrating a positive and growing economic climate for transportation and freight handling. Growth in this sector is expected to provide support for the construction and trades industry. Overall, Seward saw 25 commercial construction building permits issued at a value of \$8.0 million, and 26 residential construction building permits issued at a value of \$1.0 million in 2014.

Seward's downtown corridor is being revitalized by new business activity (two restaurants, one health food store and a sporting goods store opened in the past two years), reflecting optimism toward improved economic conditions for local businesses. Increased economic activity has resulted in increased City tax revenues, with sales tax revenues increasing 26.5% from 2009 to 2014 (\$3.6 million in 2009 to \$4.5 million in 2014), property tax revenues increasing 0.34% (\$986,473 in 2009 to \$989,910 in 2014), hotel/motel tax revenues increasing 47.9% (\$285,313 in 2009 to \$421,981 in 2014), and campground revenues increasing 13.6% (\$478,115 in 2009 to \$542,908 in 2014). While the business outlook appears positive, local businesses are sensitive to high costs of utilities and heating fuel, with those costs determining factors in whether businesses close in the winter to avoid higher winter operating costs. To address that challenge, the City is evaluating a seasonal electric tariff which would reduce utility rates in the winter months and increase rates in the summer. Seward's strong economic activity continues to rely, in large part, on visitor numbers, but expanded fisheries processing, marine transportation, marine repair, scientific research and related industries inject a desired degree of diversity in Seward's economic base.

In comparison with other communities in the Kenai Peninsula Borough, Seward's growth outpaced in 2011, 2012 and 2013, but declined in 2014. In 2014, Seward's taxable sales declined (0.77%), as did Homer at (-1.42%) and Soldotna at (-5.10%) while Kenai grew 9.22% followed by Soldotna at 0.28%. The bulk of Seward's sales tax (47%) is generated during the period June, July and August, with the influx of summer visitors. In 2013, Seward's taxable sales were the highest in the borough at 6.35% growth, followed by Homer (3.55%) and Soldotna (2.15%). In 2012, Seward's taxable sales were the highest and grew by 4.47%, followed by Soldotna (3.38%) and Kenai (2.19%). In 2011, Seward's taxable sales grew by 6.84% followed by Homer (5.57%) and Kenai (5.05%).

The City's top ten property taxpayers have become more diverse over the past few years, but still lean toward an over-dependence on tourism-related businesses and the visitor industry. The top-ten taxpayers represent various industries including tourism, seafood processing, grocery, hotel/motel, communications, petroleum products, and marine, and account for approximately 21.9% of all taxable property in the community. With the bulk of these entities being visitor-related, the City is vulnerable to changes that affect the tourism industry, since sales tax and property tax are two of the City's top revenue sources, and combined, account for 51% of all General Fund revenue.

State Statutes were recently amended to eliminate the reporting of employment figures for individual employers. As such, the City does not have precise data regarding the size of its largest employers. However, employment by industry figures show that 983 resident workers in 2014 were employed in trade/transportation and utilities (232), leisure and hospitality (154), education and health services (121), local government (109), state government (107), professional and business services (90), manufacturing (50), construction (35) and others (85). Seward maintains a significant government presence (22% government employees), with more than half of the top ten employers being government or non-profit entities, including the state-owned prison and vocational technical center, the City, the Borough school district, and three non-profit organizations. Providence Seward Medical and Care Center (the hospital and long-term-care facility), Seward Community Health Center clinic, and the Alaska Sealife Center are City-owned facilities run on the City's behalf by non-profit organizations, and they round out the list of top employers. The largest private sector employers include Safeway, CIRI Alaska tourism, the Breeze Inn, and Ray's Waterfront.

#### **Long Term financial planning**

The City of Seward prepares a biennial (two-year) budget at the end of every odd year, for the upcoming two years. In the off-budget year, more attention is given to longer-term financial planning initiatives such as the 2014 electric utility rate review, and a more strategic focus on capital infrastructure replacement. In 2014, plans were developed for major upgrades of infrastructure in nearly every enterprise fund based on the five-year capital replacement plan which identified critical risk (likely to fail in the next five years), high risk

(likely to fail within the next 5-10 years), and moderate risk (continuously increasing cost to operate and maintain) infrastructure needs. To address the replacement of infrastructure, enterprise funds have reviewed rates each year and, combined with automatic tariff increases mirroring the five-year average rise in the consumer price index, the City is making important progress in the area of enterprise fund physical plant condition and stronger financial position..

The focus on long-term financial planning has resulted in a number of tangible financial improvements in the short-term. Specifically, General Fund reserves have been increased to fall within the policy band of between three and six months' worth of expenditures and transfers-out. Reserve levels have reached their highest levels in more than a decade (representing 3.8 months' worth of expenditures and transfers-out), with \$1.53 million transferred to the Capital Acquisition Fund for future infrastructure needs; the Water Enterprise Fund has been repaid \$1.97 Million loaned to the long-term care facility to finance bond reserves; all State revenue sharing funds are used for one-time, non-recurring capital needs; major capital infrastructure improvements are being addressed in the Harbor (replacement of A,B,C, D and S-Floats), Water (construction of new water storage tank), Electric (completion of the electric utility warehouse and backup generator project), and Wastewater (dredging of the Lowell Point and SMIC sewage lagoons, and installation of aerators) Funds, with additional major capital improvements planned.

A future phase of long-term financial planning will focus on strengthening the City's financial condition by identifying areas of structural weakness in the City's financial health. This will enable the Council to develop a proactive plan to meet the challenges that might threaten the City's strong financial condition, and provide sufficient time for course correction. The City is also working with healthcare facilities to develop a prioritized plan for use of the 1% sales tax dedicated to healthcare, to plan for expansion or relocation of the hospital and the clinic, while ensuring repayment of long-term care facility bonds.

#### **Financial Condition**

The City has struggled for many years to bring its General Fund *unassigned fund balance* to a level that meets its own policy band of between three and six months' reserves. The City's unassigned fund balance fell in 2014 by \$1,249,489, to \$4,698,970, representing 3.8 months' reserves. This is down from 5.8 months' at the end of 2013, but is due to the transfer of more than \$1.5 million in reserves to the Capital Acquisition Fund to pay for future infrastructure needs. This is a major accomplishment, given that the City has not had a major source of revenues for general government capital needs in more than twenty years. The General Fund reserves are still among the highest level in more than two decades. The increase in reserves is largely due to \$2.0 million in one-time EXXON Valdez oil spill settlement payments in 2009 and 2010, as well as a transfer of old hospital PERS liabilities (\$1,312,335) out of the General Fund in 2012. There remains however, significant unmet need for capital repair and replacement funding to address local roads and sidewalks, erosion issues, replacement of the City Shop and parks and recreation warehouse, as well as \$1.2 million cost sharing required to repay the Army Corps of Engineers loan, to match grants and address building and infrastructure deferred maintenance, etc. The City's reserve levels may be called on to mitigate potential health system financial shortfalls, Alaska Sealife Center funding uncertainty, enterprise fund critical needs, unforeseen emergencies and natural disasters and other similar risks. Any of these risks can have a significant adverse impact on the City's financial condition, enhancing the need for a healthy level of unassigned reserves.

In recent years, municipalities in Alaska have received State financial assistance in the form of revenue sharing and pension contribution rate relief. This funding has mitigated the need to reduce services or increase local property taxes, and has enabled the City to rebuild its General Fund reserves. The State of Alaska is experiencing a significant budgetary shortfall of \$3.5 Billion, threatening revenue sharing and other funding from the State. The City expects to see a reduction in state funding for jails, dispatching, and space lease of more than \$400,000 in 2015. The strength of Seward's retail sales has enabled the City to absorb most State funding reductions in years when revenue sharing funding levels were reduced, and the City currently programs those funds to be used entirely for capital spending, so that the loss of future

revenue sharing will not impact the operating budget. However, the loss of jail, dispatching and space lease revenues will adversely impact the City's general fund. The City has been reducing its dependence on grant funding for major repairs and replacement of infrastructure assets by increasing enterprise fund rates, so the impact, while major, will not threaten the viability of those enterprise operations. One major policy decision that could have a material impact the City's finances however, would be any change in the State's current policy of funding retirement system rates above 22%. The City is not currently statutorily obligated for these payments since they are paid on the City's behalf by the State, representing \$1,423,759 in 2014, \$689,220 in 2013, and \$625,512 in 2012. However, the State has determined that while it is currently statutorily responsible to make these payments, it is not legally responsible to make the payments. This leaves significant latitude for the State legislature to fund pension obligations at a level significantly lower than they are currently. The State's contribution on the City's behalf in 2014 is equivalent to a For example, if the City was required to pay the full actuarially required contribution rate of 35.84% to the pension plan in 2013 rather than only 22%, the additional cost to the City would have been \$689,220. This is the additional amount that the State of Alaska paid to the defined benefit pension plan on the City's behalf for all of the City's funds, and is the equivalent of a 1.26% increase in the City's sales tax rate (from 4.0% to 5.26%), or an approximately 4.5 mill property tax increase above the current 3.12 mill rate.

The City's enterprise funds continue to refine the assessment of capital infrastructure condition and to implement the most critical and high-risk repair and replacement projects as funding allows. This has been accomplished through incremental rate increases over the past few years, as well as successful grant-writing efforts. The Water and Wastewater Funds still have insufficient resources to meet capital needs, although the bulk of their major capital infrastructure needs have been addressed over the past two years. With reductions in state and federal grant opportunities, it will be more difficult for enterprise funds to mitigate risks to their financial condition, so continued diligence and focus on financial condition will be a priority.

#### **Major Projects**

The City completed a number of major projects this year including 1) installation of new automated pay stations on the campground; 2) renovation of harbor restrooms; 3) replacement of the 250-Ton travelift with a 330-Ton lift; 4) ADA sidewalk improvements; and 5) electric transformer upgrades and repairs. There are a number of major capital projects in the works, including: 1) construction of the electric warehouse; 2) \$20 million to expand the Seward Marine Industrial Center breakwater; 3) upgrades to the transmission line at SMIC; 4) beach erosion repair; 5) construction of a new water storage tank and refurbishment of existing tanks; 6) repairs to the Lowell Point and SMIC sewage lagoons; 7) boardwalk repairs; 8) harbor fish cleaning station upgrades; 9) replacement of a number of floats in the Small Boat Harbor; 10) major road improvements; and numerous other capital initiatives.

#### **Cash Management Policies and Practices**

The investment and collateralization of City funds is governed by Section 5.15 of the Seward City Code. The ordinance clearly identifies safety as the primary concern in the selection and management of the City's investments. The Seward City Code authorizes investment in obligations of the U.S. Treasury, its agencies and instrumentalities, repurchase agreements, fully collateralized certificates of deposit, high rated commercial paper, bankers' acceptances, and the Alaska Municipal League Investment Pool. The City combines all cash into a Central Treasury, facilitating the investment of combined funds to maximize investment earnings. Earnings on these investments are allocated monthly to participating funds based on ending cash balances. The City Code places limitations on maturity of investments and investment guidelines are contained in an investment policy established by the finance director and approved by the city manager.

#### **Risk Management**

The City is a member of the Alaska Municipal League Joint Insurance Association (JIA), a government insurance pool established by the Alaska Municipal League. The JIA provides the City's insurance coverage for property, general liability, public officials and employees' liability, law enforcement

professional liability, and workers' compensation. The City also maintains special marine insurance coverage and boiler and machinery insurance coverage with other insurance companies. This specialized insurance is placed through JIA. The JIA provides loss control services and conducts periodic inspections to ensure safe operations. The City maintains a safety committee charged with reviewing and recommending safety policies and procedures for all departments. The City Council designates a portion of the General Fund reserves to meet potential insurance-related losses, and to support higher deductibles to minimize insurance premiums.

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

The City provides pension benefits for all eligible employees through the State of Alaska Public Employees Retirement System (PERS). This system consists of four defined benefit (DB) Tiers and one defined contribution (DC) Tier. The City has no obligations in connection with employee benefits offered through these plans beyond its annual required payments to the plans. The City has always paid its annual required contribution rates on time. The City anticipates near-term annual contribution rates to be capped at 22% of covered payroll for both the DB and DC Plans, based on State statutes requiring the State of Alaska to cover costs in excess of 22%. The transition from a single-agent, multiple-employer plan, to a cost-sharing plan as of July 1, 2008, provides a single rate for all participating PERS employers, eliminating the previous methodology of assessing each employer its own rate. The City of Seward now shares in the pooled liability of the PERS plan. The legislature's cap on local government contribution rates brings stability to Seward's retirement rates, mitigating the need for significant annual rate increases, although future State legislatures can eliminate the State subsidy above 22%. In 1998, taxpayers contributed \$194,666 toward General Fund retirement contributions, and in 2014 the amount was \$813,158. This amount was in addition to \$951,815 paid by the State on behalf of the General Fund, for a total General Fund PERS cost of \$1,764,973 in 2014. The State of Alaska paid a total of \$1,423,759 toward City of Seward's PERS liability in 2014, with \$951,815 associated with the General Fund and the remainder allocated among enterprise funds.

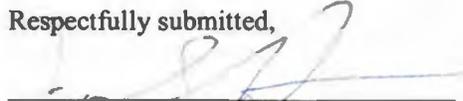
#### **Financial Reporting Award**

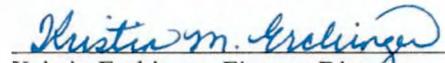
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Seward for its comprehensive annual financial report (CAFR) for the year ended December 31, 2013. This is the 20th consecutive year 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 must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### **Acknowledgments**

We would like to take this opportunity to thank the members of the Seward City Council for their proactive efforts to protect and enhance the physical and financial assets of the City and for setting Seward on a path of positive and sustainable economic growth. Thanks are also due to the dedicated staff of the finance department for preparation of this comprehensive annual financial report.

Respectfully submitted,

  
James Hunt, City Manager

  
Kristin Erchinger, Finance Director

City of Seward, Alaska

GFOA Certificate

---



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Seward  
Alaska**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

A handwritten signature in black ink, appearing to read 'Jeffrey R. Emmer'.

Executive Director/CEO

# City of Seward, Alaska

## List of Principal Officials

---

### CITY OF SEWARD LIST OF PRINCIPAL OFFICIALS

#### COUNCIL MEMBERS

		Term Expires
Jean Bardarson	Mayor	2015
Marianna Keil	Vice Mayor	2016
David Squires	Council Member	2015
Ristine Casagranda	Council Member	2016
Christy Terry	Council Member	2015
Dale Butts	Council Member	2016
Iris Darling	Council Member	2015

#### ADMINISTRATION

James Hunt	City Manager
Ron Long	Assistant City Manager
Kristin Erchinger	Finance Director
John Foutz	Manager of Electric Utility
W.C. Casey	Public Works Director
Mack Funk	Harbormaster
Tom Clemons	Chief of Police
Eddie Athey	Fire Chief
Karin Sturdy	Parks & Recreation Director
Valarie Kingsland	Library Director

#### CITY CLERK

Johanna Kinney	City Clerk
----------------	------------

#### ATTORNEY

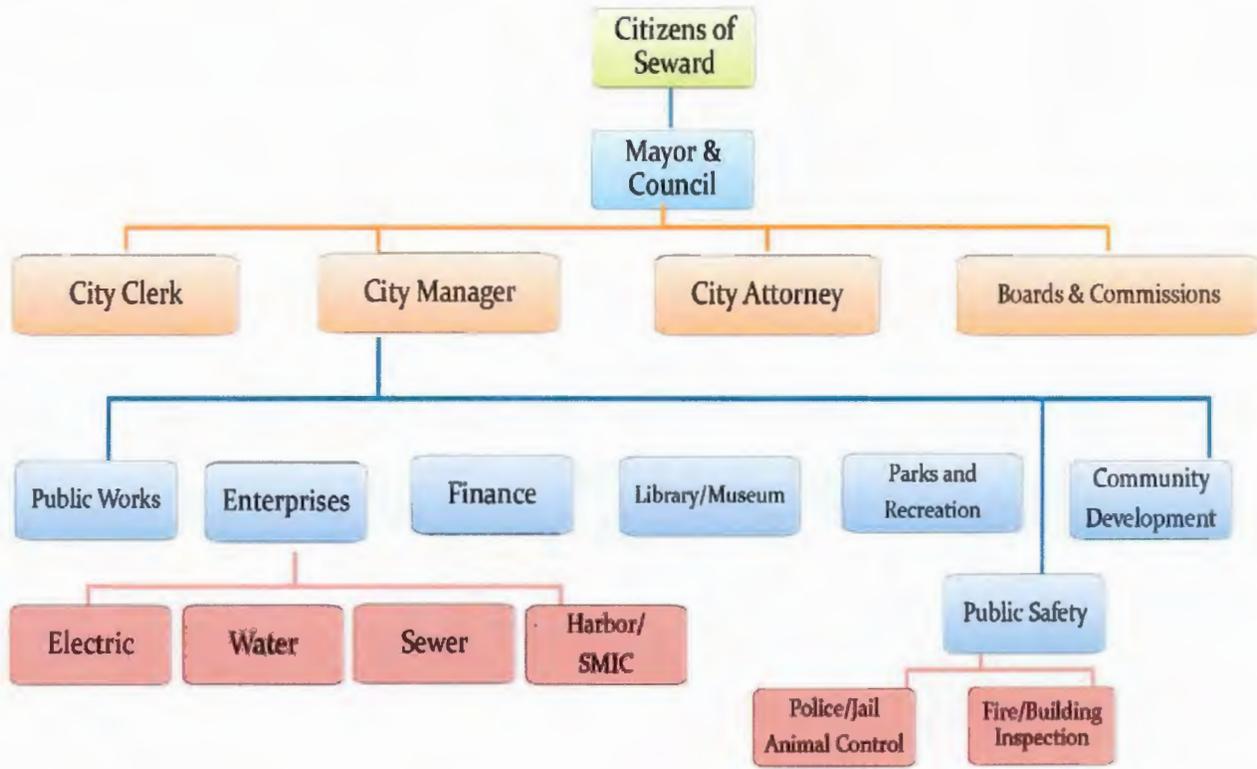
Will Earnhart	City Attorney, Wohlforth, Brecht & Cartledge
---------------	--

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 two 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, Alaska  
Organizational Chart

---

City of Seward  
Organization Chart



*This page intentionally left blank.*



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

3601 C Street, Suite 600  
Anchorage, AK 99503

## Independent Auditor's Report

Honorable Mayor and City Council  
City of Seward, Alaska

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Seward, Alaska, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Seward's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Providence Seward Medical and Care Center (PSMCC) which represent 21% and 100% respectively, of the assets and revenues of the Healthcare Facilities Enterprise Fund, and 5% and 51% respectively, of the assets, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the financial statements of the Providence Seward Medical and Care Center is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the PSMCC were not audited in accordance with *Government Auditing Standards*.

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

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

### *Opinions*

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Seward, Alaska as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit for the year ended December 31, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Seward's basic financial statements. The accompanying Schedule of Federal Awards, the Schedule of State Financial Assistance, the combining and individual fund financial statements and schedules, and the introductory and statistical sections for the year ended December 31, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Federal Awards and the Schedule of State Financial Assistance are required by Office of Management and Budget OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, respectively.

The accompanying Schedule of Federal Awards, the Schedule of State Financial Assistance and the combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended December 31, 2014 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2014.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Seward as of and for the year ended December 31, 2013 (not presented herein) and have issued our report thereon dated June 18, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended December 31, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2013.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2015 on our consideration of City of Seward's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Seward's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
September 21, 2015

## CITY OF SEWARD

### Management's Discussion and Analysis

December 31, 2014

As management for the City of Seward, we hereby offer readers of the City's Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the City of Seward for the fiscal year ended December 31, 2014. In addition to this discussion and analysis, readers are encouraged to read our letter of transmittal found on pages VI-XII of this report, which provides additional summary information.

#### FINANCIAL HIGHLIGHTS

- The assets of the City of Seward exceed liabilities by \$170,356,262 at December 31, 2014. Of this amount, \$141,617,269 represents net investment in capital assets, \$4,507,696 is restricted for capital purposes and the remainder of \$24,231,297 represents unrestricted net position. Unrestricted net position does not necessarily reflect a surplus of resources, as a portion of net position is designated for capital grants, capital replacement, or for other purposes as determined by the City Council.
- Excluding business-type activities, the assets of the primary government exceeded liabilities by \$70,565,049. Of this amount, \$8,715,566 in unrestricted net position is legally unreserved and available to meet the government's ongoing financial obligations, although the Council has earmarked a portion of these funds for specific purposes.
- The City's total net position increased by \$12,545,271. Governmental activities decreased by \$344,408 and business-type activities increased by \$12,889,679. The bulk of the increase in business-type activity net position is due to an \$11 million capital contribution associated with the Harbor Breakwater project.
- The City's governmental funds reported combined ending fund balances of \$10,217,264, representing an increase of \$649,619 compared to the prior year. While \$7,097,354 of the fund balance is legally available for spending, only \$4,698,970 has not already been earmarked for specific purposes (*unassigned fund balance*). This reflects a decrease in available unassigned fund balance of \$1,249,489 resulting from a one-time transfer of \$1,321,335 from the General Fund to the Capital Acquisition Fund, representing approximately 50% of the excess revenues and transfers-in over expenditures and transfers-out from 2012 and 2013.
- The total debt of governmental activities decreased by (\$74,450) or (1.9%). This was comprised of payment reductions on one bond and one lease and an overall increase in accrued leave. The total debt of business-type activities decreased by (\$856,684) or (2.2%) as a result of routine bond and loan payments, an overall reduction of accrued leave balances, and a debt refunding of prior debts designed to save \$309,589 in future cash payments.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and Analysis serves to introduce readers to the City of Seward's basic financial statements, which includes the government-wide financial statements, the individual fund statements, and notes to the financial statements. In addition to the basic 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:

1. *Government-wide financial statements* summarize the City's overall financial condition and contain both short-term and long-term information. This information is intended to present a broader view of the City as a whole in a manner similar to private-sector business.
2. *Fund financial statements* focus on specific areas of City operations and provide more detail than the government-wide statements.

## CITY OF SEWARD

### Management's Discussion and Analysis, continued

#### **Government-wide Financial Statements**

The government-wide financial statements are intended to provide a comprehensive look at all financial activities of the City and are presented on the accrual basis of accounting, in a manner similar to a business enterprise.

The **Statement of Net Position** presents information on all of the City's assets and deferred outflows, less liabilities and deferred inflows, resulting in net position. The purpose of this statement is to present the overall financial position of the City. Over time, increases or decreases in net position may demonstrate whether the City's financial position is improving or deteriorating. 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 is prepared on the accrual basis of accounting. Revenues and expenses are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal 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 for services (*business-type activities*). The governmental activities of the City of Seward include general government, public safety, public works, parks and recreation, library/museum, and the Alaska Sealife Center. The business-type activities of the City include healthcare facilities, harbor, marine industrial center, electric, water, wastewater, and parking. The government-wide financial statements can be found on pages 20-21 of this report.

#### **Fund Financial Statements**

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

#### **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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

However, because 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

## CITY OF SEWARD

### Management's Discussion and Analysis, continued

Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City of Seward maintains fourteen (14) individual governmental funds. The General Fund is the only Major Governmental Fund presented as a distinct column on the Governmental Funds Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances, with the other 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.

The City of Seward adopts an annual budget for the General Fund. A budgetary comparison statement can be found on page 26 to demonstrate compliance with the annual budget, and a list of budgetary highlights can be found later in this document. The basic governmental fund financial statements can be found on pages 22-26 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 86-119 of this report.

Internal service funds are used to accumulate and allocate costs internally among the various functions of the City. The City of Seward utilizes two internal service funds to account for its motor pool equipment replacement program and compensated annual leave resources. The equipment replacement program 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 122-128 of this report.

#### **Fiduciary Funds**

Fiduciary funds account for resources held by the City in a trustee capacity, for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support programs of the City. The accounting used for fiduciary funds is similar to that of governmental funds. The City utilizes a single fiduciary fund, the Teen Council Agency Fund, and data for that fund can be found on page 129 of this report.

#### **Notes to the Basic Financial Statements**

The notes provide additional information essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 32-58 of this report.

**CITY OF SEWARD**

Management's Discussion and Analysis, continued

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

Over time, net position may serve as a useful indicator of a government's financial position. At December 31, 2014, the City's assets exceeded liabilities by \$170,356,262. A significant portion of the City's net position (83.1%) reflects its investment in capital assets, less any outstanding debt used to acquire those assets. Capital assets are not liquid and are not available for future spending. Since the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table provides a summary of the City's net position:

**Table 1  
Statement of Net Position  
As of December 31, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$12,669,621	11,892,415	32,200,384	27,435,780	44,870,005	39,328,195
Capital assets	<u>63,030,199</u>	<u>64,489,145</u>	<u>117,632,107</u>	<u>106,526,738</u>	<u>180,662,306</u>	<u>171,015,883</u>
Total assets & deferred outflows	<u>75,699,820</u>	<u>76,381,560</u>	<u>149,832,491</u>	<u>133,962,518</u>	<u>225,532,311</u>	<u>210,344,078</u>
Long-term liabilities						
outstanding	4,097,443	4,164,720	39,167,467	39,588,491	43,264,910	43,753,211
Other liabilities	<u>1,037,328</u>	<u>1,307,383</u>	<u>10,873,811</u>	<u>7,472,493</u>	<u>11,911,139</u>	<u>8,779,876</u>
Total liabilities	<u>5,134,771</u>	<u>5,472,103</u>	<u>50,041,278</u>	<u>47,060,984</u>	<u>55,176,049</u>	<u>52,533,087</u>
Net position:						
Net investment in capital						
assets,	59,407,826	60,739,625	82,209,443	70,569,222	141,617,269	131,308,847
Restricted	2,441,657	26,080	2,066,039	5,440,802	4,507,696	5,466,882
Unrestricted	<u>8,715,566</u>	<u>10,143,752</u>	<u>15,515,731</u>	<u>10,891,510</u>	<u>24,231,297</u>	<u>21,035,262</u>
Total net position	<u>\$ 70,565,049</u>	<u>70,909,457</u>	<u>99,791,213</u>	<u>86,901,534</u>	<u>170,356,262</u>	<u>157,810,991</u>

At the end of 2014, the City of Seward is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

## CITY OF SEWARD

### Management's Discussion and Analysis, continued

#### 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, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,943,365	1,813,742	35,657,480	39,102,440	38,600,845	40,916,182
Operating grants / contributions	1,210,430	1,002,434	472,944	170,531	1,683,374	1,172,965
Capital grants / contributions	819,241	23,034	14,713,420	4,125,258	15,532,661	4,148,292
General revenues:						
Sales taxes	4,535,707	4,583,057	-	-	4,535,707	4,583,057
Property taxes	989,910	1,261,276	-	-	989,910	1,261,276
Payments in lieu of tax	82,490	81,670	-	-	82,490	81,670
Other	<u>2,247,147</u>	<u>1,957,725</u>	<u>1,202,873</u>	<u>481,380</u>	<u>3,450,020</u>	<u>2,439,105</u>
Total revenues	<u>11,828,290</u>	<u>10,722,938</u>	<u>53,046,717</u>	<u>43,879,609</u>	<u>64,875,007</u>	<u>54,602,547</u>
<b>Expenses:</b>						
General government	3,291,580	2,199,711	-	-	3,291,580	2,199,711
Public safety	3,476,471	3,510,922	-	-	3,476,471	3,510,922
Public works	1,635,967	1,851,321	-	-	1,635,967	1,851,321
Parks & Rec/ Library	2,119,821	1,827,952	-	-	2,119,821	1,827,952
Clinic	1,454,476	-	-	-	1,454,476	-
Unallocated interest	157,984	208,840	-	-	157,984	208,840
Alaska Sealife Center	1,279,570	848,940	-	-	1,279,570	848,940
Electric	-	-	10,255,601	10,590,994	10,255,601	10,590,994
Water	-	-	1,175,129	1,087,747	1,175,129	1,087,747
Wastewater	-	-	1,117,152	1,015,474	1,117,152	1,015,474
Harbor	-	-	3,792,623	3,837,952	3,792,623	3,837,952
SMIC	-	-	1,013,658	899,343	1,013,658	899,343
Healthcare Facilities	-	-	20,344,929	20,858,042	20,344,929	20,858,042
Parking	-	-	<u>214,775</u>	<u>146,239</u>	<u>214,775</u>	<u>146,239</u>
Total expenses	<u>13,415,869</u>	<u>10,447,686</u>	<u>37,913,867</u>	<u>38,435,791</u>	<u>51,329,736</u>	<u>48,883,477</u>
Increase (decrease) in net assets before transfers	(1,587,579)	275,252	14,132,850	5,443,818	12,545,271	5,719,070
Transfers	<u>1,243,171</u>	<u>546,005</u>	<u>(1,243,171)</u>	<u>(546,005)</u>	<u>-</u>	<u>-</u>
Change in net position	(344,408)	821,257	12,889,679	4,897,813	12,545,271	5,719,070
Beginning net position	<u>70,909,457</u>	<u>70,088,200</u>	<u>86,901,534</u>	<u>82,003,721</u>	<u>157,810,991</u>	<u>152,091,921</u>
Ending net position	<u>\$ 70,565,049</u>	<u>70,909,457</u>	<u>99,791,213</u>	<u>86,901,534</u>	<u>170,356,262</u>	<u>157,810,991</u>

## CITY OF SEWARD

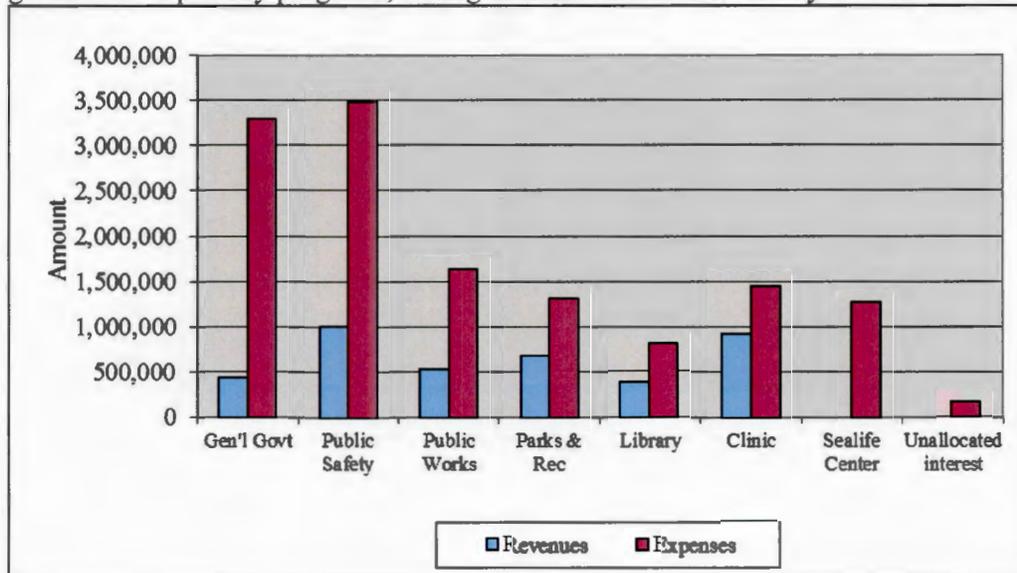
### Management's Discussion and Analysis, continued

#### Governmental Activities

The City of Seward's net position in Governmental activities decreased by (\$344,408). The following items highlight major components of the decrease in Governmental activities net position:

- Overall revenues for governmental activities were up by \$1,105,352, or approximately 10.3% compared with the prior year.
- Overall expenditures were up by \$2,968,183 or 20.5% primarily due to: the addition of a new community health center, representing \$1,493,709 in total expenditures; an increase of \$536,521 in retirement benefit costs; \$85,000 in library/museum bond principal; \$49,314 in animal control costs resulting from hiring employees rather than independent contractors; and an increase of \$282,757 in health insurance costs.
- Operating grants brought in \$1.2 million -- approximately \$207,996 higher than the prior year -- including \$864,354 in new federal funds from the US Dept. of Health, Health Resources and Services Administration, for the Seward Community Health Center.
- Governmental funds experienced net transfers-in of \$1,243,171 in 2014 versus net transfers-in of \$546,005 in 2013, including \$700,000 from the Hospital Enterprise Fund to the clinic and \$245,415 from Commercial Passenger Tax proceeds to the Bus Transportation project.
- 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, adding the new Seward Community Health Center clinic in 2014:



#### Business-Type Activities

Business-type activities increased the net position of the City by \$12,889,679, including adjustments for Motor Pool Internal Service Fund activities. As is the case with governmental activities, a substantial portion (82.4%) of the \$82.2 million in net position is invested in capital assets. The increase in net position is comprised of the following:

- Net position increased in all enterprise funds except the Healthcare Facilities and Water, as follows: Electric Enterprise Fund by \$1,368,075; Harbor Enterprise Fund by \$11,789,164;

## CITY OF SEWARD

### Management's Discussion and Analysis, continued

Seward Marine Industrial Center Fund by \$1,442,057; and Non-Major Funds by \$100,136 (comprised of Water Enterprise Fund decrease of (\$336,632); Wastewater Enterprise Fund increase of \$378,560; and Parking Enterprise Fund increase of \$58,208). Healthcare Facilities Enterprise Fund net position decreased by (\$1,893,635).

- Allocations of the Motor Pool Internal Service Fund to the business-type activities increased net position by \$83,882.
- The Electric Enterprise Fund experienced earnings from operations of \$1,285,921, an increase of \$756,376 from the prior year. Operating revenues were higher by \$56,737 or 0.51% and operating costs were down by (\$479,007) or (4.7%). The operating performance was impacted by net decreases of (\$63,043) in salaries and benefits and (\$399,563) in services and supplies, resulting largely from a focus of staff and resources on the Electric Generator and Warehouse Replacement Project. Salary and benefit costs were lower than the prior year by (\$5,397), and the amount of personnel costs billed out to work orders and in-house projects such as the new warehouse, was higher by \$104,914.
- The Electric Enterprise Fund (excluding associated capital projects) experienced an increase in cash during the year of \$809,039, from a prior cash balance of \$2,320,341 to a balance of \$3,129,380, excluding bond reserves. Including related capital projects and bond reserves, the ending electric utility-related cash balance is \$5,606,511 with \$2,477,131 restricted by bond covenants and grant agreements. The restoration of cash in the enterprise fund is the result of targeted efforts to scale back spending and raise rates to address significant critical-risk and high-risk infrastructure needs of the Fund. It also resulted in a contribution to the depreciation reserve fund for the future replacement of capital assets, of \$452,117 in 2014. To address the need to build reserves to address replacement of infrastructure, recent rate increases were approved as follows: 10% in 2012, 5% in 2013 and 2.6% in 2014. Rates are slated to increase 2.6% in 2015.
- The net increase in Seward Marine Industrial Center (SMIC) net position of \$1,442,057 results from an operating loss of (\$543,865) -- which includes depreciation expense of \$602,368 -- capital grant contributions of \$1,731,339, and net transfers-in from the General Fund of \$247,438 for a portion of the cost of purchasing a new 330-Ton Boat Lift. The cash balance in the SMIC fund is \$0.
- The net decrease in Water Enterprise Fund net position of (\$336,632) is due to transfers-out totaling \$600,748, including a one-time contribution to the Wastewater Fund of \$500,000 to assist with dredging and disposal of sewage lagoons. The water utility ends the year with \$1,050,027 in cash (excluding water-related capital projects) representing a significant decrease of (\$1,700,611) (61.8%) from 2013, reflecting a transfer of \$1.3 Million to the Water Major Repair and Replacement Fund, for future replacement of capital assets. Including related capital projects, the ending Water utility cash balance is \$2,956,785.
- The net increase in Harbor Enterprise Fund net position of \$11,789,164 is largely due to recording the federal grant share of the harbor breakwater project totaling \$11,386,769, plus \$961,178 in Commercial Passenger Vessel Tax proceeds. The enterprise fund experienced a loss from operations of (\$389,818), and is not able to fund replacement of existing assets due to the need to spend cash on servicing debt (\$658,048 in 2014). The Harbor Enterprise Fund (excluding capital projects and reserved cash) ended the year with a cash balance of \$1,080,479 (down \$776,208 from 2013). Including capital project funds and bond reserves, the ending harbor cash balance is \$5,441,863 with \$4,361,384 restricted by bond and capital project covenants.

## CITY OF SEWARD

### Management's Discussion and Analysis, continued

- The decrease in net position of the Healthcare Facilities Enterprise Fund of (\$1,893,635) is due largely to booking a loss on the disposal of the old hospital building of \$1,246,969 (booking this loss was not required under previous accounting treatment for general fixed assets of the City, but is required under enterprise fund accounting). In addition, one-time capital funds in the amount of \$150,000 were provided to the Seward Community Health Center for space modifications and equipment purchases, plus \$700,000 to begin operating a federally qualified community health center, as a co-applicant grantee with the City of Seward. The Fund ended the year with earnings from operations of \$176,783 and transfers from the City's sales tax of \$1,136,752. The financial stability of the Healthcare Facilities Fund continues to depend in large part, on the census of the long-term care facility as census is the primary driver of patient service revenue. These revenues are pledged to repay the \$27 million in revenue bonds issued to construct the Seward Mountain Haven long-term care facility. The balance on those bonds at year-end is \$24.08 million.
- Other non-major enterprise funds experienced the following: 1) increase in Parking Enterprise Fund net position of \$58,208 and an increase in cash of \$71,821 with parking revenues lower than the prior year by (\$18,869) or (6.0%); and 2) a net increase in Wastewater Enterprise Fund net position of \$378,560, and a decrease in cash (excluding capital projects) of (\$570,240) to \$123,640.

### 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. As such, you will not find long-term capital assets or long-term debt 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 the amount of net resources available for spending at the end of the year.

At the end of the year, the City of Seward's governmental funds reported combined ending fund balances of \$10,217,264. Of this amount: \$367,791 is *nonspendable* (inventory, prepaid items); none is currently *restricted*; \$2,126,418 has been *committed* by the City Council for working capital, hospital line of credit, and insurance reserves; \$3,024,085 has been *assigned* by the administration for payment of grant-related projects; and \$4,698,970 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 reports, in order, the least spendable to the most spendable fund balance; first are resources which are not available for spending (*nonspendable*), then resources which are restricted by legislation or external agencies (*restricted*), next resources which the City Council has *committed* to spend for a specific purpose by way of enabling legislation, and then resources which have been *assigned* for a specific use but don't meet the definition of *restricted* or *committed*, and finally, the *unassigned* fund balance which remains available for spending.

Fund balances in the governmental funds increased by \$649,619, representing a net decrease in the General Fund of (\$1,228,695) and a combined net increase in other governmental funds of \$1,878,314.

## CITY OF SEWARD

### Management's Discussion and Analysis, continued

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

#### General Fund

General Fund revenues were \$198,682 higher than expenditures, and after subtracting net transfers of \$(1,427,377), fund balance decreased by \$1,228,695. General Fund revenues came in \$246,632 (2.2%) higher than in 2013, and expenditures came in \$977,712 or 9.3% higher.

The General Fund's fund balance must be able to meet unforeseen needs and emergencies, as well as future spending needs. The City's fund balance policy is to maintain *unassigned fund balance* equal to between three and six months' expenditures and routine transfers-out to other funds. The General Fund unassigned fund balance at the end of 2014 is \$4,698,970, equal to approximately 3.8 months' reserves, down from 5.8 months' at the end of 2013. The recent decrease in fund balance is due, primarily to the transfer of \$1.53 Million to the Capital Acquisition Fund in 2014, to address repair and replacement of general government infrastructure in addition to \$350,000 to the SMIC Fund to assist with purchasing a 330-Ton Boat Lift, and \$241,272 to the Harbor Enterprise Fund, representing a portion of the raw fish tax. The level of General Fund fund balance was increased significantly when more than \$2.0 million in Exxon Valdez oil spill settlement proceeds was received in 2009 and 2010. In the City's case, an adequate level of fund balance is between \$3.72 million and \$7.4 million (based on 2014 actuals), which results in the General Fund currently being on the low-end of the desired level of unassigned fund balance, but within the policy band. There is a marked improvement in this metric of financial stability over the past few years.

#### Special Revenue Funds

Special revenue fund projects experienced an aggregate net increase in fund balance of \$306,219 to \$327,208, with all projects maintaining a positive fund balance, as follows: the newly created Seward Community Health Center clinic fund with a fund balance of \$193,369; Bus Transportation project with a balance of \$131,341; and Two Lakes Park with a balance of \$2,498.

#### Non-Major Capital Project Funds

Capital projects experienced an aggregate net increase in fund balance of \$1,572,095 to \$2,441,657, with all projects maintaining a positive fund balance, as follows: the Capital Acquisition Fund with a fund balance of \$2,434,445; Kawabe Park with a balance of \$5,929; and Fire Department Equipment Fund with a balance of \$1,283.

#### **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 the individual fund statements are presented in more detail. Enterprise funds reported total net position of \$98 million, with \$82.2 million invested in capital assets net of related debt, leaving unrestricted net position of approximately \$13.7 million, and restricted net position of \$2.1 million.

The City maintains two internal service funds; the motor pool and the compensated annual leave fund. The Motor Pool Internal Service Fund accumulates cash for the replacement of the City's vehicles and heavy equipment fleet. Departments contribute to the motor pool to purchase vehicles and annually pay into the motor pool to forward-fund replacement of vehicles. This funding mechanism spreads the cost

## CITY OF SEWARD

### Management's Discussion and Analysis, continued

of replacing vehicles into each program's annual budget, rather than to incur costs as one-time expenses in the year of the vehicle/equipment replacement. Budgets are not able to sustain annual contributions to replace all vehicles and equipment, so one-time funds may also be requested for vehicle/equipment replacement. The balance of unrestricted cash in the motor pool at year-end is \$736,050 reflecting a decrease of (\$531,801) or (41.9%). In 2014, the Motor Pool loaned \$1.029 million to the SMIC Fund for the purchase of a 330-Ton Boat Lift. The Fund also has loans receivable from the Healthcare Facilities Enterprise Fund in the amount of \$861,518 related to the payoff of prior hospital PERS liabilities. The Harbor Enterprise Fund owes the Motor Pool Fund \$53,952 related to a loan for purchase of a 50-Ton boatlift, which matures in 2016. 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 2014 is \$475,070.

#### **General Fund Budgetary Highlights**

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

- Overall, projected revenues were upward adjusted \$911,586 related primarily to State payments on behalf of the City for PERS of \$897,728, reduced jail contract amount (\$74,649) and various general government grants totaling \$88,507.
- Expenditures were increased by \$1.2 million during the year. Budget amendments included the following: \$897,728 related to the State payments on behalf of the City for public employee's retirement system costs; \$193,358 increased health insurance costs; \$4,817 for historic preservation grant; \$30,400 small tools and equipment for DMV move and volunteer fire equipment grant; \$4,064 for floodplain management training grant; \$24,289 for Division of Forestry grant for local firefighter assistance; and \$41,305 for fire radios grant.
- Transfers to other funds increased by a total of \$1,635,878 due to \$1,321,335 being transferred to the Capital Acquisition Fund, representing approximately 50% of the 2012 and 2013 surplus of revenues and transfers-in over expenditures and transfers-out in the General Fund, and \$350,000 to the SMIC Enterprise Fund to assist with the purchase of a 330-Ton replacement boat lift.
- There was no change from the original transfers-in to the General Fund of \$1,928,684, to the final transfers-in balance. The bulk of transfers-in to the General Fund come from enterprise fund payments-in-lieu-of-tax (\$1,296,563) which are based on 8% of operating revenues in the enterprise funds. Other transfers-in include land lease revenues which the General Fund shares 50/50 with the Harbor and SMIC Enterprise Funds (\$241,936), reimbursement for lobbying costs (\$70,185), ambulance contribution from CPV tax proceeds (\$20,000) and an electric line permit fee of \$300,000.

## CITY OF SEWARD

### Management's Discussion and Analysis, continued

On a budgetary basis, General Fund revenues came in \$464,106 or 4.1% higher than budget primarily due to sales tax revenues exceeding budget by \$190,156; an unbudgeted insurance recovery of \$83,276; bed tax higher by \$36,981; building permits higher by \$17,514; unbudgeted project management fees of \$29,490; campground fees higher by \$57,908; museum admissions higher by \$12,630; and investment earnings higher by \$27,657. General Fund expenditures were under budget by \$425,146 or 3.6%. Most of this variance was due to \$100,161 in budgetary debt service savings, where repayments to the Electric Fund for past SMIC deficit contributions, were booked as transfers between funds rather than expenditures. Additional savings included \$201,680 in salary savings related, in part, to vacancy factor in the police, jail, parks and finance departments; \$30,428 in legal cost savings; \$51,735 in savings for heating fuel and gasoline; \$22,465 in unspent promotions; and \$57,138 in unspent capital equipment funds.

#### **General Fund Actual Highlights**

General Fund revenues exceeded expenditures by \$198,682, and after transfers between funds were accounted for, there was a net decrease in fund balance of (\$1,228,695) to \$7,448,399.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### **Capital Assets**

As of December 31, 2014, the City had \$180,662,306 invested in capital assets net of accumulated depreciation, representing an overall increase of \$9,646,423 from the previous year.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 5,510	5,432	30,170	17,484	35,680	22,916
Buildings	45,768	47,275	22,691	25,116	68,459	72,391
Improvements other than buildings	7,329	7,266	51,551	53,031	58,880	60,297
Machinery and equipment	65,836	4,348	6,655	5,565	72,491	9,913
Construction in progress	<u>259</u>	<u>168</u>	<u>6,565</u>	<u>5,331</u>	<u>6,824</u>	<u>5,499</u>
Total net capital assets	<u>\$ 63,030</u>	<u>64,489</u>	<u>117,632</u>	<u>106,527</u>	<u>180,662</u>	<u>171,016</u>

Additional information regarding the City of Seward's capital assets can be found in Footnote 4 on pages 41-43.

#### **Long-term Debt**

As of December 31, 2014, the City had total debt outstanding of \$42,117,453. Of this amount, \$3.4 million represents outstanding general obligation bonds backed by the full faith and credit of the City for construction of the library/museum. An additional \$35.1 million represents: revenue bonds backed by operating revenues from the harbor enterprise fund (\$5.3 million), electric enterprise fund (\$5.6 million), and long-term care facility (\$24.1 million). The remaining debt represents an outstanding capital equipment lease on loaders, water and wastewater loans, and compensated absences.

## CITY OF SEWARD

### Management's Discussion and Analysis, continued

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 3,395	3,480	-	-	3,395	3,480
Revenue bonds	-	-	35,065	36,945	35,065	36,945
Capital leases	-	31	-	-	-	31
Loans	-	-	3,041	1,968	3,041	1,968
Compensated absences	<u>457</u>	<u>415</u>	<u>159</u>	<u>208</u>	<u>616</u>	<u>623</u>
Total outstanding debt	<u>\$ 3,852</u>	<u>3,926</u>	<u>38,265</u>	<u>39,122</u>	<u>42,117</u>	<u>43,049</u>

Further detail regarding the City's long-term outstanding debt can be found on pages 45-50.

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

The City is entering the second year of its Biennial Budget for the period January 1, 2014 through December 31, 2015. The budget was prepared with the goal of maintaining current service levels and making capital improvements to sidewalks, replacement of A,B,C,D and S-floats in the harbor, completing construction of the new electric warehouse, constructing a new water storage tank, dredging the Lowell Point and SMIC sewer lagoons, constructing a new breakwater at SMIC, reaching full staffing levels at the Seward Community Health Center, and other program and infrastructure improvements. The budget anticipates a leveling off of the growth rate associated with the economic rebound, primarily in order to preserve a level of conservatism in the budget, given the General Fund's reliance on visitor revenues.

The General Fund's primary source of revenue, sales tax, is budgeted to increase by 0.8% over 2014 Budget. Given the timing of the budget passage in 2013, this equates to a reduction of approximately (\$154,200) or (3.4%) from 2014 actuals. The recent growth in economic activity, combined with sustained low fuel prices, makes it very likely the City will exceed this target. The second largest source of revenues is administrative fee reimbursement from enterprise funds, and those fees are recorded at budgeted levels. Property tax revenues are budgeted to come in 5.2% higher than 2014 actuals. However, given the past three years' actual property tax revenues, it is unlikely that those projections will be met, and are estimated to fall short by \$30,000 from 2015 budget. Bed tax revenues were budgeted to increase 1% over 2014 budget estimates, but the 2015 budget is \$33,131 or 7.8% lower than 2014 actuals, making it highly likely that those targets will be exceeded in 2015.

On the General Fund cost side, expenditures were budgeted 0.3% (or \$28,656) higher than 2014 budget, and \$765,837 or 6.7% lower than 2014 actuals. Part of this perceived reduction in expenses from 2014 comes from the fact that the General Fund original budget does not attempt to estimate the amount of State of Alaska contributions on-behalf of the City for public employees' retirement system contributions which, in 2014, totaled \$897,728 in the General Fund alone. Once those amounts are known and the budget is amended for those actual contributions, both the budget and actuals will be considerably higher than the original budget. The 2015 General Fund budget is balanced with no anticipated utilization of reserves.

## CITY OF SEWARD

### Management's Discussion and Analysis, continued

There are no proposed changes to tax rates in 2015 with the mill rate remaining at 3.12 mills, the City sales tax rate remaining at 4.0%, and the hotel/motel bed tax rate remaining at 4.0%. The harbor tariff includes a 2.6% rate increase in 2015, equal to the consumer price index for Anchorage averaged over the five previous full years. The Harbor capital renewal and replacement fee and a portion of raw fish tax proceeds will contribute \$139,103 toward replacement of aging harbor infrastructure. The electric tariff rates will increase by 2.6% in 2015 to address significant capital infrastructure needs, including completion of the warehouse construction. The Electric Fund will contribute \$86,560 toward replacement of aging infrastructure, a reduction from the prior year, but an improvement over recent years in which little funding was available for capital needs. The water tariff will increase rates 2.6% in 2015 and the department will construct a new water storage tank with grant funds, to mitigate summer water storage capacity concerns. The Water Fund will be unable to contribute funding toward replacement of aging infrastructure due to the start of debt service reimbursement for the Third Avenue Water Line project. The wastewater tariff will increase rates 5.2% in 2015 and those rate increases are necessary solely to keep the Fund from falling behind financially. These rate levels do not address critical or high-risk wastewater capital infrastructure needs, but the Wastewater Fund will contribute \$36,596 toward replacement of aging infrastructure. In the future, enterprise fund tariffs are expected to provide annual incremental rate increases equal to the consumer price index, enabling them to keep pace with the increased cost of goods and services, and 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, Attn: Finance Director, P.O. Box 167, Seward, Alaska 99664.

*This page intentionally left blank.*

## **Basic Financial Statements - Overview**

---

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

Statement of Net Position

Statement of Activities

Governmental Funds - Balance Sheet

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

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

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

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

Proprietary Funds - Statement of Net Position

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

Proprietary Funds - Statement of Cash Flows

Statement of Fiduciary Net Position

Notes to Basic Financial Statements

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

<i>December 31, 2014</i>	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 9,858,347	\$ 10,128,907	\$ 19,987,254
Receivables, net of allowance for doubtful accounts:			
Taxes	541,551	-	541,551
Accounts	61,832	7,237,520	7,299,352
Assessments, due within one year	-	5,678	5,678
Grants, shared revenues, and loans	639,524	2,148,794	2,788,318
Accrued interest	102,986	-	102,986
Other	-	506,803	506,803
Prepaid items	358,741	5,569	364,310
Inventories	9,050	1,013,539	1,022,589
Restricted cash and investments	-	11,887,145	11,887,145
Other assets	-	118,000	118,000
Assessments, due after one year	-	1,851	1,851
Internal balances	1,097,590	(1,097,590)	-
Capital assets not being depreciated	5,768,182	36,734,672	42,502,854
Capital assets being depreciated, net of depreciation	57,262,017	80,897,435	138,159,452
<b>Total Assets</b>	<b>\$ 75,699,820</b>	<b>\$ 149,588,323</b>	<b>\$ 225,288,143</b>
<b>Deferred Outflows of Resources</b>			
Unamortized deferred loss on refunding	-	244,168	244,168
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 75,699,820</b>	<b>\$ 149,832,491</b>	<b>\$ 225,532,311</b>
<b>Liabilities</b>			
Accounts payable	\$ 358,637	\$ 986,432	\$ 1,345,069
Payable to Providence Health and Services - Washington	-	5,454,000	5,454,000
Accrued payroll and related liabilities	488,083	1,136,111	1,624,194
Accrued interest	51,717	427,032	478,749
Other accrued liabilities	27,431	-	27,431
Funds held in trust	95,982	-	95,982
Customer deposits	-	257,912	257,912
Unearned revenue	15,478	2,500,324	2,515,802
Other liabilities	-	112,000	112,000
Noncurrent liabilities:			
Due within one year:			
Annual leave	119,049	45,358	164,407
Notes payable	-	129,244	129,244
Bonds payable	90,000	1,685,000	1,775,000
Due in more than one year:			
Annual leave	356,021	113,808	469,829
Notes payable	-	2,911,973	2,911,973
Bonds payable, including bond premium	3,532,373	34,282,084	37,814,457
<b>Total Liabilities</b>	<b>5,134,771</b>	<b>50,041,278</b>	<b>55,176,049</b>
<b>Net Position</b>			
Net investment in capital assets	59,407,826	82,209,443	141,617,269
Restricted for capital projects, bond retirement, & commercial passenger vessel tax	2,441,657	2,066,039	4,507,696
Unrestricted	8,715,566	15,515,731	24,231,297
<b>Total Net Position</b>	<b>70,565,049</b>	<b>99,791,213</b>	<b>170,356,262</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 75,699,820</b>	<b>\$ 149,832,491</b>	<b>\$ 225,532,311</b>

*See accompanying notes to basic financial statements.*

**City of Seward, Alaska**  
**Statement of Activities**  
**Year Ended December 31, 2014**

Functions:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines & Changes for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 3,291,580	\$ 282,318	\$ 155,539	\$ -	\$ (2,853,723)	\$ -	\$ (2,853,723)
Public safety	3,476,471	937,659	-	72,713	(2,466,099)	-	(2,466,099)
Public works	1,635,967	20,383	101,242	411,900	(1,102,442)	-	(1,102,442)
Parks and recreation	1,315,282	663,298	17,728	-	(634,256)	-	(634,256)
Library	804,539	39,707	9,261	334,628	(420,943)	-	(420,943)
Clinic	1,454,476	62,306	864,354	-	(527,816)	-	(527,816)
Sea Life Center	1,279,570	-	-	-	(1,279,570)	-	(1,279,570)
Unallocated interest	157,984	-	-	-	(157,984)	-	(157,984)
<b>Total Governmental Activities</b>	<b>13,415,869</b>	<b>2,005,671</b>	<b>1,148,124</b>	<b>819,241</b>	<b>(9,442,833)</b>	<b>-</b>	<b>(9,442,833)</b>
<b>Business-type Activities</b>							
Electric	10,255,601	11,433,004	174,276	1,055,462	-	2,407,141	2,407,141
Water	1,175,129	1,227,631	76,851	-	-	129,353	129,353
Wastewater	1,117,152	1,016,890	62,773	-	-	(37,489)	(37,489)
Harbor	3,792,623	3,212,432	158,044	11,707,114	-	11,284,967	11,284,967
SMIC	1,013,658	469,793	-	1,731,339	-	1,187,474	1,187,474
Healthcare Facilities	20,344,929	18,004,351	1,000	219,505	-	(2,120,073)	(2,120,073)
Parking	214,775	293,379	-	-	-	78,604	78,604
<b>Total Business-type Activities</b>	<b>37,913,867</b>	<b>35,657,480</b>	<b>472,944</b>	<b>14,713,420</b>	<b>-</b>	<b>12,929,977</b>	<b>12,929,977</b>
<b>Total Primary Government</b>	<b>\$51,329,736</b>	<b>\$ 37,663,151</b>	<b>\$ 1,621,068</b>	<b>\$ 15,532,661</b>	<b>\$ (9,442,833)</b>	<b>\$ 12,929,977</b>	<b>\$ 3,487,144</b>
<b>General Revenues</b>							
<b>Taxes:</b>							
Sales taxes					\$ 4,535,707	\$ -	\$ 4,535,707
Property taxes					989,910	-	989,910
Other taxes					421,981	-	421,981
Payment in lieu of taxes					82,490	-	82,490
Grants and entitlements not restricted to a specific purpose					1,684,132	961,178	2,645,310
Insurance recovery					-	5,520	5,520
Investment income					141,034	236,175	377,209
<b>Transfers</b>					<b>1,243,171</b>	<b>(1,243,171)</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>9,098,425</b>	<b>(40,298)</b>	<b>9,058,127</b>
<b>Change in Net Position</b>					<b>(344,408)</b>	<b>12,889,679</b>	<b>12,545,271</b>
<b>Net Position, beginning</b>					<b>70,909,457</b>	<b>86,901,534</b>	<b>157,810,991</b>
<b>Net Position, ending</b>					<b>\$ 70,565,049</b>	<b>\$ 99,791,213</b>	<b>\$ 170,356,262</b>

See accompanying notes to basic financial statements.

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

<i>December 31, 2014</i>	Major Fund General	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 5,804,899	\$ 2,842,328	\$ 8,647,227
Receivables, net of allowance for doubtful accounts:			
Taxes	541,551	-	541,551
Accounts	61,832	-	61,832
Grants and shared revenues	1,101	638,423	639,524
Accrued interest	54,789	-	54,789
Prepaid items	341,995	16,746	358,741
Inventory	9,050	-	9,050
Due from other funds	1,532,519	-	1,532,519
<b>Total Assets</b>	<b>\$ 8,347,736</b>	<b>\$ 3,497,497</b>	<b>\$ 11,845,233</b>
<b>Liabilities</b>			
Accounts payable	\$ 267,588	\$ 91,049	\$ 358,637
Accrued payroll and related liabilities	477,893	10,190	488,083
Accrued liabilities	27,431	-	27,431
Funds held in trust	95,982	-	95,982
Due to other funds	-	627,393	627,393
Unearned revenue	15,478	-	15,478
<b>Total Liabilities</b>	<b>884,372</b>	<b>728,632</b>	<b>1,613,004</b>
<b>Deferred Inflows</b>			
Delinquent property taxes	14,965	-	14,965
<b>Total Liabilities and Deferred Inflows</b>	<b>899,337</b>	<b>728,632</b>	<b>1,627,969</b>
<b>Fund Balances</b>			
Nonspendable:			
Inventory	9,050	-	9,050
Prepaid items	341,995	16,746	358,741
Committed:			
Working capital	1,500,000	-	1,500,000
Insurance	126,418	-	126,418
Hospital line of credit	500,000	-	500,000
Assigned:			
Parks and recreation	-	2,498	2,498
General government	-	307,964	307,964
Capital projects	-	2,441,657	2,441,657
Insurance	171,966	-	171,966
Miscellaneous	100,000	-	100,000
Unassigned	4,698,970	-	4,698,970
<b>Total Fund Balances</b>	<b>7,448,399</b>	<b>2,768,865</b>	<b>10,217,264</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 8,347,736</b>	<b>\$ 3,497,497</b>	<b>\$ 11,845,233</b>

*See accompanying notes to basic financial statements.*

**City of Seward, Alaska**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Position**  
**December 31, 2014**

Total fund balances for governmental funds \$ 10,217,264

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

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

	Governmental	Internal Service	
Land	\$ 5,509,589	\$ -	
Construction in progress	258,593	-	
Buildings	70,147,968	-	
Improvements other than buildings	22,395,774	-	
Machinery and equipment	8,849,577	6,162,868	
Accumulated depreciation	(46,284,161)	(4,010,009)	
Total capital assets	\$ 60,877,340	\$ 2,152,859	63,030,199

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 14,965

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

Net position related to governmental activities	\$ 3,129,570	
Less amount reported with capital assets	(2,152,859)	
Plus amount reported with long-term liabilities	475,070	1,451,781

Long-term liabilities, including bonds payable, the related accrued interest and accrued leave are not due and payable in the current period and are therefore not reported as fund liabilities. These liabilities consist of:

	Governmental	Internal Service	
General obligation bonds payable	\$ (3,395,000)	\$ -	
Accrued interest on bonds	(51,717)	-	
Accrued leave	-	(475,070)	
Unamortized bond premium	(227,373)	-	
Total long term liabilities	\$ (3,674,090)	\$ (475,070)	(4,149,160)
<b>Total Net Position of Governmental Activities</b>			<b>\$ 70,565,049</b>

*See accompanying notes to basic financial statements.*

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

<i>Year Ended December 31, 2014</i>	Major Fund		Total Govern- mental Funds
	General	Nonmajor Funds	
<b>Revenues</b>			
Taxes	\$ 6,027,632	\$ -	\$ 6,027,632
Licenses and permits	185,925	-	185,925
Intergovernmental	2,611,218	1,310,640	3,921,858
Charges for services	2,650,995	-	2,650,995
Fines and bails	14,073	-	14,073
Investment income	80,658	-	80,658
Other	124,873	554,231	679,104
<b>Total Revenues</b>	<b>11,695,374</b>	<b>1,864,871</b>	<b>13,560,245</b>
<b>Expenditures</b>			
Current:			
General government	2,952,577	277,177	3,229,754
Public safety	3,455,033	25,275	3,480,308
Public works	1,574,388	85,254	1,659,642
Parks and recreation	1,337,371	26,201	1,363,572
Library/Museum	559,652	12,860	572,512
Clinic	-	1,454,476	1,454,476
Debt service:			
Principal payments	85,000	-	85,000
Retirement benefits	1,373,271	-	1,373,271
Interest and other costs	159,400	-	159,400
Capital outlay:			
General government	-	316,524	316,524
Public works	-	411,900	411,900
Public safety	-	47,438	47,438
<b>Total Expenditures</b>	<b>11,496,692</b>	<b>2,657,105</b>	<b>14,153,797</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>198,682</b>	<b>(792,234)</b>	<b>(593,552)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	1,955,575	3,047,825	5,003,400
Transfers out	(3,382,952)	(377,277)	(3,760,229)
<b>Net Other Financing Sources (Uses)</b>	<b>(1,427,377)</b>	<b>2,670,548</b>	<b>1,243,171</b>
<b>Net Change in Fund Balances</b>	<b>(1,228,695)</b>	<b>1,878,314</b>	<b>649,619</b>
<b>Fund Balances, beginning</b>	<b>8,677,094</b>	<b>890,551</b>	<b>9,567,645</b>
<b>Fund Balances, ending</b>	<b>\$ 7,448,399</b>	<b>\$ 2,768,865</b>	<b>\$ 10,217,264</b>

*See accompanying notes to basic financial statements.*

**City of Seward, Alaska**  
**Reconciliation of the Change in Fund Balances of Governmental Funds**  
**to Statement of Activities**  
**Year Ended December 31, 2014**

---

Net change in fund balances - total governmental funds	\$	649,619
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation of \$2,435,840 exceeded capital outlays of \$1,201,052.		
		(1,234,788)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase in other long-term assets.		
		2,456
Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes financial resources in governmental funds. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net change in these balances:		
Accrued interest payable	\$	1,416
Amortization of bond premium		10,827
Principal payments on long-term debt		<u>85,000</u>
		97,243
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.		
		<u>141,062</u>
<b>Change in Net Position of Governmental Activities</b>		<u>\$ (344,408)</u>

*See accompanying notes to basic financial statements.*

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

<i>Year Ended December 31, 2014</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Taxes	\$ 5,834,149	\$ 5,834,149	\$ 6,027,632	\$ 193,483
Licenses and permits	163,350	163,350	185,925	22,575
Intergovernmental	1,636,610	2,548,196	2,611,218	63,022
Charges for services	2,600,873	2,582,923	2,650,995	68,072
Fines and bails	9,000	9,000	14,073	5,073
Investment income	53,000	53,000	80,658	27,658
Other	22,700	40,650	124,873	84,223
<b>Total Revenues</b>	<b>10,319,682</b>	<b>11,231,268</b>	<b>11,695,374</b>	<b>464,106</b>
<b>Expenditures</b>				
Current:				
General government	2,880,415	3,090,890	2,952,577	138,313
Public safety	3,317,552	3,556,315	3,455,033	101,282
Public works	1,637,293	1,656,124	1,574,388	81,736
Parks and recreation	1,251,166	1,326,689	1,337,371	(10,682)
Library	545,822	573,988	559,652	14,336
Debt service:				
Principal payments	195,784	195,784	85,000	110,784
Retirement benefits	714,767	1,362,648	1,373,271	(10,623)
Interest and other costs	159,400	159,400	159,400	-
<b>Total Expenditures</b>	<b>10,702,199</b>	<b>11,921,838</b>	<b>11,496,692</b>	<b>425,146</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>(382,517)</b>	<b>(690,570)</b>	<b>198,682</b>	<b>889,252</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,928,684	1,928,684	1,955,575	26,891
Transfers out	(1,582,500)	(3,218,378)	(3,382,952)	(164,574)
<b>Net Other Financing Sources (Uses)</b>	<b>346,184</b>	<b>(1,289,694)</b>	<b>(1,427,377)</b>	<b>(137,683)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (36,333)</b>	<b>\$ (1,980,264)</b>	<b>(1,228,695)</b>	<b>\$ 751,569</b>
<b>Fund Balances, beginning</b>			<b>8,677,094</b>	
<b>Fund Balances, ending</b>			<b>\$ 7,448,399</b>	

*See accompanying notes to basic financial statements.*

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

December 31, 2014	Enterprise Funds					Total Enterprise Funds	Internal Service Funds
	Major Funds			Healthcare Facilities	Nonmajor Funds		
	Electric	Harbor	SMC				
<b>Assets</b>							
<b>Current Assets</b>							
Cash and investments	\$ 3,129,380	\$ 1,080,479	\$ -	\$ 4,055,188	\$ 1,863,860	\$ 10,128,907	\$ 1,211,120
Receivables:							
Accounts	959,002	155,496	38,131	6,935,000	244,900	8,332,529	-
Accrued interest	-	-	-	-	-	-	48,197
Assessments	-	2,144	-	-	3,534	5,678	-
Interfund loans	19,552	-	-	-	-	19,552	226,613
Grants and loans	466,607	375,073	1,307,114	-	-	2,148,794	-
Other receivables	35,812	-	-	470,795	196	506,803	-
Less allowance for doubtful accounts	(43,155)	(23,834)	-	(1,017,000)	(11,020)	(1,095,009)	-
Prepaid expenses	5,569	-	-	-	-	5,569	-
Inventory	920,239	-	-	-	93,300	1,013,539	-
<b>Total Current Assets</b>	<b>5,493,006</b>	<b>1,589,358</b>	<b>1,345,245</b>	<b>10,443,983</b>	<b>2,194,770</b>	<b>21,066,362</b>	<b>1,485,930</b>
<b>Noncurrent Assets</b>							
Restricted cash and investments	2,477,131	4,361,384	-	1,973,360	3,075,270	11,887,145	-
Assessments receivable, net of current portion	1,851	-	-	-	-	1,851	-
Other assets	-	-	-	118,000	-	118,000	-
Interfund loans, net of current portion	296,195	-	-	-	-	296,195	1,717,944
Property, plant and equipment:							
Total capital assets not being depreciated	2,472,900	18,356,353	15,227,531	-	677,888	36,734,672	-
Total capital assets being depreciated	57,271,587	33,588,623	41,874,439	36,731,829	21,739,668	191,206,146	6,162,868
Less accumulated depreciation	(37,151,823)	(14,981,892)	(28,688,691)	(16,218,430)	(13,267,875)	(110,308,711)	(4,010,009)
<b>Total Noncurrent Assets</b>	<b>25,367,841</b>	<b>41,324,468</b>	<b>28,413,279</b>	<b>22,604,759</b>	<b>12,224,951</b>	<b>129,935,298</b>	<b>3,870,803</b>
<b>Total Assets</b>	<b>30,860,847</b>	<b>42,913,826</b>	<b>29,758,524</b>	<b>33,048,742</b>	<b>14,419,721</b>	<b>151,001,660</b>	<b>5,356,733</b>
<b>Deferred Outflows</b>							
Unamortized deferred loss on refunding	4,904	239,264	-	-	-	244,168	-
<b>Total Assets and Deferred Outflows</b>	<b>\$ 30,865,751</b>	<b>\$ 43,153,090</b>	<b>\$ 29,758,524</b>	<b>\$ 33,048,742</b>	<b>\$ 14,419,721</b>	<b>\$ 151,245,828</b>	<b>\$ 5,356,733</b>
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Accounts payable	\$ 487,954	\$ 90,409	\$ 207,852	\$ 190,000	\$ 10,217	\$ 986,432	\$ -
Payable to Providence Health and Services - Washington	-	-	-	5,454,000	-	5,454,000	-
Due to contractual agencies	-	-	-	-	-	-	-
Accrued payroll and related liabilities	64,819	57,594	-	990,000	23,698	1,136,111	-
Accrued interest	23,553	31,919	-	350,765	20,795	427,032	-
Current portion:							
Accrued annual leave	17,700	19,127	-	-	8,531	45,358	119,049
Bonds payable	400,000	460,000	-	825,000	-	1,685,000	-
Notes payable	-	-	-	-	129,244	129,244	-
Interfund loans	-	26,254	147,012	72,898	-	246,164	-
Customer deposits	212,634	36,078	9,200	-	-	257,912	-
Unearned revenue	-	567,677	39,647	1,893,000	-	2,500,324	-
Due to other funds	-	-	905,126	-	-	905,126	-
<b>Total Current Liabilities</b>	<b>1,206,660</b>	<b>1,289,058</b>	<b>1,308,837</b>	<b>9,775,663</b>	<b>192,485</b>	<b>13,772,703</b>	<b>119,049</b>
<b>Noncurrent Liabilities, net of current portion</b>							
Accrued annual leave	33,975	45,810	271	-	33,752	113,808	356,021
Bonds payable	5,245,000	4,885,000	-	23,250,000	-	33,380,000	-
Unamortized bond premium	33,420	547,862	-	320,802	-	902,084	-
Notes payable	-	1,201,196	-	-	1,710,777	2,911,973	-
Other liabilities	-	-	-	112,000	-	112,000	-
Interfund loans	-	27,698	882,075	1,104,367	-	2,014,140	-
<b>Total Noncurrent Liabilities</b>	<b>5,312,395</b>	<b>6,707,566</b>	<b>882,346</b>	<b>24,787,169</b>	<b>1,744,529</b>	<b>39,434,005</b>	<b>356,021</b>
<b>Total Liabilities</b>	<b>6,519,055</b>	<b>7,996,624</b>	<b>2,191,183</b>	<b>34,562,832</b>	<b>1,937,014</b>	<b>53,206,708</b>	<b>475,070</b>
<b>Net Position</b>							
Net investment in capital assets	17,597,059	30,798,488	28,413,279	(1,909,043)	7,309,660	82,209,443	2,152,859
Restricted for commercial passenger vessel tax	-	2,066,039	-	-	-	2,066,039	-
Unrestricted (deficit)	6,749,637	2,291,939	(845,938)	394,953	5,173,047	13,763,638	2,728,804
<b>Total Net Position</b>	<b>24,346,696</b>	<b>35,156,466</b>	<b>27,567,341</b>	<b>(1,514,090)</b>	<b>12,482,707</b>	<b>98,039,120</b>	<b>4,881,663</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 30,865,751</b>	<b>\$ 43,153,090</b>	<b>\$ 29,758,524</b>	<b>\$ 33,048,742</b>	<b>\$ 14,419,721</b>	<b>\$ 151,245,828</b>	<b>\$ 5,356,733</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						1,752,093	
<b>Net Position of business-type activities</b>						<b>\$ 99,791,213</b>	

See accompanying notes to basic financial statements.

**City of Seward, Alaska**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Change in Net Positions**

Year Ended December 31, 2014	Enterprise Funds						Internal Service Funds
	Major Funds				Nonmajor Funds	Total Enterprise Funds	
	Electric	Harbor	SMIC	Healthcare Facilities			
<b>Operating Revenues</b>							
Charges for services	\$11,097,045	\$ 3,212,432	\$ 469,793	\$ 18,004,351	\$ 2,537,900	\$35,321,521	\$ -
Vehicle rental and interfund charges	-	-	-	-	-	-	1,018,070
<b>Total Operating Revenues</b>	<b>11,097,045</b>	<b>3,212,432</b>	<b>469,793</b>	<b>18,004,351</b>	<b>2,537,900</b>	<b>35,321,521</b>	<b>1,018,070</b>
<b>Operating Expenses</b>							
Salaries and employee benefits	1,372,102	1,142,099	110,734	11,399,000	870,115	14,894,050	435,180
Services and supplies	5,837,658	850,298	171,597	3,354,176	701,463	10,915,192	815
Administration	864,237	366,221	128,959	873,173	464,989	2,697,579	-
Depreciation	1,737,127	1,243,632	602,368	2,201,219	449,813	6,234,159	438,402
<b>Total Operating Expenses</b>	<b>9,811,124</b>	<b>3,602,250</b>	<b>1,013,658</b>	<b>17,827,568</b>	<b>2,486,380</b>	<b>34,740,980</b>	<b>874,397</b>
<b>Earnings (Loss) from Operations</b>	<b>1,285,921</b>	<b>(389,818)</b>	<b>(543,865)</b>	<b>176,783</b>	<b>51,520</b>	<b>580,541</b>	<b>143,673</b>
<b>Nonoperating Revenues (Expenses)</b>							
Intergovernmental - PERS on-behalf	174,276	158,044	-	-	139,624	471,944	-
Investment income	139,150	44,690	1,625	104	50,606	236,175	60,376
Salary credits - work orders	208,130	-	-	-	-	208,130	-
Supply credits - work orders	127,829	-	-	-	-	127,829	-
Insurance recovery	-	-	5,520	-	-	5,520	21,006
Interest expense	(286,592)	(207,946)	-	(1,270,392)	(28,082)	(1,793,012)	(111)
Commercial passenger vessel tax	-	961,178	-	-	-	961,178	-
Loss on disposal of capital assets	-	-	-	(1,246,969)	-	(1,246,969)	-
Grant revenue	-	-	-	1,000	-	1,000	-
Other expenses	(216,788)	-	-	-	-	(216,788)	-
<b>Net Nonoperating Revenues (Expenses)</b>	<b>146,005</b>	<b>955,966</b>	<b>7,145</b>	<b>(2,516,257)</b>	<b>162,148</b>	<b>(1,244,993)</b>	<b>81,271</b>
<b>Earnings (Loss) before Contributions and Transfers</b>	<b>1,431,926</b>	<b>566,148</b>	<b>(536,720)</b>	<b>(2,339,474)</b>	<b>213,668</b>	<b>(664,452)</b>	<b>224,944</b>
Capital contributions	1,055,462	11,707,114	1,731,339	219,505	-	14,713,420	-
Transfers in	110,784	241,272	350,000	1,136,752	598,010	2,436,818	-
Transfers out	(1,230,097)	(725,370)	(102,562)	(910,418)	(711,542)	(3,679,989)	-
<b>Change in Net Position</b>	<b>1,368,075</b>	<b>11,789,164</b>	<b>1,442,057</b>	<b>(1,893,635)</b>	<b>100,136</b>	<b>12,805,797</b>	<b>224,944</b>
<b>Net Position, beginning</b>	<b>22,978,621</b>	<b>23,367,302</b>	<b>26,125,284</b>	<b>379,545</b>	<b>12,382,571</b>		<b>4,656,719</b>
<b>Net Position, ending</b>	<b>\$24,346,696</b>	<b>\$ 35,156,466</b>	<b>\$27,567,341</b>	<b>\$ (1,514,090)</b>	<b>\$ 12,482,707</b>		<b>\$ 4,881,663</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						83,882	
Change in net position of business-type activities						<u>\$12,889,679</u>	

See accompanying notes to basic financial statements.

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

Year Ended December 31, 2014	Enterprise Funds						Internal Service Funds
	Major Funds				Nonmajor Funds	Total Enterprise Funds	
	Electric	Harbor	SMIC	Healthcare Facilities			
<b>Cash Flows from (for) Operating Activities</b>							
Receipts from customers and users	\$ 10,988,797	\$ 2,781,538	\$ 468,481	\$ 15,836,556	\$ 2,551,956	\$ 32,627,328	\$ -
Payments to suppliers	(6,152,133)	(1,360,735)	(237,028)	(338,965)	(765,148)	(8,854,009)	(815)
Payments to employees	(1,005,682)	(954,825)	(111,042)	(11,445,000)	(718,656)	(14,235,205)	(375,310)
Payments for interfund services used	(863,637)	(366,221)	(128,959)	(873,173)	(451,989)	(2,683,979)	-
Receipts from vehicle rentals and interfund charges	-	-	-	-	-	-	1,018,070
<b>Net cash flows from (for) operating activities</b>	<b>2,967,345</b>	<b>99,757</b>	<b>(8,548)</b>	<b>3,179,418</b>	<b>616,163</b>	<b>6,854,135</b>	<b>641,945</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>							
Transfers in	110,784	241,272	350,000	1,136,752	-	1,838,808	-
Transfers out	(1,230,097)	(725,370)	(102,562)	(910,418)	(711,542)	(3,679,989)	-
Increase in due to other funds	-	-	905,126	-	-	905,126	-
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(1,119,313)</b>	<b>(484,098)</b>	<b>1,152,564</b>	<b>226,334</b>	<b>(711,542)</b>	<b>(936,055)</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities</b>							
Principal payments on long-term debt	(380,000)	(445,000)	-	(785,000)	(128,667)	(1,738,667)	(31,320)
Interest payments on long-term debt	(291,536)	(213,048)	-	(1,300,165)	(29,530)	(1,834,279)	(208)
Issuance of refunding bonds, including premium	-	3,966,233	-	-	-	3,966,233	-
Payment to refunding bond escrow agent	-	(3,937,576)	-	-	-	(3,937,576)	-
Transfers in	-	-	-	-	598,010	598,010	-
Acquisition of property, plant and equipment	(1,160,342)	(1,864,099)	(2,977,501)	(227,857)	(244,644)	(6,474,443)	(214,244)
Capital contributions received	1,275,502	1,994,827	690,077	220,505	19,382	4,200,293	-
Insurance recovery	-	-	5,520	-	-	5,520	21,006
Increase in due to other funds	-	-	-	-	-	-	-
Issuance of interfund loan	-	-	1,029,087	-	-	1,029,087	-
Interfund loan payments	-	(24,885)	-	(69,262)	-	(94,147)	-
Commercial passenger vessel tax receipts	-	613,445	-	-	-	613,445	-
Decrease in due to contracted agencies	-	-	-	(406,000)	-	(406,000)	-
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(556,376)</b>	<b>89,897</b>	<b>(1,252,817)</b>	<b>(2,567,779)</b>	<b>214,551</b>	<b>(4,072,524)</b>	<b>(224,766)</b>
<b>Cash Flows from (for) Investing Activities</b>							
Investment income received	140,124	39,075	1,625	104	50,606	231,534	64,406
Interfund loan disbursements	-	-	-	-	-	-	(1,029,087)
Interfund loan receipts	18,576	-	-	-	-	18,576	75,571
<b>Net cash flows from (for) investing activities</b>	<b>158,700</b>	<b>39,075</b>	<b>1,625</b>	<b>104</b>	<b>50,606</b>	<b>250,110</b>	<b>(889,110)</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>1,450,356</b>	<b>(255,369)</b>	<b>(107,176)</b>	<b>838,077</b>	<b>169,778</b>	<b>2,095,666</b>	<b>(471,931)</b>
<b>Cash and Investments, beginning</b>	<b>4,156,155</b>	<b>5,697,232</b>	<b>107,176</b>	<b>5,190,471</b>	<b>4,769,352</b>	<b>19,920,386</b>	<b>1,683,051</b>
<b>Cash and Investments, ending</b>	<b>\$ 5,606,511</b>	<b>\$ 5,441,863</b>	<b>\$ -</b>	<b>\$ 6,028,548</b>	<b>\$ 4,939,130</b>	<b>\$ 22,016,052</b>	<b>\$ 1,211,120</b>
<b>Reconciliation of Cash and Investments to Statement of Net Position</b>							
Current assets	\$ 3,129,380	\$ 1,080,479	\$ -	\$ 4,055,188	\$ 1,863,860	\$ 10,128,907	\$ 1,211,120
Restricted assets	2,477,131	4,361,384	-	1,973,360	1,075,270	11,887,145	-
<b>Total Cash and Investments</b>	<b>\$ 5,606,511</b>	<b>\$ 5,441,863</b>	<b>\$ -</b>	<b>\$ 6,028,548</b>	<b>\$ 4,939,130</b>	<b>\$ 22,016,052</b>	<b>\$ 1,211,120</b>

See accompanying notes to basic financial statements.

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

Year Ended December 31, 2014	Enterprise Funds					Total Enterprise Funds	Internal Service Funds
	Major Funds				Nonmajor Funds		
	Electric	Harbor	SMIC	Healthcare Facilities			
<b>Reconciliation of Earnings (Loss) from Operations to Net Cash from (for) Operating Activities</b>							
Earnings (loss) from operations	\$ 1,285,921	\$ (389,818)	\$ (543,865)	\$ 176,783	\$ 51,520	\$ 580,541	\$ 143,673
Adjustments to reconcile earnings (loss) from operations to net cash flows from (for) operating activities:							
Depreciation	1,737,127	1,243,632	602,368	2,201,219	449,813	6,234,159	438,402
Other nonoperating expenses	(216,788)	-	-	-	-	(216,788)	-
Other nonoperating revenues - workorder reimbursements:							
Salaries	208,130	-	-	-	-	208,130	-
Supplies	127,829	-	-	-	-	127,829	-
Noncash expense - PERS on-behalf	174,276	158,044	-	-	139,624	471,944	-
Increase (decrease) in allowance for doubtful accounts	4,459	(838)	-	298,000	279	301,900	-
(Increase) decrease in assets:							
Receivables	(90,488)	(1,307)	(3,146)	(4,338,795)	13,777	(4,419,959)	-
Prepaid expenses	(5,569)	-	-	-	-	(5,569)	-
Inventory	(46,735)	-	-	-	(42,952)	(89,687)	-
Other assets	-	-	-	188,650	-	188,650	-
Increase (decrease) in liabilities:							
Other payables	(172,612)	(510,437)	(65,431)	(130,439)	(7,733)	(886,652)	-
Accrued payroll and related liabilities	25,281	36,285	(308)	2,957,000	-	2,957,000	-
Accrued annual leave	(41,267)	(7,055)	-	-	(1,162)	(49,484)	59,870
Customer deposits	(22,219)	1,890	9,200	-	-	(11,129)	-
Unearned revenue	-	(430,639)	(7,366)	1,873,000	-	1,434,995	-
<b>Net Cash from (for) Operating Activities</b>	<b>\$ 2,967,345</b>	<b>\$ 99,757</b>	<b>\$ (8,548)</b>	<b>\$ 3,179,418</b>	<b>\$ 616,163</b>	<b>\$ 6,854,135</b>	<b>\$ 641,945</b>
<b>Noncash Capital and Related Financing Activities</b>							
Purchase of equipment included in accounts payable	\$ 101,041	\$ -	\$ 194,925	\$ -	\$ -	\$ 295,966	\$ -
Purchased equipment through issuance of notes payable	\$ -	\$ 1,201,196	\$ -	\$ -	\$ -	\$ 1,201,196	\$ -
Increase in land from non-cash capital contribution	\$ -	\$ 11,386,763	\$ -	\$ -	\$ -	\$ 11,386,763	\$ -

*See accompanying notes to basic financial statements.*

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

---

<i>December 31, 2014</i>	Teen Council Agency Fund
<b>Assets</b>	
Cash and investments	\$ 49,884
Other assets	150
<b>Total Assets</b>	<b>\$ 50,034</b>
<b>Liabilities</b>	
Accounts payable	\$ 1,423
Other accrued liabilities	193
Due to Teen Council	48,418
<b>Total Liabilities</b>	<b>\$ 50,034</b>

*See accompanying notes to basic financial statements.*

**City of Seward, Alaska**  
**Notes to Basic Financial Statements**  
**December 31, 2014**

---

## **1. Summary of Significant Accounting Policies**

### ***Reporting Entity***

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

The accompanying financial statements present the City of Seward. In 2011 the City adopted the provisions of GASB Statement number 61, *The Financial Reporting Entity: Omnibus*. In connection therewith, the City reviewed its legal and contractual arrangements with the Providence Seward Medical Center which was previously reported as a discreetly presented component unit, and determined that, for financial reporting purposes in accordance with generally accepted accounting principles, this activity is appropriately recorded as an enterprise fund of the City. In 2013, the City entered into a contractual agreement with a non-profit organization as co-signees to a federally funded health clinic program. The non-profit organization is legally separate and does not meet the criteria under GASB 61 for inclusion as a component unit. However, many activities associated with the clinic are reported in the SCHC Special Revenue Fund as the City is the named grantee on the primary operating grant.

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

### ***Government-Wide and Fund Financial Statements***

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

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

# City of Seward, Alaska

## Notes to Basic Financial Statements

---

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Fiduciary Fund also uses the accrual basis of accounting.

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

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

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

#### Major Governmental Funds:

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

#### Major Proprietary Funds:

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

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

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

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

# City of Seward, Alaska

## Notes to Basic Financial Statements

---

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

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

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

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

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

### ***Prior Years Amounts***

In certain schedules, prior year amounts have been presented for purposed comparison. Some amounts reported for the prior year have been reclassified to conform to the current year presentation

### ***Central Treasury***

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

### ***Cash and Cash Equivalents***

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

### ***Inventory***

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

# City of Seward, Alaska

## Notes to Basic Financial Statements

---

### *Prepaid Items*

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

### *Receivables and Payables*

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

### *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In the case of the initial capitalization of infrastructure assets, the City chose to include all such items, regardless of their acquisition date.

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

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

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

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

### *Accrued Annual Leave*

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

# City of Seward, Alaska

## Notes to Basic Financial Statements

---

### ***Long-term Debt***

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

### ***Fund Balances***

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

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

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

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

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

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

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

### ***Encumbrances***

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund during the year. However, it is the City’s policy to stop issuing purchase orders in early December. As a result, there are no outstanding encumbrances at December 31, 2014. Outstanding purchase orders, if any, at December 31, are cancelled and new ones are issued in the subsequent year.

# City of Seward, Alaska

## Notes to Basic Financial Statements

---

### *Unearned Grant Revenue*

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

### *Grant and Other Intergovernmental Revenues*

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

### *Pension Plan*

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

### *Property Taxes*

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

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

## **2. Stewardship, Compliance, and Accountability**

### *Budgetary Information*

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

# City of Seward, Alaska

## Notes to Basic Financial Statements

### *Allocation of Sales Tax Revenues*

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

### **3. Cash and Investments**

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

#### *Investments*

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

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

#### *Reconciliation of Deposit and Investment Balances*

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of December 31, 2014:

	Government-Wide Statement of Net Position	Fiduciary Fund Statement of Fiduciary Net Position	Totals
Cash and investments	\$ 19,987,254	\$ 49,884	\$ 20,037,138
Restricted cash and investments	11,887,145	-	11,887,145
	<b>\$ 31,874,399</b>	<b>\$ 49,884</b>	<b>\$ 31,924,283</b>

# City of Seward, Alaska

## Notes to Basic Financial Statements

### *Restricted Cash and Investments*

The City maintains bond redemption and reserve accounts as required by bond covenants. The balances at December 31, 2014 are as follows:

---

Healthcare Facilities Fund	\$ 1,973,360
Electric Fund	677,911
Harbor Fund	690,198
<hr/>	
<b>Total Restricted for Bond Retirement</b>	<b>\$ 3,341,469</b>

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

---

Harbor Fund	\$ 3,671,186
Electric Fund	1,799,220
Water Fund	1,906,758
Wastewater Fund	1,168,512
<hr/>	
<b>Total Restricted for Capital Projects</b>	<b>\$ 8,545,676</b>

### *Custodial Risk*

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

### *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.

## City of Seward, Alaska

### Notes to Basic Financial Statements

Investment types and their maturities at December 31, 2014 are as follows:

Investment	Fair Value	Investment Maturities (in Years)		
		Less than 1 year	1 to 5 years	Over 5 years
Certificates of deposit	\$ 5,831,087	\$ -	\$ 5,587,249	\$ 243,838
U.S. government agencies	1,338,638	-	1,338,638	-
U.S. treasury SLGS	247,300	-	-	247,300
U.S. Government Bonds	8,011,829	-	8,011,829	-
<b>Total Subject To Interest Rate Risk</b>	<b>15,428,854</b>	<b>\$ -</b>	<b>\$14,937,716</b>	<b>\$ 491,138</b>
Pooled investments	9,089,962			
Money market account	3,368,131			
<b>Total investments</b>	<b>27,886,947</b>			
Bank deposits	4,037,336			
<b>Total Cash And Investments</b>	<b>\$ 31,924,283</b>			

#### *Option Risk*

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

#### *Concentration Risk*

The City's investment policy places no limit on the amount that can be invested in any one issuer. Approximately 11% of the total portfolio is invested in securities issued by federal agencies and approximately 10% is held with the Federal Home Loan Bank.

#### *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in U.S. government agencies include Federal Home Loan Bank and U.S. Treasuries. All of the U.S. government agencies investments are rated AAA by Standard and Poors.

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.

## City of Seward, Alaska

### Notes to Basic Financial Statements

#### 4. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

Governmental Activities	Balance January 1, 2014	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2014
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 5,432,289	\$ 77,300	\$ -	\$ 5,509,589
Construction in progress	168,272	102,972	12,651	258,593
<b>Total assets not being depreciated</b>	<b>5,600,561</b>	<b>180,272</b>	<b>12,651</b>	<b>5,768,182</b>
<i>Capital assets being depreciated:</i>				
Buildings	69,977,179	170,789	-	70,147,968
Improvements other than buildings	21,971,826	423,948	-	22,395,774
Machinery and equipment	14,359,507	652,938	-	15,012,445
<b>Total assets being depreciated</b>	<b>106,308,512</b>	<b>1,247,675</b>	<b>-</b>	<b>107,556,187</b>
Less accumulated depreciation for:				
Buildings	22,702,198	1,677,888	-	24,380,086
Improvements other than buildings	14,706,226	360,750	-	15,066,976
Machinery and equipment	10,011,504	835,604	-	10,847,108
<b>Total accumulated depreciation</b>	<b>47,419,928</b>	<b>2,874,242</b>	<b>-</b>	<b>50,294,170</b>
<b>Total capital assets being depreciated, net</b>	<b>58,888,584</b>	<b>(1,626,567)</b>	<b>-</b>	<b>57,262,017</b>
<b>Governmental Activity Capital Assets, net</b>	<b>\$ 64,489,145</b>	<b>\$ (1,446,295)</b>	<b>\$ 12,651</b>	<b>\$ 63,030,199</b>

\* The ending balances include \$6,162,868 and \$4,010,009 of equipment cost and accumulated depreciation, respectively, related to the Motor Pool Internal Service Fund.

## City of Seward, Alaska

### Notes to Basic Financial Statements

<b>Business type Activities</b>	Balance January 1, 2014	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2014
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 17,483,769	\$ 12,685,872	\$ -	\$ 30,169,641
Construction in progress	5,330,600	3,739,501	2,505,070	6,565,031
<b>Total assets not being depreciated</b>	<b>22,814,369</b>	<b>16,425,373</b>	<b>2,505,070</b>	<b>36,734,672</b>
<i>Capital assets being depreciated:</i>				
Buildings	38,105,986	268,626	1,245,896	37,128,716
Infrastructure	893,035	77,571	-	970,786
Improvements other than buildings	132,601,385	2,472,883	-	135,074,268
Machinery and equipment	16,771,631	2,186,143	925,218	18,032,556
<b>Total assets being depreciated</b>	<b>188,372,037</b>	<b>5,005,223</b>	<b>2,171,114</b>	<b>191,206,326</b>
Less accumulated depreciation for:				
Buildings	12,989,541	1,447,754	-	14,437,295
Infrastructure	300,235	75,242	-	375,477
Improvements other than buildings	80,162,744	3,955,737	-	84,118,481
Machinery and equipment	11,207,148	755,426	585,116	11,377,458
<b>Total accumulated depreciation</b>	<b>104,659,668</b>	<b>6,234,159</b>	<b>585,116</b>	<b>110,308,711</b>
<b>Total capital assets being depreciated, net</b>	<b>83,712,369</b>	<b>(1,228,936)</b>	<b>1,585,998</b>	<b>80,897,435</b>
<b>Business Type Capital Assets, net</b>	<b>\$ 106,526,738</b>	<b>\$ 15,196,437</b>	<b>\$ 4,091,068</b>	<b>\$ 117,632,107</b>

Depreciation for the year ended December 31, 2014 was charged to the functions as follows:

<b>Governmental Activities</b>	Depreciation Excluding Internal Service Fund	Internal Service Fund Allocation	Total Depreciation
General government	\$ 250,047	\$ 94,376	\$ 344,423
Public safety	174,019	145,410	319,429
Public works	234,492	182,990	417,482
Parks and recreation	73,430	15,626	89,056
Library	242,854	-	242,854
Sea Life Center	1,460,998	-	1,460,998
<b>Total Governmental Activities</b>	<b>\$ 2,435,840</b>	<b>\$ 438,402</b>	<b>\$ 2,874,272</b>

# City of Seward, Alaska

## Notes to Basic Financial Statements

<b>Business-type Activities</b>	<b>Depreciation Excluding Internal Service Fund</b>
Electric	\$ 1,737,127
Water	202,548
Wastewater	222,789
Harbor	1,243,632
SMIC	602,368
Parking	24,476
Healthcare facilities	2,201,219
<b>Total Business-Type Activities</b>	<b>\$ 6,234,159</b>

### 5. Interfund Receivables, Payables and Transfers

A schedule of interfund balances and transfers as of and for the year ended December 31, 2014, 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.

<b>Due From Other Funds</b>	
Due to the General Fund from the SMIC Enterprise Fund	\$ 905,126
Due to the General Fund from nonmajor governmental funds	627,393
<b>Total Due From Other Funds</b>	<b>\$ 1,532,519</b>

#### **Transfers**

From General Fund to:	
SMIC Enterprise Fund	\$ 350,000
Harbor Enterprise Fund	241,272
Electric Enterprise Fund	110,784
Healthcare Facilities Enterprise Fund	1,136,752
Nonmajor governmental funds	1,544,144
<b>Total transfers from General Fund</b>	<b>3,382,952</b>
From Harbor Enterprise Fund to:	
General Fund	381,945
Nonmajor governmental funds	245,415
Nonmajor enterprise fund	98,010
<b>Total transfers from Harbor Enterprise Fund</b>	<b>725,370</b>

## City of Seward, Alaska

### Notes to Basic Financial Statements

**Transfers, continued**

From Water Enterprise Fund to:	
General Fund	\$ 100,748
Nonmajor enterprise fund	500,000
<hr/>	
Total transfers from Water Enterprise Fund	600,748
From nonmajor governmental funds to General Fund	29,429
From Electric Enterprise Fund to General Fund	1,230,097
From SMIC Enterprise Fund to General Fund	102,562
From nonmajor enterprise fund to General Fund	110,794
From nonmajor special revenue funds to nonmajor capital project funds	347,848
From Healthcare Facilities Enterprise Fund to nonmajor governmental fund	910,418
<hr/>	
<b>Total Transfers To Other Funds</b>	<b>\$ 7,440,218</b>

The City has four outstanding interfund loans.

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

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

In 2009, the Water Fund loaned \$1,973,360 to the General Fund to be used as a debt service collateral account. Because the cash is restricted for debt service and is held in a bank account for that purpose, all interest earnings on the account accrues to the Water Fund and interest is not charged to the General Fund. In 2012 this loan was reassigned to the Healthcare Facilities Fund.

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

Amounts outstanding at December 31, 2014 were are follows:

Payable from the Healthcare Facilities Enterprise Fund to:	
Motor Pool Internal Service Fund	\$ 861,518
Electric Enterprise Fund	315,747
<hr/>	
Total payable from the Healthcare Facilities Enterprise Fund	1,177,265
Payable from the Harbor Enterprise Fund to Motor Pool Internal Service Fund	53,952
Payable from the SMIC Enterprise Fund to Motor Pool Internal Service Fund	1,029,087
<hr/>	
<b>Total Interfund Loans Payable</b>	<b>\$ 2,260,304</b>

# City of Seward, Alaska

## Notes to Basic Financial Statements

### 6. Long Term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended December 31, 2014:

	Balance at January 1, 2014	Additions	Retirements	Balance at December 31, 2014	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds - \$3,480,000 2012 General Obligation bonds, due in annual installments of \$90,000 to \$240,000, plus interest at 4.0% to 5.0% through September 1, 2036	\$ 3,480,000	\$ -	\$ 85,000	\$ 3,395,000	\$ 90,000
Loaders capital lease obligation, due in monthly installments of \$7,895, including interest at 3.97% through April 21, 2014	31,320	-	31,320	-	-
Accrued leave	415,200	549,488	489,618	475,070	119,049
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$ 3,926,520</b>	<b>\$ 549,488</b>	<b>\$ 605,938</b>	<b>3,870,070</b>	<b>\$ 209,049</b>
Plus unamortized bond premium				<u>227,373</u>	
				<u>\$ 4,097,443</u>	

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

# City of Seward, Alaska

## Notes to Basic Financial Statements

Business-type Activities	Balance at January 1, 2014	Additions	Retirements	Balance at December 31, 2014	Due Within One Year
Revenue bonds:					
\$6,000,000 2008 Electric revenue bonds, due in annual installments of \$125,000 to \$375,000, plus interest at 4.0% to 6.0% through June 1, 2038	\$ 5,490,000	\$ -	\$ 120,000	\$ 5,370,000	\$ 125,000
\$27,000,000 2008 Series One long term care facility bonds, due in annual installments of \$825,000 to \$1,875,000, plus interest at 4.0% to 5.1% through April 1, 2033	24,860,000	-	785,000	24,075,000	825,000
\$4,500,000 2006 harbor revenue bonds, due in annual installments of \$210,000 to \$215,000, plus interest at 4.0% through June 1, 2016	3,370,000	-	2,945,000	425,000	210,000
\$1,965,000 2007 refunding harbor revenue bonds, due in annual installments of \$175,000 to \$235,000, plus interest at 4.0% to 5.0% through June 1, 2021	1,615,000	-	175,000	1,440,000	175,000
\$2,290,000 2005 refunding electric revenue bonds, due in one final installment of \$275,000, plus interest at 5.0% on June 1, 2015	535,000	-	260,000	275,000	275,000

## City of Seward, Alaska

### Notes to Basic Financial Statements

	Balance at January 1, 2014	Additions	Retirements	Balance at December 31, 2014	Due Within One Year
Revenue bonds, continued:					
\$1,500,000 2005 harbor revenue bonds, due in final installment of \$75,000, plus interest at 5.0% on June 1, 2015	\$ 1,075,000	\$ -	\$ 1,000,000	\$ 75,000	\$ 75,000
\$3,405,000 2014 refunding harbor revenue bonds, due in annual installments of \$65,000 to \$400,000, plus interest at 1.25% to 5.00% through April 1, 2026	-	3,405,000	-	3,405,000	-
Notes payable:					
\$26,231 sewer note payable to State of Alaska Department of Environmental Conservation, due in final installment of \$1,333, plus interest at 1.5% and retired in 2014	1,333	-	1,333	-	-
\$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	1,967,355	-	127,334	1,840,021	129,244
\$1,201,196 harbor note payable to U.S. Department of Defense, payment terms are yet to be established	-	1,201,196	-	1,201,196	-
Accrued leave	208,379	176,981	226,194	159,166	45,358
<b>Total Business type Activities</b>					
<b>Long-Term Liabilities</b>	<b>\$ 39,122,067</b>	<b>\$ 4,783,177</b>	<b>\$ 5,639,861</b>	<b>38,265,383</b>	<b>\$ 1,859,602</b>
Plus unamortized bond premium				902,084	
				<u>\$ 39,167,467</u>	

# City of Seward, Alaska

## Notes to Basic Financial Statements

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

<i>General Obligation Bonds</i> Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 90,000	\$ 155,150	\$ 245,150
2016	95,000	151,550	246,550
2017	100,000	146,800	246,800
2018	105,000	141,800	246,800
2019	110,000	136,550	246,550
2020-2024	635,000	600,500	1,235,500
2025-2029	790,000	444,050	1,234,050
2030-2034	1,000,000	235,825	1,235,825
2035-2036	470,000	30,175	500,175
	<b>\$ 3,395,000</b>	<b>\$ 2,042,400</b>	<b>\$ 5,437,400</b>

<i>Revenue Bonds</i> Year ending December 31,	Business type Activities		
	Principal	Interest	Total
2015	\$ 1,685,000	\$ 1,622,311	\$ 3,307,311
2016	1,465,000	1,560,630	3,025,630
2017	1,525,000	1,500,825	3,025,825
2018	1,580,000	1,436,388	3,016,388
2019	1,650,000	1,369,226	3,019,226
2020-2024	8,625,000	5,703,889	14,328,889
2025-2029	8,795,000	3,583,003	12,378,003
2030-2034	8,355,000	1,285,391	9,640,391
2035-2038	1,385,000	150,282	1,535,282
	<b>\$ 35,065,000</b>	<b>\$ 18,211,945</b>	<b>\$ 53,276,945</b>

<i>Notes Payable</i> Year ending December 31,	Business type Activities		
	Principal	Interest	Total
2015	\$ 129,244	\$ 27,600	\$ 156,844
2016	131,182	25,662	156,844
2017	133,150	23,694	156,844
2018	135,147	21,697	156,844
2019	137,175	19,669	156,844
2020-2024	717,361	66,859	784,220
2025-2027	456,762	13,771	470,533
	<b>\$ 1,840,021</b>	<b>\$ 198,952</b>	<b>\$ 2,038,973</b>

**City of Seward, Alaska**  
**Notes to Basic Financial Statements**

---

Advance Refunding

In 2014, the City issued \$3,405,000 in harbor revenue bonds with interest rates ranging from 1.25% to 5%, the proceeds of which were used to partially advance refund \$930,000 of outstanding 2005 harbor revenue bonds with an interest rate of 5% and \$2,745,000 of outstanding 2006 harbor revenue bonds with an interest rate of 5%. The net proceeds of \$3,937,576, (including a \$561,233 premium and existing debt service reserve funds of \$462,610, and after a payment of \$48,369 in underwriting fees and other issuance costs and establishment of new debt service reserve funds of \$442,898) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, \$930,000 of the 2005 harbor revenue bonds and \$2,745,000 of the 2006 harbor revenue bonds are considered defeased and the liability for that portion of the bonds has been removed from the statement of net position.

Although the advance refunding resulted in the recognition of an accounting loss of \$209,039 for the year ended December 31, 2014, the City in effect reduced its aggregate debt service payments by \$309,589 over the next 12 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$272,363.

At the time of refunding, the 2005 bonds carried a call date of June 30, 2015 and the 2006 bonds carried a call date of June 30, 2016.

At December 31, 2014 defeased debt outstanding totaled \$3,675,000. Subsequent to year end the 2005 bonds were called leaving an undefeased balance of \$2,745,000.

Authorized but unissued debt

Subsequent to year end, the City authorized the issuance of electric revenue refunding bonds in the amount of \$6,200,000 and long term care facility revenue refunding bonds in the amount of \$25,900,000 to refund \$5,370,000 of electric revenue bonds and \$23,250,000 of long term care facility revenue bonds. Due to adverse market conditions following the authorization, management believes it is unlikely that these bonds will be refunded before the authorization expires.

**7. Revenue Bond Requirements**

Certain covenants of the revenue bonds require establishment of bond redemption and reserve accounts. The balances are reflected as restricted cash and investments at December 31, 2014 as follows:

---

Long-term care facility bond reserves	\$ 1,973,360
Electric bond reserves	677,911
Harbor bond reserves	690,198

---

# City of Seward, Alaska

## Notes to Basic Financial Statements

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 2014. The bond coverage calculations are as follows:

### *Electric Revenue Bonds*

Total revenues, excluding grants	\$	11,236,195
Total operating expenses, excluding depreciation		(7,738,038)
<b>Available for debt service</b>	<b>\$</b>	<b>3,498,157</b>
Debt service payments:		
Principal	\$	380,000
Interest		291,536
<b>Total Debt Service Payments</b>	<b>\$</b>	<b>671,536</b>
<b>Debt Coverage</b>		<b>5.21</b>

### *Harbor Revenue Bonds*

Total revenues, excluding grants	\$	3,257,122
Total operating expenses, excluding depreciation		(2,358,618)
<b>Available For Debt Service</b>	<b>\$</b>	<b>898,504</b>
Debt service payments:		
Principal	\$	445,000
Interest		213,048
<b>Total Debt Service Payments</b>	<b>\$</b>	<b>658,048</b>
<b>Debt Coverage</b>		<b>1.37</b>

## City of Seward, Alaska

### Notes to Basic Financial Statements

#### 8. Fund Balance

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

	General Fund	Nonmajor Funds	Totals
<b>Nonspendable:</b>			
Inventory	\$ 9,050	\$ -	\$ 9,050
Prepaid items	341,995	16,746	358,741
<b>Total nonspendable</b>	<b>351,045</b>	<b>16,746</b>	<b>367,791</b>
<b>Committed:</b>			
Working capital	1,500,000	-	1,500,000
Insurance	126,418	-	126,418
Hospital line of credit	500,000	-	500,000
<b>Total committed</b>	<b>2,126,418</b>	<b>-</b>	<b>2,126,418</b>
<b>Assigned:</b>			
Park and recreation	-	2,498	2,498
General government	-	307,964	307,964
Insurance	171,966	-	171,966
Miscellaneous	100,000	-	100,000
Capital projects	-	2,441,657	2,441,657
<b>Total assigned</b>	<b>271,966</b>	<b>2,752,119</b>	<b>3,024,085</b>
<b>Unassigned</b>	<b>4,698,970</b>	<b>-</b>	<b>4,698,970</b>
<b>Total Fund Balances</b>	<b>\$ 7,448,399</b>	<b>\$ 2,768,865</b>	<b>\$ 10,217,264</b>

#### 9. Defined Benefit Pension Plan

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

# City of Seward, Alaska

## Notes to Basic Financial Statements

---

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

Department of Administration  
Division of Retirement and Benefits  
P.O. Box 110203  
Juneau, Alaska 99811-0203

### ***Conversion to Cost Sharing***

In April 2008, the Alaska Legislature passed legislation which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers.

That same year, the State of Alaska passed additional 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 attributable to the defined contribution plan described later in these footnotes.

### ***Employee Contribution Rates***

Regular employees are required to contribute 6.75% of their annual covered salary (3.26% for pension and 3.49% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.62% for pension and 3.88% for healthcare).

### ***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 required funding rate for participating employers. The contractual rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate includes all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

***ARM Board Adopted Rate:*** This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap.

***State Contribution Rate:*** This is the rate actually paid by the State as an on-behalf payment.

***GASB 43 Rate:*** This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For State fiscal year FY15 (six months ended December 2014), the rate uses an 8.00% pension discount rate and a 4.90% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

## City of Seward, Alaska

### Notes to Basic Financial Statements

From 2008 through June 30, 2014, legislation provided that the State of Alaska contribute the difference between the ARM Board adopted rate and the employer effective (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected as revenue and expense/expenditures within the financial statements.

Effective beginning July 1, 2014, the State passed additional legislation appropriating a one-time funding contribution to the Plan in the amount of \$1 billion. This \$1 billion is allocated among all participating employers and will be recorded as an on-behalf payment. This amount significantly exceeds the required on-behalf payment established as the difference between the ARM Board rate and the employer effective rate. In addition, prior to July 1, 2015, there are 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, resulting in lower ARM Board rates. As a result of these changes, the State fiscal year 2015 on-behalf payment will be significantly higher than under previous calculations, and in State fiscal year 2016, the on-behalf amounts will be lower than under previous calculations.

The GASB 43 rate differs significantly from the ARM Board adopted rate as a direct result of differences in the actuarial valuation methodology and assumptions.

Contribution rates for the six months ended June 30, 2014 were determined as part of the June 30, 2011 actuarial valuation. Rates for the six months ended December 31, 2014 (State FY15) were determined in the June 30, 2012 valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB 43 Rate
<i>January to June 2014</i>				
Pension	10.64%	18.38%	7.74%	27.94%
Postemployment healthcare	11.36%	17.30%	5.94%	52.55%
<b>Total contribution rate</b>	<b>22.00%</b>	<b>35.68%</b>	<b>13.68%</b>	<b>80.49%</b>
<i>July to December 2014</i>				
Pension	12.54%	25.09%	42.41%	33.05%
Postemployment healthcare	9.46%	18.94%	- %	55.07%
<b>Total contribution rate</b>	<b>22.00%</b>	<b>44.03%</b>	<b>42.41%</b>	<b>88.12%</b>

#### ***Annual Pension and Postemployment Healthcare Cost***

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska has also made additional contributions to the Plan as noted above. In accordance with the provisions of GASB Statement Number 24, these additional contributions are considered on-behalf payments and are recorded as revenue and expense/expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, the State's contributions, in the amounts of \$1,423,759, \$689,220, and \$625,512 for 2014, 2013, and 2012, respectively, have been excluded from pension and OPEB cost as shown below.

# City of Seward, Alaska

## Notes to Basic Financial Statements

<i>Year Ended December 31,</i>	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	City Contri- butions	% of TBC Contributed
2014	\$ 503,381	\$ 379,743	\$ 883,124	\$ 883,124	100%
2013	460,434	433,439	893,873	893,873	100%
2012	405,911	517,664	923,575	923,575	100%

### 10. Defined Contribution Pension Plan

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

#### **Employee Contribution Rates**

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

#### **Employer Contribution Rates**

The City is required to contribute the following amounts based on covered salary:

<i>January to June 2014</i>	Other Tier IV	Police/Fire Tier IV
Individual account	5.00%	5.00%
Retiree medical plan	0.48%	0.48%
Occupational death and disability benefits	0.20%	1.14%
<b>Total Contribution Rate</b>	<b>5.68%</b>	<b>6.62%</b>

#### *July to December 2014*

Individual account	5.00%	5.00%
Retiree medical plan	1.66%	1.66%
Occupational death and disability benefits	0.22%	1.06%
<b>Total Contribution Rate</b>	<b>6.88%</b>	<b>7.72%</b>

In addition, the employer must contribute to the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2014, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,961 per year for each full-time employee, and \$1.26 per hour for part-time employees.

# City of Seward, Alaska

## Notes to Basic Financial Statements

---

The total employer contribution must equal 22% of covered payroll. After subtracting the defined contribution (DC) rates and the HRA contribution, any residual amount of the 22% will be deposited into the defined benefit (DB) plan. Known as the Defined Benefit Unfunded Liability (DBUL) payment, this amount is intended to mitigate reduced contributions in the DB plan due to the declining payroll base that resulted from the creation of the DC plan.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended December 31, 2014 were \$193,451 and \$149,443, respectively.

### **11. International Brotherhood of Electrical Workers**

Certain Electric Fund employees are members of the International Brotherhood of Electrical Workers, which maintains its own defined contribution pension plan. There are two separate negotiated contracts for temporary and permanent employees. The City's contribution rate for temporary employees is \$6.07 per compensable hour per the terms of a negotiated agreement expiring December 31, 2014. Per the terms of a negotiated agreement, the City's contribution rate for permanent employees is \$1,000 per employee per month through June 30, 2014 and \$1,050 per employee per month through June 30, 2015. The total City contribution for the year ended December 31, 2014 was \$72,669. Employees are not required to contribute.

### **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.

# City of Seward, Alaska

## Notes to Basic Financial Statements

---

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, 2014.

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. The City does not currently have adequate reserves in its General Fund to cover this potential shortfall.

Subsequent to year end, the City was served legal notice of a claim in excess of \$350,000 from a supplier, following contract termination. The City disputes this claim. It is too early in the legal process to determine any outcome, therefore no liability has been reflected in these financial statements related to this matter.

Various other claims and lawsuits against the City are pending, but are either covered by insurance or are the type which are normal and reasonable in view of the City's operations. City

# City of Seward, Alaska

## Notes to Basic Financial Statements

---

management believes the total amount of the liability, if any, which may arise from such claims and lawsuits beyond that which is covered by insurance would not have a material effect on the City's financial condition or its ability to carry on its activities as now conducted.

### 15. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates as follows. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statements 68 and 75 will result in the biggest reporting change. Actual impacts have not yet been determined:

**GASB 68 - Accounting and Financial Reporting for Pensions - Effective for year-end December 31, 2015 - This statement contains changes to the accounting and reporting standards for employer participants in government sponsored pension plans.**

**GASB 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date - Effective for year-end December 31, 2015 - This statement is a companion to GASB Statement 68 and clarifies treatment of contributions made by a contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.**

**GASB 72 - Fair Value Disclosures - Effective for year-end December 31, 2016 - This statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.**

**GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 - Effective for year-end December 31, 2016 - establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68.**

**GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - Effective for year-end December 31, 2017 - This statement addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria.**

**GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Effective for year-end December 31, 2017 - This statement contains changes to the accounting and reporting standards by employer participants in government sponsored Other postemployment benefit plans.**

**GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - Effective for year-end December 31, 2016 - This statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55.**

# City of Seward, Alaska

## Notes to Basic Financial Statements

---

GASB 77 - Tax Abatement Disclosures - Effective for year-end December 31, 2016, with earlier application encouraged - This statement requires local governments to provide financial disclosures relating to tax abatements affecting the government. This includes information about abatement agreements entered into directly by the government, including conditions and criteria under which taxes can be abated, the type and dollar amount of the tax. In addition, the statement requires disclosure of tax abatements issued by other governments that affect the local government's revenue recognition and reporting.

Supplementary Information

---

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

<i>December 31, 2014</i>	Special Revenue	Capital Projects	Total
<b>Assets</b>			
Cash and investments	\$ 347,551	\$ 2,494,777	\$ 2,842,328
Grants receivable	627,393	-	627,393
Prepaid items	16,746	-	16,746
Other receivables	11,030	-	11,030
<b>Total Assets</b>	<b>\$ 1,002,720</b>	<b>\$ 2,494,777</b>	<b>\$ 3,497,497</b>
<b>Liabilities</b>			
Accounts payable	\$ 37,929	\$ 53,120	\$ 91,049
Accrued compensation	10,190	-	10,190
Due to other funds	627,393	-	627,393
<b>Total Liabilities</b>	<b>675,512</b>	<b>53,120</b>	<b>728,632</b>
<b>Fund Balances</b>			
Nonspendable - Prepaid items	16,746	-	16,746
Assigned:			
Parks and recreation	2,498	-	2,498
General government	307,964	-	307,964
Capital projects	-	2,441,657	2,441,657
<b>Total Fund Balances</b>	<b>327,208</b>	<b>2,441,657</b>	<b>2,768,865</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,002,720</b>	<b>\$ 2,494,777</b>	<b>\$ 3,497,497</b>

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

<i>Year Ended December 31, 2014</i>	Special Revenue	Capital Projects	Total
<b>Revenues</b>			
Intergovernmental	\$ 961,748	\$ 348,892	\$ 1,310,640
Local grants	21,576	470,349	491,925
Other	62,306	-	62,306
<b>Total Revenues</b>	<b>1,045,630</b>	<b>819,241</b>	<b>1,864,871</b>
<b>Expenditures</b>			
Current:			
General government	121,512	155,665	277,177
Public works	85,254	-	85,254
Public safety	-	25,275	25,275
Parks and recreation	23,606	2,595	26,201
Library/Museum	-	12,860	12,860
Clinic	1,454,476	-	1,454,476
Capital outlay:			
General government	39,233	277,291	316,524
Public works	-	411,900	411,900
Public safety	-	47,438	47,438
<b>Total Expenditures</b>	<b>1,724,081</b>	<b>933,024</b>	<b>2,657,105</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>(678,451)</b>	<b>(113,783)</b>	<b>(792,234)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	1,014,099	2,033,726	3,047,825
Transfers out	(29,429)	(347,848)	(377,277)
<b>Net Other Financing Sources (Uses)</b>	<b>984,670</b>	<b>1,685,878</b>	<b>2,670,548</b>
<b>Net Change in Fund Balances</b>	<b>306,219</b>	<b>1,572,095</b>	<b>1,878,314</b>
<b>Fund Balances, beginning</b>	<b>20,989</b>	<b>869,562</b>	<b>890,551</b>
<b>Fund Balances, ending</b>	<b>\$ 327,208</b>	<b>\$ 2,441,657</b>	<b>\$ 2,768,865</b>

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

<i>December 31, 2014</i>	Water	Wastewater	Parking	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments	\$ 1,050,027	\$ 123,640	\$ 690,193	\$ 1,863,860
Receivables:				
Accounts	156,674	88,226	-	244,900
Assessments	3,534	-	-	3,534
Other	196	-	-	196
Less allowance for doubtful accounts	(7,050)	(3,970)	-	(11,020)
Inventory	93,300	-	-	93,300
<b>Total Current Assets</b>	<b>1,296,681</b>	<b>207,896</b>	<b>690,193</b>	<b>2,194,770</b>
<b>Noncurrent Assets</b>				
Restricted cash and investments	1,906,758	1,168,512	-	3,075,270
Property, plant and equipment, net of accumulated depreciation	4,643,297	4,418,777	87,607	9,149,681
<b>Total Assets</b>	<b>\$ 7,846,736</b>	<b>\$ 5,795,185</b>	<b>\$ 777,800</b>	<b>\$ 14,419,721</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 2,176	\$ 7,718	\$ 323	\$ 10,217
Accrued payroll and related liabilities	9,863	13,835	-	23,698
Accrued interest	20,795	-	-	20,795
Current portion:				
Accrued annual leave	4,864	3,667	-	8,531
Notes payable	129,244	-	-	129,244
<b>Total Current Liabilities</b>	<b>166,942</b>	<b>25,220</b>	<b>323</b>	<b>192,485</b>
<b>Noncurrent Liabilities, net of current portion</b>				
Accrued annual leave	15,508	18,244	-	33,752
Notes payable	1,710,777	-	-	1,710,777
<b>Total Liabilities</b>	<b>1,893,227</b>	<b>43,464</b>	<b>323</b>	<b>1,937,014</b>
<b>Net Position</b>				
Net investment in capital assets	2,803,276	4,418,777	87,607	7,309,660
Unrestricted	3,150,233	1,332,944	689,870	5,173,047
<b>Total Net Position</b>	<b>5,953,509</b>	<b>5,751,721</b>	<b>777,477</b>	<b>12,482,707</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 7,846,736</b>	<b>\$ 5,795,185</b>	<b>\$ 777,800</b>	<b>\$ 14,419,721</b>

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

<i>Year Ended December 31, 2014</i>	Water	Wastewater	Parking	Total
<b>Operating Revenues - charges for services</b>	\$ 1,227,631	\$ 1,016,890	\$ 293,379	\$ 2,537,900
<b>Operating Expenses</b>				
Salaries and employee benefits	381,246	364,932	123,937	870,115
Services and supplies	295,875	366,915	38,673	701,463
Administration	268,904	164,020	19,065	451,989
Rents and leases	-	-	13,000	13,000
Depreciation	202,548	222,789	24,476	449,813
<b>Total Operating Expenses</b>	1,148,573	1,118,656	219,151	2,486,380
<b>Earnings (Loss) from Operations</b>	79,058	(101,766)	74,228	51,520
<b>Nonoperating Revenues (Expenses)</b>				
Intergovernmental - PERS on-behalf	76,851	62,773	-	139,624
Investment income	38,268	4,888	7,450	50,606
Interest expense	(28,071)	(11)	-	(28,082)
<b>Net Nonoperating Revenues (Expenses)</b>	87,048	67,650	7,450	162,148
<b>Earnings (Loss) before Transfers</b>	166,106	(34,116)	81,678	213,668
Transfers in	98,010	500,000	-	598,010
Transfers out	(600,748)	(87,324)	(23,470)	(711,542)
<b>Change in Net Position</b>	(336,632)	378,560	58,208	100,136
<b>Net Position, beginning</b>	6,290,141	5,373,161	719,269	12,382,571
<b>Net Position, ending</b>	\$ 5,953,509	\$ 5,751,721	\$ 777,477	\$ 12,482,707

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

<i>Year Ended December 31, 2014</i>	Water	Wastewater	Parking	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers and users	\$ 1,221,510	\$ 1,037,067	\$ 293,379	\$ 2,551,956
Payments to suppliers	(340,235)	(362,451)	(62,462)	(765,148)
Payments to employees	(300,726)	(293,919)	(124,011)	(718,656)
Payments for interfund services used	(268,904)	(164,020)	(19,065)	(451,989)
<b>Net cash flows from operating activities</b>	<b>311,645</b>	<b>216,677</b>	<b>87,841</b>	<b>616,163</b>
<b>Cash Flows for Noncapital Financing Activities -</b>				
Transfers out	(600,748)	(87,324)	(23,470)	(711,542)
<b>Cash Flows from (for) Capital and Related Financing Activities</b>				
Principal payments on notes payable	(127,334)	(1,333)	-	(128,667)
Interest payments on notes payable	(29,510)	(20)	-	(29,530)
Transfers in	98,010	500,000	-	598,010
Acquisition of property, plant and equipment	(97,913)	(146,731)	-	(244,644)
Capital contribution received	19,382	-	-	19,382
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(137,365)</b>	<b>351,916</b>	<b>-</b>	<b>214,551</b>
<b>Cash Flows from Investing Activities</b>				
Investment income received	38,268	4,888	7,450	50,606
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>(388,200)</b>	<b>486,157</b>	<b>71,821</b>	<b>169,778</b>
<b>Cash and Investments, beginning</b>	<b>3,344,985</b>	<b>805,995</b>	<b>618,372</b>	<b>4,769,352</b>
<b>Cash and Investments, ending</b>	<b>\$ 2,956,785</b>	<b>\$ 1,292,152</b>	<b>\$ 690,193</b>	<b>\$ 4,939,130</b>
<b>Reconciliation of Cash and Investments to Statement of Net Position</b>				
Current assets	\$ 1,050,027	\$ 123,640	\$ 690,193	\$ 1,863,860
Restricted assets	1,906,758	1,168,512	-	3,075,270
<b>Total Cash and Investments</b>	<b>\$ 2,956,785</b>	<b>\$ 1,292,152</b>	<b>\$ 690,193</b>	<b>\$ 4,939,130</b>

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

<i>Year Ended December 31, 2014</i>	Water	Wastewater	Parking	Total
<b>Reconciliation of Earnings (Loss) from Operations to Net Cash from Operating Activities</b>				
Earnings (loss) from operations	\$ 79,058	\$ (101,766)	\$ 74,228	\$ 51,520
Adjustments to reconcile earnings (loss) from operations to net cash flows from operating activities:				
Depreciation	202,548	222,789	24,476	449,813
Noncash expense - PERS on-behalf	76,851	62,773	-	139,624
Increase (decrease) in allowance for doubtful accounts	288	(9)	-	279
(Increase) decrease in assets:				-
Accounts receivable	(6,409)	186	-	(6,223)
Other receivable	-	20,000	-	20,000
Inventory	(42,952)	-	-	(42,952)
Increase (decrease) in liabilities:				
Accounts payable	(1,408)	4,464	(10,789)	(7,733)
Accrued payroll and related liabilities	4,552	8,519	(74)	12,997
Accrued annual leave	(883)	(279)	-	(1,162)
<b>Net Cash from Operating Activities</b>	<b>\$ 311,645</b>	<b>\$ 216,677</b>	<b>\$ 87,841</b>	<b>\$ 616,163</b>

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

<i>December 31, 2014</i>	Motor Pool	Compensated Annual Leave	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and investments	\$ 736,050	\$ 475,070	\$ 1,211,120
Receivables:			
Accrued interest	48,197	-	48,197
Interfund loans	226,613	-	226,613
<b>Total Current Assets</b>	<b>1,010,860</b>	<b>475,070</b>	<b>1,485,930</b>
<b>Noncurrent Assets</b>			
Interfund loans, net of current portion	1,717,944	-	1,717,944
Property, plant and equipment:			
Equipment and vehicles	6,162,868	-	6,162,868
Less accumulated depreciation	(4,010,009)	-	(4,010,009)
Net property, plant and equipment in service	2,152,859	-	2,152,859
<b>Total Noncurrent Assets</b>	<b>3,870,803</b>	<b>-</b>	<b>3,870,803</b>
<b>Total Assets</b>	<b>\$ 4,881,663</b>	<b>\$ 475,070</b>	<b>\$ 5,356,733</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accrued annual leave - current portion	\$ -	\$ 119,049	\$ 119,049
<b>Noncurrent Liabilities, net of current portion</b>			
Accrued annual leave	-	356,021	356,021
<b>Total Liabilities</b>	<b>-</b>	<b>475,070</b>	<b>475,070</b>
<b>Net Position</b>			
Net investment in capital assets	2,152,859	-	2,152,859
Unrestricted	2,728,804	-	2,728,804
<b>Total Net Position</b>	<b>4,881,663</b>	<b>-</b>	<b>4,881,663</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 4,881,663</b>	<b>\$ 475,070</b>	<b>\$ 5,356,733</b>

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

<i>Year Ended December 31, 2014</i>	Motor Pool	Compensated Annual Leave	Total
<b>Operating Revenues</b>			
Vehicle rental and interfund charges	\$ 582,890	\$ 435,180	\$ 1,018,070
<b>Operating Expenses</b>			
Salaries and employee benefits	-	435,180	435,180
Supplies and maintenance	815	-	815
Depreciation	438,402	-	438,402
<b>Total Operating Expenses</b>	<b>439,217</b>	<b>435,180</b>	<b>874,397</b>
<b>Earnings from Operations</b>	<b>143,673</b>	<b>-</b>	<b>143,673</b>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	60,376	-	60,376
Insurance recovery	21,006	-	21,006
Interest expense	(111)	-	(111)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>81,271</b>	<b>-</b>	<b>81,271</b>
<b>Change in Net Position</b>	<b>224,944</b>	<b>-</b>	<b>224,944</b>
<b>Net Position, beginning</b>	<b>4,656,719</b>	<b>-</b>	<b>4,656,719</b>
<b>Net Position, ending</b>	<b>\$ 4,881,663</b>	<b>\$ -</b>	<b>\$ 4,881,663</b>

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

<i>Year Ended December 31, 2014</i>	Motor Pool	Compensated Annual Leave	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from vehicle rentals and interfund charges	\$ 582,890	\$ 435,180	\$ 1,018,070
Payments to suppliers	(815)	-	(815)
Payments to employees	-	(375,310)	(375,310)
<b>Net cash flows from operating activities</b>	<b>582,075</b>	<b>59,870</b>	<b>641,945</b>
<b>Cash Flows for Capital and Related Financing Activities</b>			
Interest payments on capital lease obligations	(208)	-	(208)
Acquisition of equipment and vehicles	(214,244)	-	(214,244)
Insurance recovery	21,006	-	21,006
Principal payments on capital lease obligations	(31,320)	-	(31,320)
<b>Net cash flows from capital and related financing activities</b>	<b>(224,766)</b>	<b>-</b>	<b>(224,766)</b>
<b>Cash Flows for Investing Activities</b>			
Interfund loan receipts	75,571	-	75,571
Interfund loan disbursements	(1,029,087)	-	(1,029,087)
Investment income received	64,406	-	64,406
<b>Net cash flows for investing activities</b>	<b>(889,110)</b>	<b>-</b>	<b>(889,110)</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>(531,801)</b>	<b>59,870</b>	<b>(471,931)</b>
<b>Cash and Investments, beginning</b>	<b>1,267,851</b>	<b>415,200</b>	<b>1,683,051</b>
<b>Cash and Investments, ending</b>	<b>\$ 736,050</b>	<b>\$ 475,070</b>	<b>\$ 1,211,120</b>
<b>Reconciliation of Earnings from Operations to Net Cash from Operating Activities</b>			
Earnings from operations	143,673	-	143,673
Adjustments to reconcile earnings from operations to net cash flows from operating activities:			
Depreciation	438,402	-	438,402
Increase in liabilities - accrued annual leave	-	59,870	59,870
<b>Net Cash from Operating Activities</b>	<b>\$ 582,075</b>	<b>\$ 59,870</b>	<b>\$ 641,945</b>

## 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**  
**Balance Sheet**

<i>December 31,</i>	2014	2013
<b>Assets</b>		
Cash and investments	\$ 5,804,899	\$ 7,372,250
<b>Receivables</b>		
Taxes:		
Personal property	10,878	14,592
Less allowance for doubtful accounts	(342)	(322)
Net personal property	10,536	14,270
Motor vehicle	3,014	4,646
Hotel/motel room	12,173	16,451
Real property	19,113	12,693
Sales	496,715	508,020
Net taxes	541,551	556,080
Accounts	61,832	108,547
Grants and shared revenues	1,101	12,125
Accrued interest	54,789	21,558
<b>Total Receivables</b>	<b>659,273</b>	<b>698,310</b>
Prepaid items	341,995	472,738
Inventory	9,050	8,711
Due from other funds	1,532,519	999,502
<b>Total Assets</b>	<b>\$ 8,347,736</b>	<b>\$ 9,551,511</b>

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

<i>December 31,</i>	2014	2013
<b>Liabilities</b>		
Accounts payable	\$ 267,588	\$ 242,535
Accrued payroll and related liabilities	477,893	323,201
Accrued liabilities	27,431	27,638
Funds held in trust	95,982	82,446
Unearned revenue	15,478	186,088
<b>Total Liabilities</b>	<b>884,372</b>	<b>861,908</b>
<b>Deferred Inflows</b>		
Delinquent property taxes	14,965	12,509
<b>Total Liabilities and Deferred Inflows</b>	<b>899,337</b>	<b>874,417</b>
<b>Fund Balance</b>		
Nonspendable:		
Inventory	9,050	8,711
Prepaid items	341,995	472,738
Committed:		
Working capital	1,500,000	1,500,000
Insurance	126,418	126,418
Hospital line of credit	500,000	500,000
Assigned		
Insurance	171,966	120,768
Other Assignments	100,000	-
Unassigned	4,698,970	5,948,459
<b>Total Fund Balance</b>	<b>7,448,399</b>	<b>8,677,094</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balance</b>	<b>\$ 8,347,736</b>	<b>\$ 9,551,511</b>

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

<i>Year Ended December 31,</i>	2014			2013
	Budget	Actual	Variance	Actual
<b>Revenues</b>				
Taxes:				
Sales	\$ 4,345,549	\$ 4,535,707	\$ 190,158	\$ 4,583,057
Property	1,028,000	986,449	(41,551)	1,276,898
Hotel/motel room	385,000	421,981	36,981	408,256
Payments in lieu of taxes	74,000	82,490	8,490	81,670
Penalty and interest	1,600	1,005	(595)	1,644
<b>Total taxes</b>	<b>5,834,149</b>	<b>6,027,632</b>	<b>193,483</b>	<b>6,351,525</b>
Licenses and permits:				
Building permits	50,000	67,514	17,514	96,940
Taxi permits	1,000	1,050	50	1,170
Department of Motor Vehicles commissions	89,000	93,526	4,526	85,134
Animal control licenses	350	260	(90)	360
Business licenses	21,000	19,890	(1,110)	18,900
Miscellaneous	2,000	3,685	1,685	2,422
<b>Total licenses and permits</b>	<b>163,350</b>	<b>185,925</b>	<b>22,575</b>	<b>204,926</b>
Intergovernmental:				
Jail contract	670,821	663,146	(7,675)	605,735
Dispatch contracts	99,140	99,140	-	99,620
Raw fish tax	520,000	482,543	(37,457)	480,290
Shared fisheries and landing tax	-	18,247	18,247	22,176
Liquor tax	22,000	16,700	(5,300)	21,650
Library grants	-	9,261	9,261	8,387
Revenue sharing	250,000	214,826	(35,174)	323,939
PERS relief	897,728	951,816	54,088	522,688
Other grants	88,507	155,539	67,032	10,873
<b>Total intergovernmental</b>	<b>2,548,196</b>	<b>2,611,218</b>	<b>63,022</b>	<b>2,095,358</b>

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

Year Ended December 31,	2014			2013
	Budget	Actual	Variance	Actual
<b>Revenues, continued:</b>				
<b>Charges for services:</b>				
Administrative	\$ 1,764,873	\$ 1,794,787	\$ 29,914	\$ 1,767,345
Rents and leases	152,500	143,260	(9,240)	153,886
Copying charges	9,000	8,245	(755)	8,545
Work orders	-	1,698	1,698	1,943
Recreation	625,550	663,298	37,748	653,054
Library	31,000	39,707	8,707	29,911
<b>Total charges for services</b>	<b>2,582,923</b>	<b>2,650,995</b>	<b>68,072</b>	<b>2,614,684</b>
Fines and bails	9,000	14,073	5,073	9,530
Investment income	53,000	80,658	27,658	5,359
<b>Other:</b>				
Sale of land, equipment and gravel	2,000	540	(1,460)	3,781
Refuse contract	15,000	18,145	3,145	24,841
Insurance recovery	-	83,276	83,276	120,768
Other	23,650	22,912	(738)	17,970
<b>Total other</b>	<b>40,650</b>	<b>124,873</b>	<b>84,223</b>	<b>167,360</b>
<b>Total Revenues</b>	<b>11,231,268</b>	<b>11,695,374</b>	<b>464,106</b>	<b>11,448,742</b>
<b>Expenditures</b>				
<b>General government:</b>				
<b>Mayor and council:</b>				
Salaries	36,984	44,811	(7,827)	51,733
Employee benefits	12,646	18,905	(6,259)	19,584
Audit	70,000	72,283	(2,283)	74,670
Legal	130,000	101,432	28,568	71,107
Purchased services	7,050	5,590	1,460	2,479
Supplies and maintenance	12,500	10,943	1,557	7,890
Legislative representation	176,700	183,575	(6,875)	162,457
General and administrative	95,600	52,487	43,113	70,103
<b>Total mayor and council</b>	<b>541,480</b>	<b>490,026</b>	<b>51,454</b>	<b>460,023</b>

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

<i>Year Ended December 31,</i>	2014			2013
	Budget	Actual	Variance	Actual
<b>Expenditures, continued:</b>				
General government, continued:				
City manager:				
Salaries	\$ 236,802	\$ 230,342	\$ 6,460	\$ 227,014
Employee benefits	141,783	150,555	(8,772)	134,962
Purchased services	17,135	20,659	(3,524)	50,173
Supplies and maintenance	8,900	8,115	785	8,073
General and administrative	33,850	41,724	(7,874)	36,014
<b>Total city manager</b>	<b>438,470</b>	<b>451,395</b>	<b>(12,925)</b>	<b>456,236</b>
City clerk:				
Salaries	150,975	144,356	6,619	133,809
Employee benefits	108,029	110,777	(2,748)	99,868
Purchased services	22,000	10,004	11,996	7,441
Supplies and maintenance	-	130	(130)	22
General and administrative	19,700	17,178	2,522	14,249
<b>Total city clerk</b>	<b>300,704</b>	<b>282,445</b>	<b>18,259</b>	<b>255,389</b>
Management information systems:				
Salaries	159,036	153,813	5,223	127,926
Employee benefits	87,113	90,655	(3,542)	80,478
Purchased services	13,400	7,342	6,058	2,579
Supplies and maintenance	36,000	35,082	918	33,583
General and administrative	9,000	6,124	2,876	8,642
Capital outlay	4,000	-	4,000	3,894
<b>Total management information systems</b>	<b>308,549</b>	<b>293,016</b>	<b>15,533</b>	<b>257,102</b>
Finance:				
Salaries	395,556	396,369	(813)	371,078
Employee benefits	285,941	244,059	41,882	240,520
Purchased services	29,100	17,452	11,648	17,130
Supplies and maintenance	56,000	58,702	(2,702)	77,315
General and administrative	22,000	25,914	(3,914)	29,741
Capital outlay	3,000	2,666	334	-
<b>Total finance</b>	<b>791,597</b>	<b>745,162</b>	<b>46,435</b>	<b>735,784</b>

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

Year Ended December 31,	2014			2013
	Budget	Actual	Variance	Actual
<b>Expenditures, continued:</b>				
General government, continued:				
Community development:				
Salaries	\$ 145,992	\$ 119,502	\$ 26,490	\$ 112,325
Employee benefits	88,343	80,500	7,843	70,650
Purchased services	48,200	41,053	7,147	16,286
Supplies and maintenance	7,700	7,912	(212)	4,435
General and administrative	12,604	13,252	(648)	10,839
Capital outlay	4,000	-	4,000	-
<b>Total community development</b>	<b>306,839</b>	<b>262,219</b>	<b>44,620</b>	<b>214,535</b>
General services:				
Purchased services	40,746	49,582	(8,836)	21,866
Supplies and maintenance	45,200	50,058	(4,858)	15,579
General and administrative	27,200	38,674	(11,474)	83,351
<b>Total general services</b>	<b>113,146</b>	<b>138,314</b>	<b>(25,168)</b>	<b>120,796</b>
Contributions to organizations:				
Senior Citizens	75,000	75,000	-	60,000
Chamber of Commerce	190,105	190,000	105	170,000
Boys and Girls Club	25,000	25,000	-	25,000
<b>Total contributions to organizations</b>	<b>290,105</b>	<b>290,000</b>	<b>105</b>	<b>255,000</b>
<b>Total general government</b>	<b>3,090,890</b>	<b>2,952,577</b>	<b>138,313</b>	<b>2,754,865</b>
Public safety:				
Police:				
Salaries	1,020,370	969,753	50,617	950,401
Employee benefits	651,910	700,274	(48,364)	655,830
Purchased services	124,400	120,307	4,093	117,821
Supplies and maintenance	62,400	56,187	6,213	57,272
General and administrative	39,700	40,859	(1,159)	58,033
<b>Total police</b>	<b>1,898,780</b>	<b>1,887,380</b>	<b>11,400</b>	<b>1,839,357</b>

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

Year Ended December 31,	2014			2013
	Budget	Actual	Variance	Actual
<b>Expenditures, continued:</b>				
Public safety, continued:				
Jail:				
Salaries	\$ 301,800	\$ 272,819	\$ 28,981	\$ 272,084
Employee benefits	229,276	234,425	(5,149)	210,561
Purchased services	60,000	61,181	(1,181)	56,848
Supplies and maintenance	26,830	24,711	2,119	8,717
General and administrative	92,810	88,989	3,821	104,000
<b>Total jail</b>	<b>710,716</b>	<b>682,125</b>	<b>28,591</b>	<b>652,210</b>
Animal control:				
Salaries	55,596	46,457	9,139	64,782
Employee benefits	38,180	34,671	3,509	-
Purchased services	6,800	13,309	(6,509)	-
Supplies and maintenance	16,600	16,936	(336)	265
General and administrative	-	3,094	(3,094)	106
<b>Total animal control</b>	<b>117,176</b>	<b>114,467</b>	<b>2,709</b>	<b>65,153</b>
Fire:				
Salaries	160,584	162,394	(1,810)	157,734
Employee benefits	118,147	128,740	(10,593)	116,831
Purchased services	182,252	176,783	5,469	218,078
Supplies and maintenance	37,850	41,364	(3,514)	37,956
General and administrative	8,850	9,904	(1,054)	18,927
Capital outlay	41,305	-	41,305	-
<b>Total fire</b>	<b>548,988</b>	<b>519,185</b>	<b>29,803</b>	<b>549,526</b>
Volunteer training:				
Employee benefits	10,004	8,263	1,741	-
Purchased services	6,400	3,786	2,614	1,096
Supplies and maintenance	27,401	40,077	(12,676)	14,738
General and administrative	46,921	41,156	5,765	25,132
<b>Total volunteer training</b>	<b>90,726</b>	<b>93,282</b>	<b>(2,556)</b>	<b>40,966</b>
Emergency preparedness:				
Purchased services	7,050	2,717	4,333	1,826
Supplies and maintenance	2,500	960	1,540	476
General and administrative	2,500	984	1,516	1,622
<b>Total emergency preparedness</b>	<b>12,050</b>	<b>4,661</b>	<b>7,389</b>	<b>3,924</b>

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

Year Ended December 31,	2014			2013
	Budget	Actual	Variance	Actual
<b>Expenditures, continued:</b>				
Public safety, continued:				
Building inspection:				
Salaries	\$ 70,416	\$ 72,838	\$ (2,422)	\$ 64,337
Employee benefits	46,790	48,771	(1,981)	42,054
Purchased services	9,750	10,892	(1,142)	8,987
Supplies and maintenance	5,000	4,284	716	8,226
General and administrative	7,800	1,371	6,429	5,984
<b>Total building inspection</b>	<b>139,756</b>	<b>138,156</b>	<b>1,600</b>	<b>129,588</b>
Engineering:				
Salaries	22,384	5,051	17,333	-
Employee benefits	15,739	4,846	10,893	-
Purchased services	-	51	(51)	-
Supplies and maintenance	-	5,784	(5,784)	-
General and administrative	-	45	(45)	-
<b>Total engineering</b>	<b>38,123</b>	<b>15,777</b>	<b>22,346</b>	<b>-</b>
<b>Total public safety</b>	<b>3,556,315</b>	<b>3,455,033</b>	<b>101,282</b>	<b>3,280,724</b>
Public works:				
Roads and streets:				
Salaries	224,816	212,188	12,628	201,731
Employee benefits	135,634	142,965	(7,331)	118,877
Purchased services	285,400	298,445	(13,045)	375,431
Supplies and maintenance	234,053	185,491	48,562	264,035
General and administrative	8,820	3,798	5,022	3,633
<b>Total roads and streets</b>	<b>888,723</b>	<b>842,887</b>	<b>45,836</b>	<b>963,707</b>
City shop:				
Salaries	145,764	118,767	26,997	147,870
Employee benefits	106,114	107,415	(1,301)	110,815
Purchased services	97,450	70,314	27,136	70,601
Supplies and maintenance	61,950	85,576	(23,626)	47,481
General and administrative	5,400	1,011	4,389	9,147
<b>Total city shop</b>	<b>416,678</b>	<b>383,083</b>	<b>33,595</b>	<b>385,914</b>
Municipal building:				
Salaries	80,100	71,338	8,762	66,977
Employee benefits	72,898	76,427	(3,529)	65,593
Purchased services	150,225	158,031	(7,806)	132,849
Supplies and maintenance	41,750	32,795	8,955	23,744
General and administrative	750	27	723	900
Capital outlay	5,000	9,800	(4,800)	30,385
<b>Total municipal building</b>	<b>350,723</b>	<b>348,418</b>	<b>2,305</b>	<b>320,448</b>
<b>Total public works</b>	<b>1,656,124</b>	<b>1,574,388</b>	<b>81,736</b>	<b>1,670,069</b>

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

Year Ended December 31,	2014			2013
	Budget	Actual	Variance	Actual
<b>Expenditures, continued:</b>				
Parks and recreation:				
Salaries	\$ 580,572	\$ 573,284	\$ 7,288	\$ 578,686
Employee benefits	338,272	298,378	39,894	289,751
Purchased services	258,285	289,401	(31,116)	243,697
Supplies and maintenance	107,700	144,744	(37,044)	130,597
General and administrative	36,860	31,564	5,296	25,345
Capital outlay	5,000	-	5,000	13,349
<b>Total parks and recreation</b>	<b>1,326,689</b>	<b>1,337,371</b>	<b>(10,682)</b>	<b>1,281,425</b>
Library:				
Salaries	189,852	181,976	7,876	179,354
Employee benefits	131,451	129,467	1,984	125,052
Purchased services	188,817	174,298	14,519	93,000
Supplies and maintenance	45,500	54,505	(9,005)	95,663
General and administrative	18,368	19,406	(1,038)	42,678
<b>Total library</b>	<b>573,988</b>	<b>559,652</b>	<b>14,336</b>	<b>535,747</b>
Debt service:				
Principal payments	195,784	85,000	110,784	-
Retirement benefits	1,362,648	1,373,271	(10,623)	836,750
Interest and other costs	159,400	159,400	-	159,400
<b>Total debt service</b>	<b>1,717,832</b>	<b>1,617,671</b>	<b>100,161</b>	<b>996,150</b>
<b>Total Expenditures</b>	<b>11,921,838</b>	<b>11,496,692</b>	<b>425,146</b>	<b>10,518,980</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>(690,570)</b>	<b>198,682</b>	<b>889,252</b>	<b>929,762</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,928,684	1,955,575	26,891	2,165,076
Transfers out	(3,218,378)	(3,382,952)	(164,574)	(1,829,114)
<b>Net Other Financing Sources (Uses)</b>	<b>(1,289,694)</b>	<b>(1,427,377)</b>	<b>(137,683)</b>	<b>335,962</b>
<b>Net Change in Fund Balance</b>	<b><u>\$ (1,980,264)</u></b>	<b>(1,228,695)</b>	<b><u>\$ 751,569</u></b>	<b>1,265,724</b>
<b>Fund Balance, beginning</b>		<b><u>8,677,094</u></b>		<b><u>7,411,370</u></b>
<b>Fund Balance, ending</b>		<b><u>\$ 7,448,399</u></b>		<b><u>\$ 8,677,094</u></b>

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

<i>December 31, 2014</i>	Parks and Recreation Two Lakes Park	General Government SCHC	Bus Transportation Grant	Public Works Natural Disasters	Total
<b>Assets</b>					
Cash and investments	\$ 2,498	\$ 213,712	\$ 131,341	\$ -	\$ 347,551
Grants receivable	-	-	-	627,393	627,393
Prepaid items	-	16,746	-	-	16,746
Other receivables	-	11,030	-	-	11,030
<b>Total Assets</b>	<b>\$ 2,498</b>	<b>\$ 241,488</b>	<b>\$ 131,341</b>	<b>\$ 627,393</b>	<b>\$ 1,002,720</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 37,929	\$ -	\$ -	\$ 37,929
Accrued payroll and related liabilities	-	10,190	-	-	10,190
Due to other funds	-	-	-	627,393	627,393
<b>Total Liabilities</b>	<b>-</b>	<b>48,119</b>	<b>-</b>	<b>627,393</b>	<b>675,512</b>
<b>Fund Balances</b>					
Nonspendable - prepaid items	-	16,746	-	-	16,746
Assigned:					
Parks and recreation	2,498	-	-	-	2,498
General government	-	176,623	131,341	-	307,964
<b>Total Fund Balances</b>	<b>2,498</b>	<b>193,369</b>	<b>131,341</b>	<b>-</b>	<b>327,208</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,498</b>	<b>\$ 241,488</b>	<b>\$ 131,341</b>	<b>\$ 627,393</b>	<b>\$ 1,002,720</b>

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

Year Ended December 31, 2014	Parks and Recreation			Clinic	General Government	Public Works	Total
	Two Lakes Park	Litter Control	Miscellaneous Pass Through Grants	SCHC	Bus Transportation Grant	Natural Disasters	
<b>Revenues</b>							
Intergovernmental	\$ -	\$ -	\$ 14,550	\$ 864,354	\$ -	\$ 82,844	\$ 961,748
Local grants	-	3,178	-	-	-	18,398	21,576
Other	-	-	-	62,306	-	-	62,306
<b>Total Revenues</b>	-	3,178	14,550	926,660	-	101,242	1,045,630
<b>Expenditures</b>							
Salaries and employee benefits	-	8,426	-	536,329	-	8,155	552,910
Contracted services	-	-	-	441,216	120,716	47,303	609,235
Supplies	22	-	-	311,945	-	287	312,254
General and administrative	-	-	-	49,516	796	29,509	79,821
Capital outlay	-	-	-	39,233	-	-	39,233
Miscellaneous	-	608	14,550	115,470	-	-	130,628
<b>Total Expenditures</b>	22	9,034	14,550	1,493,709	121,512	85,254	1,724,081
<b>Excess of Revenues over (under) Expenditures</b>	(22)	(5,856)	-	(567,049)	(121,512)	15,988	(678,451)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	5,856	-	760,418	245,415	2,410	1,014,099
Transfers out	-	-	-	-	-	(29,429)	(29,429)
<b>Net Other Financing Sources (Uses)</b>	-	5,856	-	760,418	245,415	(27,019)	984,670
<b>Net Change in Fund Balances</b>	(22)	-	-	193,369	123,903	(11,031)	306,219
<b>Fund Balances, beginning</b>	2,520	-	-	-	7,438	11,031	20,989
<b>Fund Balances, ending</b>	\$ 2,498	\$ -	\$ -	\$ 193,369	\$ 131,341	\$ -	\$ 327,208

## Capital Project Funds

---

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

Fire Department Equipment - To account for the purchase of fire department equipment.

Dairy Hill - To account for all activities related to Dairy Hill construction costs.

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

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

Library/ Museum - To account for all activities related to the design and construction of the new library and museum.

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

<i>December 31, 2014</i>	<u>Public Safety</u>	<u>General Government</u>		Total
	Fire Department Equipment	Kawabe Park	Capital Acquisition	
<b>Assets</b>				
Cash and investments	\$ 1,283	\$ 5,929	\$ 2,487,565	\$ 2,494,777
<b>Total Assets</b>	<b>\$ 1,283</b>	<b>\$ 5,929</b>	<b>\$ 2,487,565</b>	<b>\$ 2,494,777</b>
<b>Liabilities</b>				
Account payable	\$ -	\$ -	\$ 53,120	\$ 53,120
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>53,120</b>	<b>53,120</b>
<b>Fund Balances</b>				
Assigned - capital projects	1,283	5,929	2,434,445	2,441,657
<b>Total Fund Balances</b>	<b>1,283</b>	<b>5,929</b>	<b>2,434,445</b>	<b>2,441,657</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,283</b>	<b>\$ 5,929</b>	<b>\$ 2,487,565</b>	<b>\$ 2,494,777</b>

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

<i>Year Ended December 31, 2014</i>	Public Safety Fire Department Equipment	Public Works Dairy Hill	Parks and Recreation Kawabe Park	General Government Capital Acquisition	Library Library/ Museum	Total
<b>Revenues</b>						
Intergovernmental	\$ 72,713	\$ 265,593	\$ -	\$ -	\$ 10,586	\$ 348,892
Local grants	-	146,307	-	-	324,042	470,349
<b>Total Revenues</b>	<b>72,713</b>	<b>411,900</b>	<b>-</b>	<b>-</b>	<b>334,628</b>	<b>819,241</b>
<b>Expenditures</b>						
Contracted services	-	-	-	98,750	1,501	100,251
Supplies and maintenance	22,195	-	2,595	56,881	11,359	93,030
Capital outlay	47,438	411,900	-	277,291	-	736,629
Other services and charges	3,080	-	-	34	-	3,114
<b>Total Expenditures</b>	<b>72,713</b>	<b>411,900</b>	<b>2,595</b>	<b>432,956</b>	<b>12,860</b>	<b>933,024</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>(2,595)</b>	<b>(432,956)</b>	<b>321,768</b>	<b>(113,783)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	2,033,726	-	2,033,726
Transfers out	-	-	-	-	(347,848)	(347,848)
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,033,726</b>	<b>(347,848)</b>	<b>1,685,878</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(2,595)</b>	<b>1,600,770</b>	<b>(26,080)</b>	<b>1,572,095</b>
<b>Fund Balances, beginning</b>	<b>1,283</b>	<b>-</b>	<b>8,524</b>	<b>833,675</b>	<b>26,080</b>	<b>869,562</b>
<b>Fund Balances, ending</b>	<b>\$ 1,283</b>	<b>\$ -</b>	<b>\$ 5,929</b>	<b>\$ 2,434,445</b>	<b>\$ -</b>	<b>\$ 2,441,657</b>

*This page intentionally left blank.*

## Enterprise Funds

---

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

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

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

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

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

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

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

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

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

<i>December 31,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 3,129,380	\$ 1,815,684
Receivables:		
Accounts	959,002	859,921
Assessments	-	2,117
Interfund loan, current portion	19,552	18,576
Grant	466,607	683,326
Interest	16,614	17,588
Other	19,198	27,791
Less allowance for doubtful accounts	(43,155)	(38,696)
Net receivables	1,437,818	1,570,623
Prepaid expenses	5,569	-
Inventory	920,239	873,504
<b>Total Current Assets</b>	<b>5,493,006</b>	<b>4,259,811</b>
<b>Restricted Cash and Investments</b>		
Bond retirement	677,911	677,911
Capital projects	1,799,220	1,662,560
<b>Total Restricted Cash and Investments</b>	<b>2,477,131</b>	<b>2,340,471</b>
Assessments Receivable, net of current portion	1,851	3,055
Interfund Loan, net of current portion	296,195	315,747
<b>Property, Plant and Equipment</b>		
Land and land rights	230,951	230,951
Buildings	9,578,169	9,474,575
Improvements other than buildings	40,168,506	39,987,789
Equipment	7,524,912	7,463,775
Total property, plant and equipment in service	57,502,538	57,157,090
Less accumulated depreciation	(37,151,823)	(35,414,696)
Net property, plant and equipment in service	20,350,715	21,742,394
Construction in progress	2,241,949	1,326,014
<b>Total Property, Plant and Equipment</b>	<b>22,592,664</b>	<b>23,068,408</b>
<b>Total Assets</b>	<b>30,860,847</b>	<b>29,987,492</b>
<b>Deferred Outflows</b>		
Unamortized deferred loss on refunding	4,904	9,808
<b>Total Assets and Deferred Outflows</b>	<b>\$ 30,865,751</b>	<b>\$ 29,997,300</b>

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

<i>December 31,</i>	2014	2013
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 487,954	\$ 559,525
Accrued payroll and related liabilities	64,819	39,538
Accrued interest	23,553	25,036
Current portion:		
Accrued annual leave	17,700	22,829
Bonds payable	400,000	380,000
Customer deposits	212,634	234,853
<b>Total Current Liabilities</b>	<b>1,206,660</b>	<b>1,261,781</b>
<b>Noncurrent Liabilities, net of current portion</b>		
Accrued annual leave	33,975	70,113
Bonds payable	5,245,000	5,645,000
Unamortized bond premium	33,420	41,785
<b>Total Noncurrent Liabilities</b>	<b>5,312,395</b>	<b>5,756,898</b>
<b>Total Liabilities</b>	<b>6,519,055</b>	<b>7,018,679</b>
<b>Net Position</b>		
Net investment in capital assets	17,597,059	17,689,342
Unrestricted	6,749,637	5,289,279
<b>Total Net Position</b>	<b>24,346,696</b>	<b>22,978,621</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 30,865,751</b>	<b>\$ 29,997,300</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Operating Revenues</b>		
Residential	\$ 3,233,812	\$ 3,181,813
Small general service	1,800,254	1,818,346
Large general service	4,575,343	4,534,714
Industrial	1,028,669	1,029,934
Harbor power	300,446	321,825
Street and yard lights	74,222	71,020
Miscellaneous	84,299	82,656
<b>Total Operating Revenues</b>	<b>11,097,045</b>	<b>11,040,308</b>
<b>Operating Expenses</b>		
Power	5,091,242	5,288,384
Distribution	253,840	583,578
Administration and general	2,728,915	2,880,666
Depreciation	1,737,127	1,758,135
<b>Total Operating Expenses</b>	<b>9,811,124</b>	<b>10,510,763</b>
<b>Earnings from Operations</b>	<b>1,285,921</b>	<b>529,545</b>
<b>Nonoperating Revenues (Expenses)</b>		
Gain on disposal of capital assets	-	300
Intergovernmental - PERS on-behalf	174,276	39,084
Investment income	139,150	98,863
Salary credits - work orders	208,130	103,216
Supply credits - work orders	127,829	117,416
Interest expense	(286,592)	(303,453)
Other expenses	(216,788)	(60,733)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>146,005</b>	<b>(5,307)</b>
<b>Earnings Before Contributions and Transfers</b>	<b>1,431,926</b>	<b>524,238</b>
Capital contributions	1,055,462	1,380,430
Transfers in	110,784	110,784
Transfers out	(1,230,097)	(1,220,015)
<b>Change in Net Position</b>	<b>1,368,075</b>	<b>795,437</b>
<b>Net Position, beginning</b>	<b>22,978,621</b>	<b>22,183,184</b>
<b>Net Position, ending</b>	<b>\$ 24,346,696</b>	<b>\$ 22,978,621</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 10,988,797	\$ 11,346,872
Payments to suppliers	(6,152,133)	(6,091,747)
Payments to employees	(1,005,682)	(1,388,444)
Payments for interfund services used	(863,637)	(859,630)
<b>Net cash flows from operating activities</b>	<b>2,967,345</b>	<b>3,007,051</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Transfers in	110,784	110,784
Transfers out	(1,230,097)	(1,220,015)
<b>Net cash flows for noncapital financing activities</b>	<b>(1,119,313)</b>	<b>(1,109,231)</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Principal payments on bonds payable	(380,000)	(360,000)
Interest payments on bonds payable	(291,536)	(308,210)
Acquisition of property, plant and equipment	(1,160,342)	(1,527,797)
Proceeds from sale of capital assets	-	300
Capital contributions received	1,275,502	702,673
<b>Net cash flows for capital and related financing activities</b>	<b>(556,376)</b>	<b>(1,493,034)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	140,124	98,863
Interfund loan receipts	18,576	17,650
<b>Net cash flows from investing activities</b>	<b>158,700</b>	<b>116,513</b>
<b>Net Increase in Cash and Investments</b>	<b>1,450,356</b>	<b>521,299</b>
<b>Cash and Investments, beginning</b>	<b>4,156,155</b>	<b>3,634,856</b>
<b>Cash and Investments, ending</b>	<b>\$ 5,606,511</b>	<b>\$ 4,156,155</b>
<b>Reconciliation of Cash and Investments to Statement of Net Position</b>		
Current assets	\$ 3,129,380	\$ 1,815,684
Restricted assets	2,477,131	2,340,471
<b>Total Cash and Investments</b>	<b>\$ 5,606,511</b>	<b>\$ 4,156,155</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Reconciliation of Earnings from Operations to Net</b>		
<b>Cash from Operating Activities</b>		
Earnings from operations	\$ 1,285,921	\$ 529,545
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Depreciation	1,737,127	1,758,135
Other nonoperating expenses	(216,788)	(60,733)
Other nonoperating revenue - workorder reimbursements:		
Salaries	208,130	103,216
Supplies	127,829	117,416
Noncash expense - PERS on-behalf	174,276	39,084
Increase (decrease) in allowance for doubtful accounts	4,459	(10,305)
(Increase) decrease in assets:		
Receivables	(90,488)	296,070
Prepaid expenses	(5,569)	-
Inventory	(46,735)	57,043
Increase (decrease) in liabilities:		
Accounts payable	(172,612)	149,164
Accrued payroll and related liabilities	25,281	7,814
Accrued annual leave	(41,267)	(197)
Customer deposits	(22,219)	43,725
Unearned revenue	-	(22,926)
<b>Net Cash from Operating Activities</b>	<b>\$ 2,967,345</b>	<b>\$ 3,007,051</b>
<b>Noncash Capital and Related Financing Activities</b>		
Purchase of equipment included in accounts payable	\$ 101,041	\$ -

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

<i>Year Ended December 31,</i>	2014	2013
<b>Power</b>		
Salaries and employee benefits	\$ 135,999	\$ 186,037
Purchased services	91,764	198,358
Power for resale	4,857,231	4,817,413
Supplies, maintenance and other	6,248	86,576
<b>Total Power</b>	<b>5,091,242</b>	<b>5,288,384</b>
<b>Distribution</b>		
Salaries and employee benefits	166,646	246,925
Purchased services	78,287	211,412
Supplies and maintenance	9,507	124,641
Administration and general	(600)	600
<b>Total Distribution</b>	<b>253,840</b>	<b>583,578</b>
<b>Administration and General</b>		
Salaries and employee benefits	1,069,457	1,105,399
Purchased services	220,956	365,317
Supplies and maintenance	132,050	238,929
Administrative fee	864,237	859,030
Other	442,215	311,991
<b>Total Administration and General</b>	<b>2,728,915</b>	<b>2,880,666</b>
Depreciation	1,737,127	1,758,135
<b>Total Operating Expenses</b>	<b>\$ 9,811,124</b>	<b>\$ 10,510,763</b>

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

---

<i>December 31,</i>	2014	2013
Grants and other external contributions	\$ 30,739,365	\$ 29,680,492
Related accumulated amortization	(17,994,404)	(18,956,833)
City-generated equity and transfers from other funds	11,601,735	12,254,962
<b>Total Net Position</b>	<b>\$ 24,346,696</b>	<b>\$ 22,978,621</b>

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

<i>Year Ended December 31, 2014</i>	Standby Electric Generation	Customer Projects
<b>Funding Sources</b>		
State grants	\$ 906,907	\$ -
Electric fund customers	-	148,555
Electric funds	9,028	-
<b>Total Funding Sources</b>	<b>915,935</b>	<b>148,555</b>
<b>Capital Outlay</b>	<b>\$ 915,935</b>	<b>\$ 148,555</b>

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

December 31,	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,050,027	\$ 2,902,730
Receivables:		
Accounts	156,674	150,261
Assessments	3,534	7,069
Grants and loans	-	12,313
Other	196	200
Less allowance for doubtful accounts	(7,050)	(6,762)
Net receivables	153,354	163,081
Inventory	93,300	50,348
<b>Total Current Assets</b>	<b>1,296,681</b>	<b>3,116,159</b>
Restricted Cash and Investments - capital projects	1,906,758	442,255
Assessments Receivable, net of current portion	-	3,534
<b>Property, Plant and Equipment</b>		
Land and land rights	100,420	2,507
Buildings	1,287,853	1,287,853
Improvements other than buildings	6,203,911	6,203,911
Equipment	1,308,670	1,308,670
Total property, plant and equipment in service	8,900,854	8,802,941
Less accumulated depreciation	(4,724,014)	(4,521,466)
Net property, plant and equipment in service	4,176,840	4,281,475
Construction in progress	466,457	466,457
<b>Total Property, Plant and Equipment</b>	<b>4,643,297</b>	<b>4,747,932</b>
<b>Total Assets</b>	<b>\$ 7,846,736</b>	<b>\$ 8,309,880</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,176	\$ 3,584
Accrued payroll and related liabilities	9,863	5,311
Accrued interest	20,795	22,234
Current portion:		
Accrued annual leave	4,864	4,722
Notes payable	129,244	127,334
<b>Total Current Liabilities</b>	<b>166,942</b>	<b>163,185</b>
<b>Noncurrent Liabilities, net of current portion</b>		
Accrued annual leave	15,508	16,533
Notes payable	1,710,777	1,840,021
<b>Total Noncurrent Liabilities</b>	<b>1,726,285</b>	<b>1,856,554</b>
<b>Total Liabilities</b>	<b>1,893,227</b>	<b>2,019,739</b>
<b>Net Position</b>		
Net investment in capital assets	2,803,276	2,780,577
Unrestricted	3,150,233	3,509,564
<b>Total Net Position</b>	<b>5,953,509</b>	<b>6,290,141</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 7,846,736</b>	<b>\$ 8,309,880</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Operating Revenues</b>		
Residential	\$ 440,828	\$ 424,640
Small general service	110,312	119,516
Large general service	201,030	201,869
Industrial	236,152	260,903
Seward Marine Industrial Center	45,141	55,439
Ship water sales	57,110	77,216
Miscellaneous	137,058	141,127
<b>Total Operating Revenues</b>	<b>1,227,631</b>	<b>1,280,710</b>
<b>Operating Expenses</b>		
Salaries and benefits	381,246	286,287
Purchased services	231,930	231,271
Contracted services	3,100	5,439
Supplies and maintenance	60,845	65,896
Administration and general	268,904	254,302
Depreciation	202,548	216,025
<b>Total Operating Expenses</b>	<b>1,148,573</b>	<b>1,059,220</b>
<b>Earnings from Operations</b>	<b>79,058</b>	<b>221,490</b>
<b>Nonoperating Revenues (Expenses)</b>		
Intergovernmental - PERS on-behalf	76,851	21,963
Investment income	38,268	2,718
Interest expense	(28,071)	(29,974)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>87,048</b>	<b>(5,293)</b>
<b>Earnings Before Contributions and Transfers</b>	<b>166,106</b>	<b>216,197</b>
Capital contributions	-	24,485
Transfers in	98,010	-
Transfers out	(600,748)	(107,937)
<b>Change in Net Position</b>	<b>(336,632)</b>	<b>132,745</b>
<b>Net Position, beginning</b>	<b>6,290,141</b>	<b>6,157,396</b>
<b>Net Position, ending</b>	<b>\$ 5,953,509</b>	<b>\$ 6,290,141</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 1,221,510	\$ 1,211,545
Payments to suppliers	(340,235)	(394,469)
Payments to employees	(300,726)	(264,817)
Payments for interfund services used	(268,904)	(254,302)
<b>Net cash flows from operating activities</b>	<b>311,645</b>	<b>297,957</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Transfers out	(600,748)	(107,937)
<b>Net cash flows for noncapital financing activities</b>	<b>(600,748)</b>	<b>(107,937)</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Principal payments on notes payable	(127,334)	(125,452)
Interest payments on notes payable	(29,510)	(31,392)
Transfers in	98,010	-
Acquisition of property, plant and equipment	(97,913)	(52,038)
Capital contributions received	19,382	27,326
<b>Net cash flows for capital and related financing activities</b>	<b>(137,365)</b>	<b>(181,556)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	38,268	2,718
Interfund loan receipts	-	1,973,360
<b>Net cash flows from investing activities</b>	<b>38,268</b>	<b>1,976,078</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>(388,200)</b>	<b>1,984,542</b>
<b>Cash and Investments, beginning</b>	<b>3,344,985</b>	<b>1,360,443</b>
<b>Cash and Investments, ending</b>	<b>\$ 2,956,785</b>	<b>\$ 3,344,985</b>
<b>Reconciliation of Cash and Investments to Statement of Net Position</b>		
Current assets	\$ 1,050,027	\$ 2,902,730
Restricted assets	1,906,758	442,255
<b>Total Cash and Investments</b>	<b>\$ 2,956,785</b>	<b>\$ 3,344,985</b>
<b>Reconciliation of Earnings from Operations to Net Cash from Operating Activities</b>		
Earnings from operations	\$ 79,058	\$ 221,490
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Depreciation	202,548	216,025
Noncash expense - PERS on-behalf	76,851	21,963
Increase (decrease) in allowance for doubtful accounts	288	(2,342)
(Increase) decrease in assets:		
Accounts receivable	(6,409)	(66,823)
Inventory	(42,952)	5,014
Increase (decrease) in liabilities:		
Accounts payable	(1,408)	(96,877)
Accrued payroll and related liabilities	4,552	295
Accrued annual leave	(883)	(788)
<b>Net Cash from Operating Activities</b>	<b>\$ 311,645</b>	<b>\$ 297,957</b>

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

<i>December 31,</i>	2014	2013
Grants and other external contributions	\$ 3,581,193	\$ 3,581,193
Related accumulated amortization	(1,889,251)	(1,913,724)
Contributions from other funds	596,766	498,756
City-generated equity	3,664,801	4,123,916
<b>Total Net Position</b>	<b>\$ 5,953,509</b>	<b>\$ 6,290,141</b>

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

<i>December 31,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 123,640	\$ 693,880
Receivables:		
Accounts	88,226	88,412
Other	-	20,000
Less allowance for doubtful accounts	(3,970)	(3,979)
Net receivables	84,256	104,433
<b>Total Current Assets</b>	<b>207,896</b>	<b>798,313</b>
<b>Restricted Cash and Investments - capital projects</b>	<b>1,168,512</b>	<b>112,115</b>
<b>Property, Plant and Equipment</b>		
Land and land rights	111,011	111,011
Buildings	2,418,398	2,418,398
Infrastructure	29,698	-
Improvements other than buildings	8,952,968	8,952,968
Equipment	874,270	757,237
Total property, plant and equipment in service	12,386,345	12,239,614
Less accumulated depreciation	(7,967,568)	(7,744,779)
<b>Net Property, Plant and Equipment in Service</b>	<b>4,418,777</b>	<b>4,494,835</b>
<b>Total Assets</b>	<b>\$ 5,795,185</b>	<b>\$ 5,405,263</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 7,718	\$ 3,254
Accrued payroll and related liabilities	13,835	5,316
Accrued interest	-	9
Current portion:		
Accrued annual leave	3,667	4,798
Notes payable	-	1,333
<b>Total Current Liabilities</b>	<b>25,220</b>	<b>14,710</b>
<b>Noncurrent Liabilities, net of current portion</b>		
Accrued annual leave	18,244	17,392
<b>Total Liabilities</b>	<b>43,464</b>	<b>32,102</b>
<b>Net Position</b>		
Net investment in capital assets	4,418,777	4,493,502
Unrestricted	1,332,944	879,659
<b>Total Net Position</b>	<b>5,751,721</b>	<b>5,373,161</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 5,795,185</b>	<b>\$ 5,405,263</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Operating Revenues</b>		
Residential	\$ 568,985	\$ 536,399
Small general service	165,574	153,961
Large general service	244,239	235,097
Seward Marine Industrial Center	34,370	32,273
Miscellaneous	3,722	2,861
<b>Total Operating Revenues</b>	<b>1,016,890</b>	<b>960,591</b>
<b>Operating Expenses</b>		
Salaries and employee benefits	364,932	279,352
Purchased services	230,427	285,563
Contracted services	78,981	-
Supplies and maintenance	57,507	25,603
Administration and general	164,020	157,250
Other	-	4,101
Depreciation	222,789	264,306
<b>Total Operating Expenses</b>	<b>1,118,656</b>	<b>1,016,175</b>
<b>Loss from Operations</b>	<b>(101,766)</b>	<b>(55,584)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Intergovernmental - PERS on-behalf	62,773	21,717
Investment income	4,888	2,478
Interest expense	(11)	(746)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>67,650</b>	<b>23,449</b>
<b>Loss Before Transfers</b>	<b>(34,116)</b>	<b>(32,135)</b>
Transfers in	500,000	-
Transfers out	(87,324)	(82,327)
<b>Change in Net Position</b>	<b>378,560</b>	<b>(114,462)</b>
<b>Net Position, beginning</b>	<b>5,373,161</b>	<b>5,487,623</b>
<b>Net Position, ending</b>	<b>\$ 5,751,721</b>	<b>\$ 5,373,161</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 1,037,067	\$ 965,875
Payments to suppliers	(362,451)	(315,624)
Payments to employees	(293,919)	(263,298)
Payments for interfund services used	(164,020)	(157,250)
<b>Net cash flows from operating activities</b>	<b>216,677</b>	<b>229,703</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Transfers out	(87,324)	(82,327)
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Principal payments on notes payable	(1,333)	(61,024)
Interest payments on notes payable	(20)	(932)
Transfers in	500,000	-
Acquisition of property, plant and equipment	(146,731)	-
<b>Net cash flows from (for) capital and related financing activities</b>	<b>351,916</b>	<b>(61,956)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	4,888	2,478
<b>Net Increase in Cash and Investments</b>	<b>486,157</b>	<b>87,898</b>
<b>Cash and Investments, beginning</b>	<b>805,995</b>	<b>718,097</b>
<b>Cash and Investments, ending</b>	<b>\$ 1,292,152</b>	<b>\$ 805,995</b>
<b>Reconciliation of Cash and Investments to Statement of Net Position</b>		
Current assets	\$ 123,640	\$ 693,880
Restricted assets	1,168,512	112,115
<b>Total Cash and Investments</b>	<b>\$ 1,292,152</b>	<b>\$ 805,995</b>
<b>Reconciliation of Loss from Operations to Net Cash from Operating Activities</b>		
Loss from operations	\$ (101,766)	\$ (55,584)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	222,789	264,306
Noncash expense - PERS on-behalf	62,773	21,717
Increase (decrease) in allowance for doubtful accounts	(9)	(103)
(Increase) decrease in assets:		
Accounts receivable	186	2,309
Other receivable	20,000	3,078
Increase (decrease) in liabilities:		
Accounts payable	4,464	(357)
Accrued payroll and related liabilities	8,519	764
Accrued annual leave	(279)	(6,427)
<b>Net Cash from Operating Activities</b>	<b>\$ 216,677</b>	<b>\$ 229,703</b>

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

<i>December 31,</i>	2014	2013
Grants and other external contributions	\$ 10,405,799	\$ 10,405,799
Related accumulated amortization	(7,062,014)	(7,226,634)
Contributions from other funds	661,550	161,550
City-generated equity	1,746,386	2,032,446
<b>Total Net Position</b>	<b>\$ 5,751,721</b>	<b>\$ 5,373,161</b>

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

<i>December 31,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,080,479	\$ 4,023,796
Receivables:		
Accounts	155,496	154,189
Grants	375,073	932,089
Interest	-	3,284
Assessments	2,144	4,286
Less allowance for doubtful accounts	(23,834)	(24,672)
Net receivables	508,879	1,069,176
<b>Total Current Assets</b>	<b>1,589,358</b>	<b>5,092,972</b>
<b>Restricted Cash and Investments</b>		
Bond retirement	690,198	709,910
Capital projects	3,671,186	963,526
<b>Total Restricted Cash and Investments</b>	<b>4,361,384</b>	<b>1,673,436</b>
Assessments Receivable, net of current portion	-	2,144
<b>Property, Plant and Equipment</b>		
Land and land rights	18,175,054	5,117,479
Buildings	775,201	610,169
Infrastructure	97,723	49,850
Improvements other than buildings	31,122,701	28,830,535
Equipment	1,592,998	1,592,998
Total property, plant and equipment in service	51,763,677	36,201,031
Less accumulated depreciation	(14,981,892)	(13,738,260)
Net property, plant and equipment in service	36,781,785	22,462,771
Construction in progress	181,299	2,063,758
<b>Total Property, Plant and Equipment</b>	<b>36,963,084</b>	<b>24,526,529</b>
<b>Total Assets</b>	<b>42,913,826</b>	<b>31,295,081</b>
<b>Deferred Outflows</b>		
Unamortized deferred loss on refunding	239,264	51,607
<b>Total Assets and Deferred Outflows</b>	<b>\$ 43,153,090</b>	<b>\$ 31,346,688</b>

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

<i>December 31,</i>	2014	2013
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 90,409	\$ 600,846
Accrued payroll and related liabilities	57,594	21,309
Accrued interest	31,919	26,304
Current portion:		
Accrued annual leave	19,127	17,594
Bonds payable	460,000	445,000
Interfund loan	26,254	24,885
Unearned revenue	567,677	998,316
Customer deposits	36,078	34,188
<b>Total Current Liabilities</b>	<b>1,289,058</b>	<b>2,168,442</b>
<b>Noncurrent Liabilities, net of current portion</b>		
Accrued annual leave	45,810	54,398
Bonds payable	4,885,000	5,615,000
Notes payable	1,201,196	-
Interfund loan	27,698	53,952
Unamortized bond premium	547,862	87,594
<b>Total Noncurrent Liabilities</b>	<b>6,707,566</b>	<b>5,810,944</b>
<b>Total Liabilities</b>	<b>7,996,624</b>	<b>7,979,386</b>
<b>Net Position</b>		
Net investment in capital assets	30,798,488	19,140,452
Restricted for commercial passenger vessel tax	2,066,039	2,079,621
Unrestricted	2,291,939	2,147,229
<b>Total Net Position</b>	<b>35,156,466</b>	<b>23,367,302</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 43,153,090</b>	<b>\$ 31,346,688</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Operating Revenues</b>		
Moorage	\$ 1,622,680	\$ 1,581,547
Wharfage	30,232	66,540
Boat lift fees	110,659	107,198
Power sales	390,587	431,219
Rentals and leases	318,711	341,625
Passenger transit fees	604,800	611,065
Miscellaneous	134,763	96,729
<b>Total Operating Revenues</b>	<b>3,212,432</b>	<b>3,235,923</b>
<b>Operating Expenses</b>		
Salaries and employee benefits	1,142,099	1,000,555
Purchased services	486,873	308,231
Power for resale	239,239	271,895
Supplies and maintenance	124,186	166,643
Administration and general	366,221	439,882
Depreciation	1,243,632	1,392,277
<b>Total Operating Expenses</b>	<b>3,602,250</b>	<b>3,579,483</b>
<b>Loss from Operations</b>	<b>(389,818)</b>	<b>(343,560)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Intergovernmental - PERS on-behalf	158,044	83,767
Investment income	44,690	30,898
Commercial passenger vessel tax	961,178	343,265
Interest expense	(207,946)	(279,387)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>955,966</b>	<b>178,543</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>566,148</b>	<b>(165,017)</b>
Capital contributions	11,707,114	1,293,192
Transfers in	241,272	320,000
Transfers out	(725,370)	(616,069)
<b>Change in Net Position</b>	<b>11,789,164</b>	<b>832,106</b>
<b>Net Position, beginning</b>	<b>23,367,302</b>	<b>22,535,196</b>
<b>Net Position, ending</b>	<b>\$ 35,156,466</b>	<b>\$ 23,367,302</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 2,781,538	\$ 3,335,705
Payments to suppliers	(1,360,735)	(298,361)
Payments to employees	(954,825)	(903,575)
Payments for interfund services used	(366,221)	(439,882)
<b>Net cash flows from operating activities</b>	<b>99,757</b>	<b>1,693,887</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Transfers in	241,272	320,000
Transfers out	(725,370)	(616,069)
<b>Net cash flows for noncapital financing activities</b>	<b>(484,098)</b>	<b>(296,069)</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Principal payments on long-term debt	(445,000)	(420,000)
Issuance of refunding bonds, including premium	3,966,233	-
Payment to refunding bond escrow agent	(3,937,576)	-
Interest payments on long-term debt	(213,048)	(284,374)
Acquisition of property, plant and equipment	(1,864,099)	(2,262,544)
Capital contributions received	1,994,827	423,211
Interfund loan payment	(24,885)	(23,588)
Commercial passenger vessel tax receipts	613,445	686,530
<b>Net cash flows from (for) capital and related financing activities</b>	<b>89,897</b>	<b>(1,880,765)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	39,075	27,614
<b>Net Decrease in Cash and Investments</b>	<b>(255,369)</b>	<b>(455,333)</b>
<b>Cash and Investments, beginning</b>	<b>5,697,232</b>	<b>6,152,565</b>
<b>Cash and Investments, ending</b>	<b>\$ 5,441,863</b>	<b>\$ 5,697,232</b>
<b>Reconciliation of Cash and Investments to Statement of Net Position</b>		
Current assets	\$ 1,080,479	\$ 4,023,796
Restricted assets	4,361,384	1,673,436
<b>Total Cash and Investments</b>	<b>\$ 5,441,863</b>	<b>\$ 5,697,232</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Reconciliation of Loss from Operations to Net</b>		
<b>Cash from Operating Activities</b>		
Loss from operations	\$ (389,818)	\$ (343,560)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	1,243,632	1,392,277
Noncash expense - PERS on-behalf	158,044	83,767
Increase (decrease) in allowance for doubtful accounts	(838)	(4,344)
(Increase) decrease in assets - receivables	(1,307)	66,844
Increase (decrease) in liabilities:		
Accounts payable	(510,437)	448,408
Accrued payroll and related liabilities	36,285	3,399
Accrued annual leave	(7,055)	9,814
Customer deposits	1,890	(26,533)
Unearned revenue	(430,639)	63,815
<b>Net Cash from Operating Activities</b>	<b>\$ 99,757</b>	<b>\$ 1,693,887</b>
<b>Noncash Capital and Related Financing Activities</b>		
Purchase of equipment through issuance of Notes Payable	\$ 1,201,196	\$ -
Increase in land from non-cash capital contribution	\$ 11,386,763	\$ -

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

---

<i>December 31,</i>	2014	2013
Grants and other external contributions	\$ 36,345,854	\$ 24,638,740
Related accumulated amortization	(7,890,674)	(8,674,497)
Contributions from other funds	6,239,014	5,997,742
City-generated equity	462,272	1,405,317
<b>Total Net Position</b>	<b>\$ 35,156,466</b>	<b>\$ 23,367,302</b>

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

<i>Year Ended December 31, 2014</i>	D Float Replacement	Floats Replacement	Sewer Pump Station	Fish Cleaning Station	ARRC Dredging	Harbor Restroom Improvements
<b>Funding Sources</b>						
State grants	\$ 233,484	\$ -	\$ -	\$ -	\$ -	\$ 19,640
Federal grants	-	-	12,638	54,594	-	-
Harbor Fund	254,359	9,855	4,212	-	469,615	33,830
<b>Total Funding Sources</b>	<b>\$ 487,843</b>	<b>\$ 9,855</b>	<b>\$16,850</b>	<b>\$ 54,594</b>	<b>\$469,615</b>	<b>\$ 53,470</b>
<b>Capital Outlay</b>	<b>\$ 487,843</b>	<b>\$ 9,855</b>	<b>\$16,850</b>	<b>\$ 54,594</b>	<b>\$469,615</b>	<b>\$ 53,470</b>

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

<i>December 31,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ -	\$ 107,176
Account receivable	38,131	34,985
Grant receivable	1,307,114	265,852
<b>Total Current Assets</b>	<b>1,345,245</b>	<b>408,013</b>
<b>Property, Plant and Equipment</b>		
Land and land rights	12,021,821	12,021,821
Buildings	280,287	280,287
Improvements other than buildings	39,943,792	39,943,792
Equipment	1,650,360	908,789
Total property, plant and equipment in service	53,896,260	53,154,689
Less accumulated depreciation	(28,688,691)	(28,785,839)
Net property, plant and equipment in service	25,207,569	24,368,850
Construction in progress	3,205,710	1,474,371
<b>Total Property, Plant and Equipment</b>	<b>28,413,279</b>	<b>25,843,221</b>
<b>Total Assets</b>	<b>\$ 29,758,524</b>	<b>\$ 26,251,234</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 207,852	\$ 78,358
Interfund loan payable - current portion	147,012	-
Accrued payroll and related liabilities	-	579
Deposits	9,200	-
Unearned revenue	39,647	47,013
Due to other funds	905,126	-
<b>Total Current Liabilities</b>	<b>1,308,837</b>	<b>125,950</b>
<b>Noncurrent Liabilities</b>		
Interfund loan, net of current portion	882,075	-
Accrued leave - long term	271	-
<b>Total Noncurrent Liabilities</b>	<b>882,346</b>	<b>-</b>
<b>Total Liabilities</b>	<b>2,191,183</b>	<b>125,950</b>
<b>Net Position</b>		
Net investment in capital assets	28,413,279	25,843,221
Unrestricted (deficit)	(845,938)	282,063
<b>Total Net Position</b>	<b>27,567,341</b>	<b>26,125,284</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 29,758,524</b>	<b>\$ 26,251,234</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Operating Revenues</b>		
Moorage	\$ 6,763	\$ 995
Wharfage	5,995	10,975
Boat lift fees	133,949	105,453
Storage	107,481	91,128
Rentals and leases	156,195	144,005
Power sales	53,820	36,892
Miscellaneous	5,590	2,506
<b>Total Operating Revenues</b>	<b>469,793</b>	<b>391,954</b>
<b>Operating Expenses</b>		
Salaries and employee benefits	110,734	90,734
Purchased services	88,737	66,404
Contracted services	17,113	-
Supplies and maintenance	65,747	38,744
Administration and general	128,959	101,630
Depreciation	602,368	601,831
<b>Total Operating Expenses</b>	<b>1,013,658</b>	<b>899,343</b>
<b>Loss from Operations</b>	<b>(543,865)</b>	<b>(507,389)</b>
<b>Nonoperating Revenues</b>		
Investment income	1,625	201
Insurance recovery	5,520	-
<b>Total Nonoperating Revenues</b>	<b>7,145</b>	<b>201</b>
<b>Loss before Contributions and Transfers</b>	<b>(536,720)</b>	<b>(507,188)</b>
Capital contributions	1,731,339	1,197,395
Transfers in	350,000	164,461
Transfers out	(102,562)	(91,322)
<b>Change in Net Position</b>	<b>1,442,057</b>	<b>763,346</b>
<b>Net Position, beginning</b>	<b>26,125,284</b>	<b>25,361,938</b>
<b>Net Position, ending</b>	<b>\$ 27,567,341</b>	<b>\$ 26,125,284</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from customers and users	\$ 468,481	\$ 417,352
Payments to suppliers	(237,028)	(43,811)
Payments to employees	(111,042)	(90,314)
Payments for interfund services used	(128,959)	(101,630)
<b>Net cash flows from (for) operating activities</b>	<b>(8,548)</b>	<b>181,597</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers in	350,000	164,461
Transfers out	(102,562)	(91,322)
<b>Net cash flows from noncapital financing activities</b>	<b>247,438</b>	<b>73,139</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Acquisition of property, plant, and equipment	(2,977,501)	(1,257,842)
Issuance of interfund loan	1,029,087	-
Increase in due to other funds	905,126	-
Insurance recovery	5,520	-
Capital contributions received	690,077	965,578
<b>Net cash flows for capital and related financing activities</b>	<b>(347,691)</b>	<b>(292,264)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	1,625	201
<b>Net Decrease in Cash and Investments</b>	<b>(107,176)</b>	<b>(37,327)</b>
<b>Cash and Investments, beginning</b>	<b>107,176</b>	<b>144,503</b>
<b>Cash and Investments, ending</b>	<b>\$ -</b>	<b>\$ 107,176</b>
<b>Reconciliation of Loss from Operations to Net</b>		
<b>Cash from (for) Operating Activities</b>		
Loss from operations	\$ (543,865)	\$ (507,389)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	602,368	601,831
(Increase) decrease in assets - accounts receivable	(3,146)	18,706
Increase (decrease) in liabilities:		
Accounts payable	(65,431)	61,337
Accrued payroll and related liabilities	(308)	420
Deposits	9,200	-
Unearned revenue	(7,366)	6,692
<b>Net Cash from (for) Operating Activities</b>	<b>\$ (8,548)</b>	<b>\$ 181,597</b>
<b>Noncash Capital and Related Financing Activities</b>		
Purchase of equipment included in accounts payable	\$ 194,925	\$ -

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

<i>December 31,</i>	2014	2013
Grants and other external contributions	\$ 38,870,677	\$ 37,139,338
Related accumulated amortization	(25,229,100)	(25,714,005)
Contributions from other funds	17,472,393	17,122,393
City-generated deficit	(3,546,629)	(2,422,442)
<b>Total Net Position</b>	<b>\$ 27,567,341</b>	<b>\$ 26,125,284</b>

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

<i>December 31,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 690,193	\$ 618,372
<b>Property, Plant and Equipment</b>		
Improvements other than buildings	513,540	513,540
Equipment	150,360	150,360
Total property, plant and equipment in service	663,900	663,900
Less accumulated depreciation	(576,293)	(551,817)
<b>Net Property, Plant and Equipment in Service</b>	<b>87,607</b>	<b>112,083</b>
<b>Total Assets</b>	<b>\$ 777,800</b>	<b>\$ 730,455</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 323	\$ 11,112
Accrued payroll and related liabilities	-	74
<b>Total Current Liabilities</b>	<b>323</b>	<b>11,186</b>
<b>Net Position</b>		
Net investment in capital assets	87,607	112,083
Unrestricted	689,870	607,186
<b>Total Net Position</b>	<b>777,477</b>	<b>719,269</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 777,800</b>	<b>\$ 730,455</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Operating Revenues - parking fees</b>	\$ 293,379	\$ 312,248
<b>Operating Expenses</b>		
Salaries and employee benefits	123,937	70,871
Supplies and maintenance	16,873	12,550
Purchased services	21,800	4,620
Rents and leases	13,000	13,000
Administration and general	19,065	25,934
Depreciation	24,476	23,968
<b>Total Operating Expenses</b>	219,151	150,943
<b>Earnings from Operations</b>	74,228	161,305
<b>Nonoperating Revenues - investment income</b>	7,450	227
<b>Earnings Before Transfers</b>	81,678	161,532
Transfers out	(23,470)	(24,980)
<b>Change in Net Position</b>	58,208	136,552
<b>Net Position, beginning</b>	719,269	582,717
<b>Net Position, ending</b>	\$ 777,477	\$ 719,269

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

<i>Year Ended December 31,</i>	2014	2013
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 293,379	\$ 312,248
Payments to suppliers	(62,462)	(26,058)
Payments to employees	(124,011)	(70,966)
Payments for interfund services used	(19,065)	(25,934)
<b>Net cash flows from operating activities</b>	<b>87,841</b>	<b>189,290</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers out	(23,470)	(24,980)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of property, plant and equipment	-	(10,554)
<b>Cash Flows from Investing Activities</b>		
Investment income received	7,450	227
<b>Net Increase in Cash and Investments</b>	<b>71,821</b>	<b>153,983</b>
<b>Cash and Investments, beginning</b>	<b>618,372</b>	<b>464,389</b>
<b>Cash and Investments, ending</b>	<b>690,193</b>	<b>618,372</b>
<b>Reconciliation of Earnings from Operations to Net Cash from Operating Activities</b>		
Earnings from operations	74,228	161,305
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Depreciation	24,476	23,968
Increase (decrease) in liabilities:		
Accounts payable	(10,789)	4,112
Accrued payroll and related liabilities	(74)	(95)
<b>Net Cash from Operating Activities</b>	<b>\$ 87,841</b>	<b>\$ 189,290</b>

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

---

<i>December 31,</i>	2014	2013
Grants and other external contributions	\$ 425,893	\$ 425,893
Related accumulated amortization	(425,893)	(425,893)
Contributions from other funds	7,650	7,650
City-generated equity	769,827	711,619
<b>Total Net Position</b>	<b>\$ 777,477</b>	<b>\$ 719,269</b>

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

December 31,	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 4,055,188	\$ 3,217,111
Receivables:		
Accounts	6,935,000	2,917,000
Other	470,795	150,000
Less allowance for doubtful accounts	(1,017,000)	(719,000)
Net receivables	6,388,795	2,348,000
<b>Total Current Assets</b>	<b>10,443,983</b>	<b>5,565,111</b>
Restricted Cash and Investments - bond retirement	1,973,360	1,973,360
<b>Other Assets</b>	<b>118,000</b>	<b>306,650</b>
<b>Property, Plant and Equipment</b>		
Buildings	22,788,808	24,034,704
Infrastructure	843,185	843,185
Improvements other than buildings	8,168,850	8,168,850
Equipment	4,930,986	4,589,802
Total property, plant and equipment in service	36,731,829	37,636,541
Less accumulated depreciation	(16,218,430)	(13,902,811)
<b>Net Property, Plant and Equipment in Service</b>	<b>20,513,399</b>	<b>23,733,730</b>
<b>Total Assets</b>	<b>\$ 33,048,742</b>	<b>\$ 31,578,851</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 190,000	\$ 320,439
Accrued payroll and related liabilities	990,000	1,036,000
Accrued interest	350,765	364,295
Current portion:		
Bonds payable	825,000	785,000
Interfund loan payable	72,898	69,262
Unearned revenue	1,893,000	20,000
Payable to Providence Health and Services - Washington	5,454,000	2,360,000
Due to contractual agencies	-	406,000
<b>Total Current Liabilities</b>	<b>9,775,663</b>	<b>5,360,996</b>
<b>Noncurrent Liabilities, net of current portion</b>		
Bonds payable	23,250,000	24,075,000
Interfund loan payable	1,104,367	1,177,265
Other liabilities	112,000	249,000
Unamortized bond premium	320,802	337,045
<b>Total Noncurrent Liabilities</b>	<b>24,787,169</b>	<b>25,838,310</b>
<b>Total Liabilities</b>	<b>34,562,832</b>	<b>31,199,306</b>
<b>Net Position</b>		
Net investment in capital assets	(1,909,043)	510,045
Unrestricted (deficit)	394,953	(130,500)
<b>Total Net Position</b>	<b>(1,514,090)</b>	<b>379,545</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 33,048,742</b>	<b>\$ 31,578,851</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Operating Revenues</b>		
Net patient service revenues	\$ 17,853,000	\$ 20,948,000
Miscellaneous	151,351	932,406
<b>Total Operating Revenues</b>	<b>18,004,351</b>	<b>21,880,406</b>
<b>Operating Expenses</b>		
Salaries and employee benefits	11,399,000	11,851,000
Purchased services	2,347,050	3,014,007
Supplies and maintenance	1,007,126	1,068,308
Administration and general	873,173	1,251,035
Depreciation	2,201,219	2,292,696
<b>Total Operating Expenses</b>	<b>17,827,568</b>	<b>19,477,046</b>
<b>Earnings from Operations</b>	<b>176,783</b>	<b>2,403,360</b>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	104	2,730
Interest expense	(1,270,392)	(1,337,533)
Nonoperating grant	1,000	4,000
Loss on disposal of capital assets	(1,246,969)	(43,463)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(2,516,257)</b>	<b>(1,374,266)</b>
<b>Earnings (Loss) before Contributions and Transfers</b>	<b>(2,339,474)</b>	<b>1,029,094</b>
Capital contributions	219,505	244,338
Contributions to Seward Community Health Center	-	(14,582)
Transfers in	1,136,752	1,136,104
Transfers out	(910,418)	(134,704)
<b>Change in Net Position</b>	<b>(1,893,635)</b>	<b>2,260,250</b>
<b>Net Position, beginning</b>	<b>379,545</b>	<b>(1,880,705)</b>
<b>Net Position, ending</b>	<b>\$ (1,514,090)</b>	<b>\$ 379,545</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 15,836,556	\$ 22,666,406
Payments to suppliers	(338,965)	(5,035,526)
Payments to employees	(11,445,000)	(11,846,000)
Payments for interfund services used	(873,173)	(1,251,035)
<b>Net cash flows from operating activities</b>	<b>3,179,418</b>	<b>4,533,845</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers in	1,136,752	1,136,104
Transfers out	(910,418)	(134,704)
<b>Net cash flows from noncapital financing activities</b>	<b>226,334</b>	<b>1,001,400</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Principal payments on long-term debt	(785,000)	(1,460,000)
Acquisition of property, plant, and equipment	(227,857)	(332,194)
Principal payments on interfund loans	(69,262)	(2,039,167)
Capital contributions received	220,505	233,756
Interest payments on long-term debt	(1,300,165)	(1,372,946)
Increase (decrease) in due to contractual agencies	(406,000)	214,000
<b>Net cash flows for capital and related financing activities</b>	<b>(2,567,779)</b>	<b>(4,756,551)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	104	2,730
<b>Net Increase in Cash and Investments</b>	<b>838,077</b>	<b>781,424</b>
<b>Cash and Investments, beginning</b>	<b>5,190,471</b>	<b>4,409,047</b>
<b>Cash and Investments, ending</b>	<b>\$ 6,028,548</b>	<b>\$ 5,190,471</b>
<b>Reconciliation of Cash and Investments to Statement of Net Position</b>		
Current assets	\$ 4,055,188	\$ 3,217,111
Restricted assets	1,973,360	1,973,360
<b>Total Cash and Investments</b>	<b>\$ 6,028,548</b>	<b>\$ 5,190,471</b>
<b>Reconciliation of Earnings from Operations to Net Cash from Operating Activities</b>		
Earnings from operations	\$ 176,783	\$ 2,403,360
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Depreciation	2,201,219	2,292,696
Increase in allowance for doubtful accounts	298,000	23,000
(Increase) decrease in assets:		
Accounts receivable	(4,338,795)	539,000
Other assets	188,650	175,350
Increase (decrease) in liabilities:		
Accounts payable	(130,439)	136,439
Other payables	2,957,000	(1,029,000)
Accrued payroll and related liabilities	(46,000)	5,000
Unearned revenue	1,873,000	(12,000)
<b>Net Cash from Operating Activities</b>	<b>\$ 3,179,418</b>	<b>\$ 4,533,845</b>

*This page intentionally left blank.*

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

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

<i>December 31,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments	\$ 736,050	\$ 1,267,851
Receivables:		
Accrued interest	48,197	52,227
Interfund loans	226,613	75,571
<b>Total Current Assets</b>	<b>1,010,860</b>	<b>1,395,649</b>
<b>Interfund Loans, net of current portion</b>	<b>1,717,944</b>	<b>915,470</b>
<b>Property, Plant and Equipment</b>		
Equipment and vehicles	6,162,868	5,948,624
Less accumulated depreciation	(4,010,009)	(3,571,607)
<b>Net Property, Plant and Equipment</b>	<b>2,152,859</b>	<b>2,377,017</b>
<b>Total Assets</b>	<b>\$ 4,881,663</b>	<b>\$ 4,688,136</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accrued interest	-	97
Current portion of capital lease obligations	-	31,320
<b>Total Liabilities</b>	<b>-</b>	<b>31,417</b>
<b>Net Position</b>		
Net investment in capital assets	2,152,859	2,345,697
Unrestricted	2,728,804	2,311,022
<b>Total Net Position</b>	<b>4,881,663</b>	<b>4,656,719</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 4,881,663</b>	<b>\$ 4,688,136</b>

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

<i>Year Ended December 31,</i>	2014	2013
<b>Operating Revenues - vehicle rental</b>	\$ 582,890	\$ 674,365
<b>Operating Expenses</b>		
Depreciation	438,402	413,535
Supplies and maintenance	815	13,705
<b>Total Operating Expenses</b>	439,217	427,240
<b>Earnings from Operations</b>	143,673	247,125
<b>Nonoperating Revenues (Expenses)</b>		
Gain on disposal of capital assets	-	1,120
Investment income	60,376	52,599
Insurance recovery	21,006	-
Interest expense	(111)	(4,231)
<b>Net Nonoperating Revenues (Expenses)</b>	81,271	49,488
<b>Change in Net Position</b>	224,944	296,613
<b>Net Position, beginning</b>	4,656,719	4,360,106
<b>Net Position, ending</b>	\$ 4,881,663	\$ 4,656,719

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

<i>Year Ended December 31,</i>	2014	2013
<b>Cash Flows from Operating Activities</b>		
Receipts from vehicle rentals and other charges	\$ 582,890	\$ 674,365
Payments to suppliers	(815)	(240,902)
<b>Net cash flows from operating activities</b>	<b>582,075</b>	<b>433,463</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Principal payments on capital lease obligations	(31,320)	(198,178)
Interest payments on capital lease obligations	(208)	(6,738)
Acquisition of equipment and vehicles	(214,244)	(179,765)
Insurance recovery	21,006	-
Proceeds from sale of capital assets	-	1,120
<b>Net cash flows from capital and related financing activities</b>	<b>(224,766)</b>	<b>(383,561)</b>
<b>Cash Flows for Investing Activities</b>		
Interfund loan receipts	75,571	71,745
Interfund loan disbursements	(1,029,087)	-
Investment income received	64,406	56,424
<b>Net cash flows from (for) investing activities</b>	<b>(889,110)</b>	<b>128,169</b>
<b>Net Increase in Cash and Investments</b>	<b>(531,801)</b>	<b>178,071</b>
<b>Cash and Investments, beginning</b>	<b>1,267,851</b>	<b>1,089,780</b>
<b>Cash and Investments, ending</b>	<b>\$ 736,050</b>	<b>\$ 1,267,851</b>
<b>Reconciliation of Earnings from Operations to Net Cash from Operating Activities</b>		
Earnings from operations	\$ 143,673	\$ 247,125
Adjustments to reconcile earnings from operations to net cash flows from operating activities:		
Depreciation	438,402	413,535
Decrease in assets - prepaid expenses	-	7,895
Decrease in liabilities - account payable	-	(235,092)
<b>Net Cash from Operating Activities</b>	<b>\$ 582,075</b>	<b>\$ 433,463</b>

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

<i>Year Ended December 31,</i>	2014	2013
Grants and other external contributions	\$ 97,289	\$ 97,289
Related accumulated amortization	(97,289)	(97,289)
Contributions from other funds	832,324	832,324
City-generated equity	4,049,339	3,824,395
<b>Total Net Position</b>	<b>\$ 4,881,663</b>	<b>\$ 4,656,719</b>

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

<i>December 31,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets - cash and investments</b>	\$ 475,070	\$ 415,200
<b>Liabilities</b>		
<b>Current Liabilities - accrued annual leave</b>	\$ 119,049	\$ 109,956
<b>Noncurrent Liabilities, net of current portion - accrued annual leave</b>	356,021	305,244
<b>Total Liabilities</b>	\$ 475,070	\$ 415,200

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

<i>Year Ended December 31,</i>	2014	2013
Operating Revenues - interfund charges	\$ 435,180	\$ 385,937
Operating Expenses - salaries and employee benefits	435,180	385,937
Change in Net Position	-	-
Net Position, beginning	-	-
Net Position, ending	\$ -	\$ -

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

<i>Year Ended December 31,</i>	2014	2013
<b>Cash Flows from (for) Operating Activities</b>		
Receipts from interfund charges	\$ 435,180	\$ 385,937
Payments to employees	(375,310)	(425,341)
Net cash flows from (for) operating activities	59,870	(39,404)
<b>Cash and Investments, beginning</b>	415,200	454,604
<b>Cash and Investments, ending</b>	\$ 475,070	\$ 415,200
<b>Reconciliation of Earnings from Operations to Net</b>		
<b>Cash from (for) Operating Activities</b>		
Earnings from operations	\$ -	\$ -
Adjustments to reconcile earnings from operations to net cash flows from (for) operating activities - increase (decrease) in accrued annual leave	59,870	(39,404)
<b>Net Cash from (for) Operating Activities</b>	\$ 59,870	\$ (39,404)

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

<i>Year Ended December 31, 2014</i>	Balance at January 1, 2014	Additions	Deletions	Balance at December 31, 2014
<b>Assets</b>				
Cash and investments	\$ 51,364	\$ 24,389	\$ 25,869	\$ 49,884
Other assets	150	-	-	150
<b>Total Assets</b>	<b>\$ 51,514</b>	<b>\$ 24,389</b>	<b>\$ 25,869</b>	<b>\$ 50,034</b>
<b>Liabilities</b>				
Accounts payable	\$ 7,241	\$ -	\$ 5,818	\$ 1,423
Other accrued liabilities	60	133	-	193
Due to Teen Council	44,213	24,256	20,051	48,418
<b>Total Liabilities</b>	<b>\$ 51,514</b>	<b>\$ 24,389</b>	<b>\$ 25,869</b>	<b>\$ 50,034</b>

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

<i>December 31,</i>	2014	2013
<b>Capital Assets</b>		
Land and land improvements	\$ 5,509,589	\$ 5,432,289
Buildings	70,147,968	69,977,179
Improvements other than buildings	22,395,774	21,971,826
Equipment *	8,849,577	8,410,883
Construction in progress	258,593	168,272
<b>Total Capital Assets</b>	<b>\$ 107,161,501</b>	<b>\$ 105,960,449</b>

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

## City of Seward, Alaska

## Schedule of Changes in Governmental Capital Assets

<i>Year Ended December 31, 2014</i>	Balance at January 1, 2014	Additions/ Reclass	Deletions/ Reclass	Balance at December 31, 2014
Land and land improvements	\$ 5,432,289	\$ 77,300	\$ -	\$ 5,509,589
Buildings	69,977,179	170,789	-	70,147,968
Improvements other than buildings	21,971,826	423,948	-	22,395,774
Equipment	8,410,883	438,694	-	8,849,577
Construction in progress	168,272	102,972	12,651	258,593
	\$ 105,960,449	\$ 1,213,703	\$ 12,651	\$ 107,161,501

**City of Seward, Alaska**  
**Schedule of Governmental Capital Assets by Function and Activity**  
**December 31, 2014**

Function and Activity	Land and Land Improve- ments	Buildings	Improve- ments Other than Buildings	Equipment	Total
<b>General Government</b>					
City Council/Mayor	\$ -	\$ -	\$ -	\$ 44,554	\$ 44,554
City manager	-	-	-	495,092	495,092
City clerk	-	-	-	33,910	33,910
Finance	-	-	-	167,675	167,675
Community development	-	5,232	-	7,142	12,374
Municipal building	-	3,178,250	29,091	55,596	3,262,937
Alaska SeaLife Center	-	50,029,497	3,252,868	4,666,761	57,949,126
General services	-	1,479,080	8,005,937	53,025	9,538,042
Community and Senior Center	-	2,524,330	-	-	2,524,330
Non-departmental	5,509,589	49,063	-	19,805	5,578,457
<b>Total General Government</b>	<b>5,509,589</b>	<b>57,265,452</b>	<b>11,287,896</b>	<b>5,543,560</b>	<b>79,606,497</b>
<b>Public Safety</b>					
Police	-	-	-	1,705,377	1,705,377
Jail	-	-	-	9,408	9,408
Animal control	-	156,720	-	-	156,720
Fire	-	1,185,895	46,746	874,369	2,107,010
Building inspection	-	-	-	2,600	2,600
Seward Volunteer Ambulance Corp	-	58,382	-	38,508	96,890
<b>Total Public Safety</b>	<b>-</b>	<b>1,400,997</b>	<b>46,746</b>	<b>2,630,262</b>	<b>4,078,005</b>
<b>Public Works</b>					
Streets	-	254,567	9,487,895	278,538	10,021,000
Engineering	-	-	-	3,621	3,621
City shop	-	785,766	-	78,970	864,736
<b>Total Public Works</b>	<b>-</b>	<b>1,040,333</b>	<b>9,487,895</b>	<b>361,129</b>	<b>10,889,357</b>
Parks and recreation	-	744,071	1,573,237	251,957	2,569,265
Library	-	9,697,115	-	62,669	9,759,784
<b>Total Capital Assets</b>					
<b>Allocated to Functions</b>	<b>\$ 5,509,589</b>	<b>\$ 70,147,968</b>	<b>\$ 22,395,774</b>	<b>\$ 8,849,577</b>	<b>106,902,908</b>
Construction in progress					258,593
<b>Total Capital Assets</b>					<b>\$ 107,161,501</b>

## City of Seward, Alaska

Schedule of Changes in Governmental Capital Assets by Function and Activity  
Year Ended December 31, 2014

Function and Activity	Capital Assets at January 1, 2014	Additions/Reclass	Deletions/Reclass	Capital Assets at December 31, 2014
<b>General Government</b>				
City Council/Mayor	\$ 44,554	\$ -	\$ -	\$ 44,554
City manager	495,092	-	-	495,092
City clerk	33,910	-	-	33,910
Finance	97,115	70,560	-	167,675
Community development	12,374	-	-	12,374
Municipal building	3,251,710	11,227	-	3,262,937
Alaska Sealife Center	57,767,697	181,429	-	57,949,126
General services	9,538,042	-	-	9,538,042
Community and Senior Center	2,524,330	-	-	2,524,330
Non-departmental	5,501,157	77,300	-	5,578,457
<b>Total General Government</b>	<b>79,265,981</b>	<b>340,516</b>	<b>-</b>	<b>79,606,497</b>
<b>Public Safety</b>				
Police	1,682,105	23,272	-	1,705,377
Jail	9,408	-	-	9,408
Animal control	156,720	-	-	156,720
Fire	2,017,015	89,995	-	2,107,010
Building inspection	2,600	-	-	2,600
Seward Volunteer Ambulance Corp	12,210	84,680	-	96,890
<b>Total Public Safety</b>	<b>3,880,058</b>	<b>197,947</b>	<b>-</b>	<b>4,078,005</b>
<b>Public Works</b>				
Streets	9,574,888	446,112	-	10,021,000
Engineering	3,621	-	-	3,621
City shop	851,232	13,504	-	864,736
<b>Total Public Works</b>	<b>10,429,741</b>	<b>459,616</b>	<b>-</b>	<b>10,889,357</b>
Parks and recreation	2,456,613	112,652	-	2,569,265
Library	9,759,784	-	-	9,759,784
Construction in progress	168,272	102,972	12,651	258,593
	\$ 105,960,449	\$ 1,213,703	\$ 12,651	\$ 107,161,501

**City of Seward, Alaska**  
**Schedule of Expenditures of Federal Awards**  
Year Ended December 31, 2014

Grant Title	Catalog of Federal Domestic Assistance Number	Grant Number	Total Grant Award	Federal Share of Expen- ditures
<b>Department of Agriculture</b>				
Passed through State of Alaska Department of Natural Resources - 2014 Volunteer Fire Assistance Grant	10.664	2014VFA	\$ 9,455	<u>\$ 9,455</u>
<b>Department of Commerce</b>				
Passed through State of Alaska Department of of Education & Early Development - Alaska OWL Project FY14 IT Aide Award	11.557	02-42-B10560	6,160	<u>5,219</u>
<b>Department of Defense</b>				
Navigation Projects - Seward Harbor	12.107	P2-010391	11,386,763	<u>11,386,763</u>
<b>Department of Interior</b>				
Passed through State of Alaska Department of Fish and Game - Seward Harbor Boat Sewage Pump-Out Station	15.616	COOP 14-157	39,576	12,638
Passed through State of Alaska Department of Commerce, Community & Economic Development - Seward NE Harbor Fish Cleaning Station	15.668	10-CIAP-036	579,000	54,594
Passed through State of Alaska Department of Natural Resources - Seward Historic Preservation Plan Revision	15.904	HPF-13596	8,052	5,287
Passed through Kenai Mountains-Turnagain Arm Communities Association - Seward Historic Preservation Plan Revision	15.939	N/A	3,000	<u>3,000</u>
<b>Total Department of Interior</b>				<u>75,519</u>
<b>Department of Justice</b>				
Bullet Proof Vest Partnership Program	16.607	N/A	1,282	<u>1,282</u>
<b>Department of Transportation</b>				
Passed through State of Alaska Department of Transportation and Public Facilities - AK Highway Safety DUI High Visibility Enforcement	20.607	154AL-14-01-00(A)-12	881	881
AK Highway Safety DUI High Visibility Enforcement	20.608	164AL-15-01-00(A)-9	1,101	<u>1,101</u>
<b>Total Department of Transportation</b>				<u>1,982</u>
<b>Institute of Museum and Library Services</b>				
Passed through State of Alaska Department of Education and Early Development - Continuing Education Program	45.310	CED-14-770-198	2,000	<u>2,000</u>
<b>Department of Health &amp; Human Services</b>				
Seward Community Health Center - HRSA	93.224	H80CS26600	1,039,750	<u>864,354</u>

**City of Seward, Alaska**  
**Schedule of Expenditures of Federal Awards, continued**  
 Year Ended December 31, 2014

Grant Title	Catalog of Federal Domestic Assistance Number	Grant Number	Total Grant Award	Federal Share of Expen- ditures
<b>Department of Homeland Security</b>				
Assistance to Firefighters - Radios	97.044	EMW-2009-FO-11029	\$ 69,909	\$ 1,258
Assistance to Firefighters - Operation and Safety	97.044	EMW-2012-FO-04243	24,377	<u>24,377</u>
Total CFDA 97.044				<u>25,635</u>
Passed through State of Alaska Department of Commerce, Community & Economic Development - ASFPM Conference				
	97.023	AR-29820	5,000	<u>4,573</u>
Passed through State of Alaska Department of Military and Veterans Affairs:				
September 2012 Flood (FEMA)	97.036	FEMA-4094-DR-AK	390,187	39,493
October 2013 Flood (FEMA)	97.036	FEMA-4161-DR-AK	121,336	<u>24,448</u>
Total CFDA 97.036				<u>63,941</u>
Dairy Hill Drainage Upgrade (FEMA)	97.039	1865.0003	262,487	<u>199,195</u>
State Homeland Security Program	97.067	11SHSP-GR34076	48,336	<u>48,336</u>
<b>Total Department of Homeland Security</b>				<u>341,680</u>
<b>Total Federal Financial Assistance</b>				<u>\$ 12,688,254</u>

**City of Seward, Alaska**  
**Schedule of State Financial Assistance**  
**Year Ended December 31, 2014**

Grant Title	Grant Number	Total Grant Award	State Share of Expendi- tures
<b>Department of Commerce, Community and Economic Development</b>			
Community Library	11-DC-374	\$ 4,700,000	\$ 10,586
Fisheries Resource Landing	N/A	18,247	18,247
Harbor Restroom Renovations	12-DC-615	130,000	19,640
* Marine Industrial Center Expansion	13-GO-014	10,000,000	1,731,339
* State Revenue Sharing	N/A	214,826	214,826
Passed through Kenai Peninsula Borough - * Dairy Hill Mitigation and Land Acquisition	14-DC-070	175,967	146,307
<b>Total Department of Commerce, Community and Economic Development</b>			<u>2,140,945</u>
<b>Department of Military and Veteran Affairs</b>			
Dairy Hill Drainage Upgrade	1865.0003	87,496	66,399
September 2012 Flood	FEMA-4094-DR-AK	130,062	13,164
Oct 2013 Flood/Storm	FEMA-4161-DR-AK	40,177	8,149
<b>Total Department of Military and Veteran Affairs</b>			<u>87,712</u>
<b>Department of Revenue</b>			
* Fish Taxes	N/A	482,543	482,543
Liquor Licenses	N/A	16,700	16,700
* Commercial Passenger Vessel Tax 2011	N/A	324,865	290,271
* Commercial Passenger Vessel Tax 2012	N/A	343,265	297,354
Passed through Kenai Peninsula Borough: * Commercial Passenger Vessel Tax 2011	N/A	1,086,570	370,885
<b>Total Department of Revenue</b>			<u>1,457,753</u>
<b>Department of Natural Resources</b>			
2014 Fire Incident in Soldotna	73403140	18,921	18,921
<b>Department of Administration</b>			
* PERS Relief	N/A	1,423,759	1,423,759
<b>Department of Transportation and Public Facilities</b>			
* Seward Small Boat Harbor D-Float Replacement	13-HG-009	1,143,286	233,484
<b>Department of Education and Early Development</b>			
Public Library Assistance	PLA-14-770-68	6,600	2,637
Public Library Assistance	PLA-14-770-65	6,650	1,298
<b>Total Department of Education and Early Development</b>			<u>3,935</u>
<b>Alaska Energy Authority</b>			
* Seward Power Plant Intergration	7910011	5,940,000	906,907
<b>Total State Financial Assistance</b>			<u>\$ 6,273,416</u>

\* Major program

## City of Seward, Alaska

### Notes to Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance Year Ended December 31, 2014

---

#### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and the schedule of state financial assistance (the "Schedules") include the federal and state grant activity of City of Seward, Alaska under programs of the federal government and State of Alaska for the year ended December 31, 2014. The information in the Schedules is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedules present only a selected portion of the operations of City of Seward, Alaska, they are not intended to and do not present the financial position, changes in net position or cash flows of City of Seward, Alaska.

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting.

#### 2. Navigation Projects - Seward Harbor - Federal Assistance

In 2014, the City has reported federal expenditures in the amount of \$11,386,763 associated with a Navigation Project conducted and administered by the Army Corps of Engineers. Amounts reported as "expended" represent receipt of the non-cash contribution of major rebuild of the Seward Harbor Breakwater. In 2014, the City recorded receipt of this asset in the Harbor Enterprise Fund and has capitalized this item as a land improvement.

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

Cash receipts for commercial passenger vessel taxes have been recorded as revenue in the Harbor Fund on an accrual basis. Any unspent portion of these funds, is reported as restricted net position in the fund financial statements. At December 31, 2014, the cumulative unspent Vessel Tax receipts were \$2,066,039. Total vessel tax funds expended in 2014 and reported on the schedule of state financial assistance were \$958,510.

*This page intentionally left blank.*

## 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.*

Contents	Page
<b>Financial Trends</b>	
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Table 1    Net Position by Component	140
Table 2    Changes in Net Position	141-142
Table 3    Fund Balances of Governmental Funds	143
Table 4    Changes in Fund Balances of Governmental Funds	144
Table 5    General Fund Revenues by Source	145
Table 6    General Fund Tax Revenues by Source	146
<b>Revenue Capacity</b>	
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources, sales and property tax.</i>	
Table 7    Property Tax Rates	147
Table 8    Property Tax Levies and Collections	148
Table 9    Assessed and Estimated Actual Value of Taxable Property	149
Table 10   Principal Property Taxpayers	150
Table 11   Principal Taxable Sales by Line of Business	151
<b>Debt Capacity</b>	
<i>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt</i>	
Table 12   Ratios of Outstanding Debt by Type	152
Table 13   Ratio of General Obligation Bonded Debt to Assessed Value and General Obligation Bonded Debt per Capita	153
Table 14   Computation of Direct and Overlapping Bonded Debt	154
Table 15   Legal Debt Margin	155
Table 16   Revenue Bond Coverage - Electric Enterprise Fund	156
Table 17   Revenue Bond Coverage - Harbor Enterprise Fund	157
<b>Demographic and Economic Information</b>	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Table 18   Demographic and Economic Statistics	158
Table 19   Principal Employment by Industry	159
Table 20   Full-Time Equivalent Employees by Fund	160
Table 21   Operating Indicators by Function	161
Table 22   Capital Asset Statistics by Function	162
Table 23   Property Value, Construction, and Bank Deposits	163
Table 24   Miscellaneous Statistics	164

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 56,495	56,663	58,016	58,016	56,208	56,122	56,122	61,393	60,740	59,408
Restricted	-	-	-	-	-	-	3,730	26	26	2,442
Unrestricted	5,946	5,901	5,025	5,993	8,619	9,983	5,785	8,669	10,143	8,715
<b>Total Governmental Activities</b>										
<b>Net Position</b>	\$ 62,441	62,564	63,041	64,009	64,827	66,105	65,637	70,088	70,909	70,565
<b>Business-type Activities</b>										
Net investment in capital assets	\$ 66,155	64,760	65,440	66,754	64,112	67,773	68,657	65,910	70,569	82,209
Restricted	-	-	16	700	2,111	3,465	1,388	5,150	5,441	2,066
Unrestricted	12,089	12,837	14,595	14,796	14,777	10,290	15,649	10,944	10,892	15,516
<b>Total Business-type Activities</b>										
<b>Net Position</b>	\$ 78,244	77,597	80,051	82,250	81,000	81,528	85,694	82,004	86,902	99,791
<b>Primary Government</b>										
Net investment in capital assets	\$ 122,650	121,423	123,456	124,770	120,320	123,895	124,779	127,302	131,309	141,617
Restricted	-	-	16	700	2,111	3,465	5,118	5,176	5,467	4,508
Unrestricted	18,035	18,738	19,620	20,789	23,396	20,273	21,434	19,613	21,035	24,231
<b>Total Primary Government</b>										
<b>Net Position</b>	\$ 140,685	140,161	143,092	146,259	145,827	147,633	151,331	152,091	157,811	170,356

Table 2

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 1,770,306	2,158,969	1,161,765	2,501,443	1,451,682	800,716	2,031,590	1,981,876	2,199,711	3,291,580
Public safety	2,383,911	2,440,488	2,980,785	2,934,607	3,029,935	3,168,421	3,140,921	3,360,091	3,510,922	3,476,471
Public works	1,383,178	1,704,296	2,450,977	1,310,474	1,456,468	1,991,925	1,988,748	2,410,794	1,851,321	1,635,967
Parks and recreation	1,099,556	1,073,945	981,222	1,236,411	1,247,366	1,462,365	1,395,705	1,320,447	1,338,404	1,315,282
Library	367,077	378,487	384,835	398,108	478,385	437,082	466,300	446,200	489,548	804,539
Clinic	-	-	-	-	-	-	-	-	-	1,454,476
Healthcare facilities	468,703	924,795	535,226	412,797	3,910,190	2,804,000	-	-	-	-
Seafire Center	1,028,302	1,578,315	1,672,365	1,736,147	1,294,636	731,528	51,939	965,206	848,940	1,279,570
Unallocated interest	432,438	347,367	306,989	116,906	236,982	1,505,248	173,993	206,778	208,840	157,984
<b>Total governmental activities expenses</b>	<b>8,933,471</b>	<b>10,608,662</b>	<b>10,674,164</b>	<b>10,646,893</b>	<b>13,105,644</b>	<b>12,901,285</b>	<b>9,249,196</b>	<b>10,691,392</b>	<b>10,447,686</b>	<b>13,415,869</b>
<b>Business-type activities:</b>										
Electric	6,863,724	9,195,187	8,029,054	8,626,745	10,363,820	8,569,240	10,493,512	9,935,695	10,590,994	10,255,601
Water	760,363	813,245	859,799	1,194,311	1,066,860	1,093,419	1,230,833	1,246,997	1,087,747	1,175,129
Wastewater	705,508	693,096	747,484	901,759	916,909	1,078,318	1,044,654	1,013,492	1,015,474	1,117,152
Harbor	2,402,810	2,648,290	2,457,216	3,006,069	3,934,866	5,947,066	3,676,190	4,243,734	3,837,952	3,792,623
Seward Marine Industrial Center	1,521,930	1,278,774	1,076,730	1,149,453	990,466	926,290	1,081,862	928,458	899,343	1,013,658
Healthcare facilities	-	-	-	-	-	-	20,416,615	21,856,797	20,858,042	20,344,929
Parking	112,013	117,150	129,623	119,723	118,309	157,229	205,407	237,522	146,239	214,775
<b>Total business-type activities expenses</b>	<b>12,366,348</b>	<b>14,745,742</b>	<b>13,299,906</b>	<b>14,998,060</b>	<b>17,391,230</b>	<b>17,771,562</b>	<b>38,149,073</b>	<b>39,462,695</b>	<b>38,435,791</b>	<b>37,913,867</b>
<b>Total Primary Government Expenses</b>	<b>\$ 21,299,819</b>	<b>25,354,404</b>	<b>23,974,070</b>	<b>25,644,953</b>	<b>30,496,874</b>	<b>30,672,847</b>	<b>47,398,269</b>	<b>50,154,087</b>	<b>48,883,477</b>	<b>51,329,736</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 61,798	106,589	400,074	196,240	223,545	201,335	190,795	184,410	202,893	282,318
Public safety	687,763	761,316	706,575	669,988	744,939	682,906	740,204	809,645	897,319	937,659
Public works	219,843	239,984	111,756	116,833	84,849	168,196	40,910	36,721	30,565	20,383
Parks and recreation	565,168	529,289	592,063	627,038	622,067	608,361	620,943	609,342	653,054	663,298
Library	8,601	8,677	7,736	12,800	14,799	13,794	9,953	9,208	29,911	39,707
Clinic	-	-	-	-	-	-	-	-	-	62,306
Healthcare facilities	-	-	-	-	-	2,569,886	-	-	-	-
Operating grants and contributions	157,809	148,785	680,176	84,144	542,354	620,310	1,128,278	1,037,711	1,002,434	1,148,124
Capital grants and contributions	880,372	2,124,245	1,459,744	999,171	2,860,172	1,709,977	3,573,497	3,442,599	23,034	819,241
<b>Total governmental activities program revenues:</b>	<b>2,581,354</b>	<b>3,918,885</b>	<b>3,958,124</b>	<b>2,706,214</b>	<b>5,092,725</b>	<b>6,574,765</b>	<b>6,304,580</b>	<b>6,129,636</b>	<b>2,839,210</b>	<b>3,973,036</b>
<b>Business-type activities:</b>										
Electric	7,381,178	7,979,436	8,428,106	8,565,180	9,060,636	8,842,150	10,309,524	11,224,511	11,040,608	11,433,004
Water	1,019,832	1,008,765	996,633	998,541	972,713	1,034,888	1,069,732	1,150,109	1,280,710	1,227,631
Wastewater	791,988	811,546	800,168	801,095	796,454	851,416	864,740	929,514	960,591	1,016,890
Harbor	1,943,424	2,499,065	2,751,916	2,776,676	2,596,924	2,803,828	2,968,021	3,169,744	3,235,923	3,212,432
Seward Marine Industrial Center	324,828	286,640	290,221	304,517	263,775	296,139	413,454	414,737	391,954	469,793
Healthcare facilities	-	-	-	-	-	-	16,838,000	18,728,364	21,880,406	18,004,351
Parking	177,098	175,792	182,133	240,339	162,120	192,046	268,105	293,443	312,248	293,379
Operating grants and contributions	-	1,240,476	65,247	159,595	445,228	2,674,610	401,734	154,295	170,531	472,944
Capital grants and contributions	3,149,335	4,255,514	2,578,739	2,769,005	2,354,601	1,988,430	2,291,919	1,732,343	4,125,258	14,713,420
<b>Total business-type activities program revenues</b>	<b>14,787,683</b>	<b>14,950,214</b>	<b>16,093,163</b>	<b>16,614,948</b>	<b>16,652,451</b>	<b>18,683,507</b>	<b>35,425,229</b>	<b>37,797,060</b>	<b>43,398,229</b>	<b>50,843,844</b>
<b>Total Primary Government Revenues</b>	<b>\$ 17,369,037</b>	<b>18,869,159</b>	<b>20,051,287</b>	<b>19,321,162</b>	<b>21,745,176</b>	<b>25,258,272</b>	<b>41,729,809</b>	<b>43,926,696</b>	<b>46,237,439</b>	<b>54,816,880</b>
<b>Net (Expenses)/Revenue</b>										
Governmental activities	\$ (6,352,117)	(6,689,777)	(6,716,040)	(7,940,679)	(8,012,919)	(6,326,520)	(2,944,616)	(4,561,756)	(7,608,476)	(9,442,833)
Business-type activities	2,421,335	204,532	2,793,257	1,616,888	(738,779)	911,945	(2,723,844)	(1,665,635)	4,962,438	12,929,977
<b>Total Primary Government Net Expense</b>	<b>\$ (3,930,782)</b>	<b>(6,485,245)</b>	<b>(3,922,783)</b>	<b>(6,323,791)</b>	<b>(8,751,698)</b>	<b>(5,414,575)</b>	<b>(5,668,460)</b>	<b>(6,227,391)</b>	<b>(2,646,038)</b>	<b>3,487,144</b>

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

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
<b>Taxes:</b>										
Sales tax	\$ 3,411,283	3,518,435	4,068,600	4,137,758	3,585,304	3,742,751	4,147,010	4,189,330	4,583,057	4,535,707
Property tax	802,539	864,906	862,258	943,832	986,473	960,397	999,737	1,025,266	1,261,276	989,910
Other tax	381,270	388,284	419,771	442,130	370,235	403,713	413,398	456,370	489,926	421,981
Grants and entitlements	339,074	388,766	538,799	1,354,871	670,761	753,653	1,346,755	1,250,895	1,491,511	1,766,622
Investment earnings	218,102	436,241	314,642	612,611	128,971	138,940	91,248	119,662	57,958	141,034
Other	-	(287,018)	-	-	1,622,052	347,281	-	-	-	-
Transfers	1,279,903	1,502,583	989,801	912,319	1,466,933	1,258,053	(1,290,998)	1,970,983	546,005	1,243,171
Special item -write-off NPO/OPEB	-	-	-	504,917	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>6,432,171</b>	<b>6,812,197</b>	<b>7,193,871</b>	<b>8,908,438</b>	<b>8,830,729</b>	<b>7,604,788</b>	<b>5,707,150</b>	<b>9,012,506</b>	<b>8,429,733</b>	<b>9,098,425</b>
<b>Business-type activities:</b>										
Investment earnings	323,821	650,078	651,763	640,277	184,566	149,288	203,129	209,176	138,115	236,175
Grants and entitlements	-	-	-	713,178	771,065	720,040	1,411,435	343,265	343,265	961,178
Other	362,218	-	-	139,952	-	5,000	-	-	-	5,520
Transfers	(1,279,903)	(1,502,583)	(989,801)	(912,319)	(1,466,933)	(1,258,053)	1,290,998	(1,970,983)	(546,005)	(1,243,171)
<b>Total business-type activities</b>	<b>(593,864)</b>	<b>(852,505)</b>	<b>(338,038)</b>	<b>581,088</b>	<b>(511,302)</b>	<b>(383,725)</b>	<b>2,905,562</b>	<b>(1,418,542)</b>	<b>(64,625)</b>	<b>(40,298)</b>
<b>Total primary government</b>	<b>5,838,307</b>	<b>5,959,692</b>	<b>6,855,833</b>	<b>9,489,526</b>	<b>8,319,427</b>	<b>7,221,063</b>	<b>8,612,712</b>	<b>7,593,964</b>	<b>8,365,108</b>	<b>9,058,127</b>
<b>Changes in Net Position</b>										
Governmental activities	\$ 80,054	122,420	477,831	967,759	817,810	1,278,268	2,762,534	4,450,750	821,257	(344,408)
Business-type activities	1,827,471	(647,973)	2,455,219	2,197,976	(1,250,081)	528,220	181,718	(3,084,177)	4,897,813	12,889,679
<b>Total Primary Government</b>	<b>\$ 1,907,525</b>	<b>(525,553)</b>	<b>2,933,050</b>	<b>3,165,735</b>	<b>(432,271)</b>	<b>1,806,488</b>	<b>2,944,252</b>	<b>1,366,573</b>	<b>5,719,070</b>	<b>12,545,271</b>
<b>Beginning Net Position</b>	\$ 138,778,409	140,685,934	140,160,381	143,093,431	146,259,166	145,826,895 **	148,386,437 **	150,725,348	152,091,921	157,810,991
<b>Ending Net Position</b>	140,685,934	140,160,381	143,093,431	146,259,166	145,826,895	147,633,383	151,330,689	152,091,921	157,810,991	170,356,262
<b>Change in Net Position</b>	\$ 1,907,525	(525,553)	2,933,050	3,165,735	(432,271)	1,806,488	2,944,252	1,366,573	5,719,070	12,545,271

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

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

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

<i>PRIOR TO GASB 54</i>	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund</b>										
Reserved	\$ 491,535	388,409	458,860	693,590	657,029	584,948				
Unreserved:										
Designated	2,569,418	2,569,418	2,126,418	2,126,418	2,126,418	2,126,418				
Undesignated	2,819,780	1,076,827	1,433,552	1,289,619	2,983,424	4,039,264				
<b>Total General Fund</b>	<b>\$ 5,880,733</b>	<b>4,034,654</b>	<b>4,018,830</b>	<b>4,109,627</b>	<b>5,766,871</b>	<b>6,750,630</b>				
<b>All Other Governmental Funds</b>										
Reserved - debt service	\$ 688,006	661,787	945,478	1,063,260	1,177,697	2,472,376				
Unreserved, reported in:										
Special revenue funds	22,148	(510,560)	(34,649)	409,326	100,330	75,369				
Capital projects funds	483,827	1,635,625	(315,698)	12,321,378	308,485	235,860				
<b>Total All Other Governmental Funds</b>	<b>\$ 1,193,981</b>	<b>1,786,852</b>	<b>595,131</b>	<b>13,793,964</b>	<b>1,586,512</b>	<b>2,783,605</b>				
<b>Total All Governmental Funds</b>	<b>\$ 7,074,714</b>	<b>5,821,506</b>	<b>4,613,961</b>	<b>17,903,591</b>	<b>7,353,383</b>	<b>9,534,235</b>				
 <i>POST GASB 54</i>										
<b>General Fund</b>										
Nonspendable							\$ 397,406	457,897	481,449	351,045
Committed							2,126,418	2,126,418	2,126,418	2,126,418
Assigned							-	-	120,768	271,966
Unassigned							3,510,601	4,827,055	5,948,459	4,698,970
<b>Total General Fund</b>							<b>\$ 6,034,425</b>	<b>7,411,370</b>	<b>8,677,094</b>	<b>7,448,399</b>
<b>All Other Governmental Funds</b>										
Nonspendable							\$ -	-	-	16,746
Restricted							279,901	26,080	26,080	-
Assigned							3,730,137	891,865	864,471	2,752,119
Unassigned (deficit)							(12,880)	(12,880)	-	-
<b>Total All Other Governmental Funds</b>							<b>\$ 3,997,158</b>	<b>905,065</b>	<b>890,551</b>	<b>2,768,865</b>
<b>Total All Governmental Funds</b>							<b>\$ 10,031,583</b>	<b>8,316,435</b>	<b>9,567,645</b>	<b>10,217,264</b>

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

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Taxes	\$ 4,581,860	4,756,073	5,363,265	5,535,081	4,932,555	5,102,154	5,563,249	5,661,136	6,351,525	6,027,632
Licenses and permits	164,628	278,515	144,654	129,956	214,966	148,948	160,096	159,114	204,926	185,925
Intergovernmental	1,891,500	3,057,175	2,072,811	2,355,038	3,907,151	3,409,407	6,542,863	5,749,394	3,091,794	3,921,858
Charges for Services	1,883,636	2,078,065	2,375,767	2,610,515	2,553,480	2,853,310	2,645,948	2,540,717	2,614,684	2,650,995
Investment earnings	218,102	436,241	314,642	612,611	128,971	138,940	25,744	56,752	5,359	80,658
Other revenues	170,791	256,427	125,186	789,411	2,448,998	3,334,671	167,034	708,556	186,662	693,177
<b>Total Revenues</b>	<b>8,910,517</b>	<b>10,862,496</b>	<b>10,396,325</b>	<b>12,032,612</b>	<b>14,186,121</b>	<b>14,987,430</b>	<b>15,104,934</b>	<b>14,875,669</b>	<b>12,454,950</b>	<b>13,560,245</b>
<b>Expenditures</b>										
General government	2,736,435	2,737,586	2,956,706	3,369,478	3,485,932	2,771,383	3,186,257	3,084,356	3,434,883	3,229,754
Public safety	2,878,864	2,792,296	3,011,920	3,333,433	4,774,604	4,127,704	4,767,575	3,535,153	3,280,724	3,480,308
Public works	1,425,348	1,962,053	2,678,493	1,662,695	1,618,075	1,886,709	1,883,297	2,339,996	1,832,897	1,659,642
Parks and Recreation	1,068,880	1,074,141	1,084,002	1,198,798	1,608,957	1,392,483	1,563,361	1,501,366	1,291,197	1,363,572
Library	313,348	332,577	339,222	368,696	463,427	1,026,797	2,364,176	7,291,434	535,747	572,512
Clinic	-	-	-	-	-	-	-	-	-	1,454,476
* Healthcare facilities	66,058	1,615,516	1,114,693	14,590,201	12,172,365	30,076	-	-	-	-
Retirement benefits	164,143	1,805,475	293,114	470,573	596,907	529,778	631,278	656,294	836,750	1,373,271
Capital outlay	-	-	-	-	-	-	-	-	378,147	775,862
Debt service:										
Principal	(a) 800,928	892,836	854,977	738,999	787,695	838,386	100,477	-	-	85,000
Interest and other costs	(a) 397,610	402,274	260,544	1,328,506	695,299	1,461,315	75,547	153,201	159,400	159,400
<b>Total Expenditures</b>	<b>9,851,614</b>	<b>13,614,754</b>	<b>12,593,671</b>	<b>27,061,379</b>	<b>26,203,261</b>	<b>14,064,631</b>	<b>14,571,968</b>	<b>18,561,800</b>	<b>11,749,745</b>	<b>14,153,797</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(941,097)</b>	<b>(2,752,258)</b>	<b>(2,197,346)</b>	<b>(15,028,767)</b>	<b>(12,017,140)</b>	<b>922,799</b>	<b>532,966</b>	<b>(3,686,131)</b>	<b>705,205</b>	<b>(593,552)</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds from debt issuance:										
Par value	-	-	-	-	-	-	3,480,000	-	-	-
Premium	-	-	-	-	-	-	259,854	-	-	-
Transfers in	3,126,673	3,731,769	3,631,316	3,176,788	2,947,053	2,792,441	1,979,290	4,263,668	2,389,220	5,003,400
Transfers out	(2,119,567)	(2,232,719)	(2,641,515)	(2,264,469)	(1,480,120)	(1,534,388)	(3,270,288)	(2,292,685)	(1,843,215)	(3,760,229)
Net bond proceeds	-	-	-	27,406,078	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,007,106</b>	<b>1,499,050</b>	<b>989,801</b>	<b>28,318,397</b>	<b>1,466,933</b>	<b>1,258,053</b>	<b>2,448,856</b>	<b>1,970,983</b>	<b>546,005</b>	<b>1,243,171</b>
<b>Net Change in Fund Balance</b>	<b>\$ 66,009</b>	<b>(1,253,208)</b>	<b>(1,207,545)</b>	<b>13,289,630</b>	<b>(10,550,207)</b>	<b>2,180,852</b>	<b>2,981,822</b>	<b>(1,715,148)</b>	<b>1,251,210</b>	<b>649,619</b>
<b>Fund Balances, beginning</b>	<b>\$ 7,008,705</b>	<b>7,074,714</b>	<b>5,821,506</b>	<b>4,613,961</b>	<b>17,903,590</b>	<b>7,353,383</b>	<b>7,049,761</b>	<b>10,031,583</b>	<b>8,316,435</b>	<b>9,567,645</b>
<b>Fund Balances, ending</b>	<b>7,074,714</b>	<b>5,821,506</b>	<b>4,613,961</b>	<b>17,903,590</b>	<b>7,353,383</b>	<b>9,534,235</b>	<b>10,031,583</b>	<b>8,316,435</b>	<b>9,567,645</b>	<b>10,217,264</b>
<b>Net Change in Fund Balances</b>	<b>\$ 66,009</b>	<b>(1,253,208)</b>	<b>(1,207,545)</b>	<b>13,289,629</b>	<b>(10,550,207)</b>	<b>2,180,852</b>	<b>2,981,822</b>	<b>(1,715,148)</b>	<b>1,251,210</b>	<b>649,619</b>
<i>Including Healthcare Facilities: #</i>										
Debt service as a percentage of noncapital expenditures (a ÷ b) ^	14.67%	10.37%	11.79%	18.36%	11.35%	19.96%	1.94%	1.48%	1.54%	2.36%
Total non-capital expenditures (b)	\$ 8,168,356	\$ 12,493,460	\$ 9,458,715	\$ 11,259,806	\$ 13,065,387	\$ 11,521,748	\$ 9,074,143	\$ 10,354,048	\$ 10,366,369	\$ 10,366,369
<i>Excluding Healthcare Facilities: #</i>										
Debt service as a percentage of noncapital expenditures (a ÷ b) ^	14.79%	11.91%	13.37%	-62.08%	166.06%	20.01%	1.94%	1.48%	1.54%	2.36%
Total non-capital expenditures (b)	\$ 8,102,298	\$ 10,877,944	\$ 8,344,022	\$ (3,330,395)	\$ 893,022	\$ 11,491,672	\$ 9,074,143	\$ 10,354,048	\$ 10,366,369	\$ 10,366,369

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

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

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

See Exhibit B-4 of CAFR

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

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-governmental</u>	<u>Charges for Services</u>	<u>Fines and Bails</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
2005	\$ 4,581,860	164,628	984,920	1,883,636	23,206	194,247	143,649	7,976,146
2006	4,756,073	200,015	1,066,093	2,078,065	16,073	392,379	175,079	8,683,777
2007	5,363,265	144,654	1,189,258	2,375,767	17,611	285,066	97,445	9,473,066
2008	5,535,081	129,956	1,935,174	2,610,515	18,209	226,854	141,602	10,597,391
2009	4,932,555	214,966	1,576,765	2,553,480	11,836	50,311	1,741,084 *	11,080,997
2010	5,102,154	148,948	1,411,651	2,853,310	10,210	122,710	532,390 *	10,181,373
2011	5,563,249	160,096	1,987,846	2,645,948	12,177	25,744	59,189	10,454,249
2012	5,661,136	159,114	1,953,472	2,540,717	8,386	56,690	51,824	10,431,339
2013	6,351,525	204,926	2,095,358	2,614,684	9,530	5,359	167,360	11,448,742
2014	6,027,632	185,925	2,611,218	2,650,995	14,073	80,658	124,873	11,695,374

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

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

Fiscal Year	Property Tax	Sales Tax (1)	Payments-in- Lieu-of-Tax	Hotel/Motel Tax (2)	Other (3)	Total
2005	\$ 787,503	3,411,283	96,614	284,656	1,804	4,581,860
2006	847,875	3,518,435	77,714	310,570	1,479	4,756,073
2007	873,513	4,068,600	76,609	343,162	1,381	5,363,265
2008	953,957	4,137,758	80,126	362,004	1,236	5,535,081
2009	975,687	3,585,304	84,922	285,313	1,329	4,932,555
2010	954,687	3,742,751	75,317	328,396	1,003	5,102,154
2011	1,001,020	4,147,010	78,574	334,824	1,821	5,563,249
2012	1,013,580	4,189,330	76,160	380,210	1,856	5,661,136
2013	1,276,898	4,583,057	81,670	408,256	1,644	6,351,525
2014	986,449	4,535,707	82,490	421,981	1,005	6,027,632

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>
2005	3.12	6.50	0.10	0.50	10.22
2006	3.12	6.50	0.10	0.50	10.22
2007	3.12	5.50	0.00	0.50	9.12
2008	3.12	4.50	0.00	0.50	8.12
2009	3.12	4.50	0.00	0.50	8.12
2010	3.12	4.50	0.00	0.50	8.12
2011	3.12	4.50	0.00	0.50	8.12
2012	3.12	4.50	0.00	0.50	8.12
2013	3.12	4.50	0.00	0.50	8.12
2014	3.12	4.50	0.00	0.50	8.12

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

Source: "Alaska Taxable, 2014"

**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
2005	\$ 762,207	\$ 744,646	97.696%	17,561	\$ 762,207	100.000%
2006	818,043	817,364	99.917%	652	818,016	99.997%
2007	847,411	816,305	96.329%	31,079	847,384	99.997%
2008	919,341	903,535	98.281%	15,779	919,314	99.997%
2009	948,693	937,198	98.788%	11,468	948,666	99.997%
2010	966,821	944,796	97.722%	22,001	966,797	99.997%
2011	966,657	945,194	97.780%	21,120	966,314	99.965%
2012	979,589	944,950	96.464%	34,003	978,953	99.935%
2013	1,237,645	1,212,490	97.967%	17,049	1,229,539	99.345%
2014	954,497	942,952	98.790%	-	942,952	98.790%

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	
2005	\$ 178,133,000	\$ 198,141,000	\$ 69,039,838	\$ 87,242,600	\$ 247,172,838	\$ 285,383,600	3.12	7.10	10.22	86.61%
2006	189,325,100	220,649,800	74,203,884	93,273,700	263,528,984	313,923,500	3.12	7.10	10.22	83.95%
2007	203,132,200	226,885,700	75,020,329	102,404,800	278,152,529	329,290,500	3.12	6.00	9.12	84.47%
2008	210,858,500	229,373,700	81,943,985	108,717,600	292,802,485	338,091,300	3.12	5.00	8.12	86.60%
2009	227,291,070	244,392,800	74,492,996	102,716,300	301,784,066	347,109,100	3.12	5.00	8.12	86.94%
2010	229,855,500	242,037,200	81,421,729	108,936,200	311,277,229	350,973,400	3.12	5.00	8.12	88.69%
2011	227,195,200	242,523,700	77,748,676	103,889,200	304,943,876	346,412,900	3.12	5.00	8.12	88.03%
2012	222,716,400	253,609,300	92,111,313	124,568,800	314,827,713	378,178,100	3.12	5.00	8.12	83.25%
2013	228,195,800	248,357,800	168,416,865 *	405,452,500 *	396,612,665	653,810,300	3.12	5.00	8.12	60.66%
2014	212,690,900	249,826,500	79,542,045	110,605,000	292,232,945	360,431,500	3.12	5.00	8.12	81.08%

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

Source: State of Alaska "Alaska Taxable 2014" (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.

**City of Seward, Alaska**  
**Principal Property Taxpayers**  
**Compared with Nine Years Ago**  
**December 31, 2014**

<u>Taxpayer (2)</u>	<u>Type of Business</u>	<u>2014</u>		<u>Percentage of Total Taxable Assessed Value (2)</u>		<u>2005</u>		<u>Percentage of Total Taxable Assessed Value (2)</u>	
		<u>Value (1)</u>	<u>Rank</u>	<u>Value (2)</u>	<u>Rank</u>	<u>Value (1)</u>	<u>Rank</u>	<u>Value (2)</u>	
Ciri Alaska Tourism	Tourism	\$ 13,578,671	1	4.6%					
Icicle Seafoods	Seafood processing	9,003,915	2	3.1%	5,667,015	3	2.3%		
Carr Gottstein	Grocery	7,022,000	3	2.4%	6,893,078	2	2.8%		
Breeze Inn Motel	Hotel/Retail	6,748,500	4	2.3%					
Seward Hospitality LLC	Hotel/Retail	6,711,400	5	2.3%					
GCI	Communications	5,095,355	6	1.7%	4,704,829	5	1.9%		
Shoreside Petroleum, Inc	Petroleum Products	4,728,472	7	1.6%	4,081,199	6	1.7%		
Y C Seward Hotel Group LLC	Hotel/Retail	4,032,500	8	1.4%					
Crowley Marine Services	Marine	3,995,507	9	1.4%					
Four Seasons Marine Services Corp	Marine	3,207,406	10	1.1%					
Pacific Park	Multi-Family Housing				2,930,700	8	1.2%		
Leirer Enterprises, Inc	Real Estate/Leasing				8,542,000	1	3.5%		
Seward Terminal, Inc	Coal Export				4,861,038	4	2.0%		
Hotel Edgewater	Hotel/Retail				3,010,596	7	1.2%		
Afognak Logging	Construction/Logging				2,694,930	9	1.1%		
Tel Alaska	Communications				2,543,277	10	1.0%		
Polar Equipment									
<b>Total</b>		<b>\$ 64,123,726</b>		<b>21.9%</b>	<b>\$ 45,928,662</b>		<b>15.7%</b>		

1) Includes real and personal property based on 2014 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 \$247,172,838 in 2005 and \$292,232,945 in 2014.

**City of Seward, Alaska**  
**Principal Taxable Sales by Line of Business**  
**December 31, 2014**

Type of Business	CY14 Taxable Sales (1)	Percent of Total Taxable Sales	CY05 Taxable Sales (2)	Percent of Total Taxable Sales
Retail Trade	\$ 45,384,945	39.2%	\$ 47,716,275	54.2%
Services (2)	2,041,289	1.8%	33,845,081	38.5%
Transportation, Communications, Public Utilities	1,857,858	1.6%	3,109,097	3.5%
Finance, Insurance, Real Estate	1,180,937	1.0%	1,757,644	2.0%
Construction	619,147	0.5%	705,441	0.8%
Manufacturing	860,747	0.7%	496,808	0.6%
Agriculture, Forestry, Fisheries	9,281	0.0%	254,646	0.3%
Wholesale Trade	5,205,213	4.5%	106,760	0.1%
Guiding Water	20,198,262	17.5%	-	0.0%
Restaurant/Bar	13,799,798	11.9%	-	0.0%
Hotel/Motel/Bed & Breakfast	12,789,342	11.1%	-	0.0%
Public Administration	7,207,211	6.2%	-	0.0%
Information	2,575,822	2.2%	-	0.0%
Rental Residential Property	1,907,146	1.6%	-	0.0%
	<b>\$ 115,636,998</b>	<b>100%</b>	<b>\$ 87,991,752</b>	<b>100%</b>

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

2) Services category is broken down in more detail in 2014; all blank Types of Business in 2005 can be considered "Services".

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

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

Fiscal Year	Governmental Activities (6)			Business-Type Activities (6)				Debt as a % of Total Personal Income (3)		Debt per Capita (4)		Debt as a % of Estimated Actual Taxable Value of Property (5)		
	G.O. Bonds (2) *	Revenue Bonds	Capital Leases	G.O. Bonds *	(2)	Revenue Bonds	Capital Leases	Loans	Total Primary Government	Governmental	Total Primary Gov't		Governmental	Total Primary Gov't
2005	\$ 6,348,571	-	257,533	521,429	-	6,410,000	-	465,543	14,003,076	8.0%	16.9%	2,601	5,513	4.91%
2006	5,576,146	-	185,143	373,854	-	10,590,000	-	410,429	17,135,572	6.4%	19.0%	2,211	6,575	5.46%
2007	4,737,655	-	109,184	222,345	-	10,175,000	-	3,007,351	18,251,535	4.9%	18.6%	1,845	6,948	5.54%
2008	4,015,782	-	45,777	169,218	-	42,645,000	-	3,544,957	50,420,734	3.7%	46.2%	1,526	18,948	14.91%
2009	3,245,875	-	811,244	114,124	-	42,000,000	-	3,487,373	49,658,616	3.9%	47.4%	1,555	19,034	14.31%
2010	2,425,970	-	614,731	59,030	-	41,325,000	-	2,930,316	47,355,047	2.7%	42.3%	1,129	17,584	13.49%
2011	3,480,000	-	420,717	1,550,000	-	39,930,000	-	2,775,339	48,156,056	3.2%	39.8%	1,427	17,620	13.90%
2012	3,480,000	-	229,498	710,000	-	38,475,000	-	2,155,164	45,049,662	2.9%	34.7%	1,347	16,358	11.91%
2013	3,480,000	-	31,320	-	-	36,945,000	-	1,968,688	42,425,008	2.9%	35.2%	1,412	17,059	6.49%
2014	3,395,000	-	-	-	-	35,065,000	-	1,840,021	40,300,021	2.5%	29.9%	1,227	14,559	11.18%

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: US Dept. of Commerce, Bureau of Economic Analysis. Personal income is estimated by multiplying Kenai Peninsula Borough per-capita personal income by Seward population, as Seward-specific data unavailable ([http://www.bea.gov/iTable/index\\_regional.cfm](http://www.bea.gov/iTable/index_regional.cfm))

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

5) Estimated Actual Taxable Value data can be found in State of Alaska "Alaska Taxable 2014" (<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.

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		
2005	2540	247,173	6,349	521	6,870	2.78%	2,705
2006	2606	263,529	5,576	374	5,950	2.26%	2,283
2007	2627	278,153	4,738	222	4,960	1.78%	1,888
2008	2661	292,802	4,016	169	4,185	1.43%	1,573
2009	2609	301,784	3,246	114	3,360	1.11%	1,288
2010	2693	311,277	2,426	59	2,485	0.80%	923
2011	2733	304,944	3,480	1,550	5,030	1.65%	1,840
2012	2754	314,828	3,480	710	4,190	1.33%	1,521
2013	2487	396,613 *	3,480	-	3,480	0.88%	1,399
2014	2768	292,233	3,395	-	3,395	1.16%	1,227

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

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

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

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

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

**City of Seward, Alaska**  
**Computation of Direct and Overlapping Bonded Debt**  
**December 31, 2014**

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to Seward	Amount Applicable to City of Seward
Direct:			
City of Seward	\$ 3,395,000 (1)	100%	\$ 3,395,000
Overlapping:			
Kenai Peninsula Borough (KPB)	<u>43,000,000 (2)</u>	4.2% (3)	<u>1,806,000</u>
	<u>\$ 46,395,000</u>		<u>\$ 5,201,000</u>

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

2) Source: KPB finance department. Total \$44,660,000 less Central Emergency Services unrelated to Seward.

3) Based on ratio of City of Seward assessed value (real and personal property = \$292,232,945) to total assessed value of the Kenai Peninsula Borough (\$6,970,238,357)

Source: "2014 Alaska Taxable" p. 50, 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, 2014

---

---

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	
2005	\$ 7,542,541	5,539,190	2,003,351	165,000	129,181	294,181	6.81
2006	8,246,477	7,855,990	390,487	210,000	87,500	297,500	1.31
2007	8,709,107	6,651,455	2,057,652	195,000	80,938	275,938	7.46
2008	8,920,730	6,396,886	2,523,844	205,000	175,825	380,825	6.63
2009	9,173,257	8,589,154	584,103	305,000	367,023	672,023	0.87
2010	8,903,337	6,854,897	2,048,440	315,000	353,586	668,586	3.06
2011	10,410,908	8,620,529	1,790,379	330,000	339,298	669,298	2.68
2012	11,344,047	7,844,098	3,499,949	345,000	323,987	668,987	5.23
2013	11,139,471	8,531,996	2,607,475	360,000	308,210	668,210	3.90
2014	11,236,195	8,073,997	3,162,198	380,000	290,053	670,053	4.72

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	
2005	\$ 2,002,229	1,310,211	692,018	105,000	150,542	255,542	2.71
2006	2,752,802	1,388,971	1,363,831	110,000	293,848	403,848	3.38
2007	2,905,013	1,472,842	1,432,171	310,000	376,504	686,504	2.09
2008	2,896,828	1,506,685	1,390,143	325,000	374,203	699,203	1.99
2009	2,632,937	1,903,985	728,952	340,000	356,540	696,540	1.05
2010	2,850,942	1,784,887	1,066,055	360,000	337,990	697,990	1.53
2011	3,017,003	2,040,903	976,100	385,000	318,459	703,459	1.39 *
2012	3,228,955	2,171,180	1,057,775	400,000	299,765	699,765	1.51
2013	3,266,821	2,187,206	1,079,615	420,000	284,374	704,374	1.53
2014	3,257,122	2,358,618	898,504	294,885	179,484	474,369	1.89

- 1) Total revenues, including interest, exclusive of grants.
- 2) Total operating expenses exclusive of depreciation and payments in lieu of taxes.
- 3) Includes principal and interest of revenue bonds only.
- 4) Revenue bond agreements require Net Revenue Available for Debt Service be at least 1.20 times the amount of the total annual debt service requirement.

\* Operating Expenses were restated in 2012 for 2011.

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

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

Fiscal Year	City of Seward				For the Kenai Peninsula Borough (A)			
	Population	School Enrollment	Personal Income (3)	Per Capita Personal Income (2)	Median Age (4)	Population (1)	School Enrollment	Unemployment Rate (4)
2005	2,540	632	82,622,522	32,529	38.0	51,765	9,527	8.70%
2006	2,606	580	90,000,187	34,536	39.7	51,350	9,389	8.10%
2007	2,627	577	98,161,737	37,366	39.1	52,370	9,368	7.60%
2008	2,661	523	109,122,276	41,008	39.2	52,990	9,250	7.80%
2009	2,609	569	104,873,601	40,197	39.2	52,990	9,256	9.80%
2010	2,693	549	111,946,230	41,569	39.4	53,578	9,145	10.00%
2011	2,733	552	121,108,458	44,313	40.6	55,400	9,148	9.50%
2012	2,754	593	129,770,945	47,121	40.6	56,369	9,083	8.60%
2013	2,487	574	120,583,227	48,485	41.4	56,756	8,892	7.90%
2014	2,768	588	134,880,295	48,728	40.0	56,862	8,832	7.80%

(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: US Dept of Commerce, Bureau of Economic Analysis for Kenai Peninsula Borough; specific data not available for Seward ([http://www.bea.gov/iTable/index\\_regional.cfm](http://www.bea.gov/iTable/index_regional.cfm))

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

Borough; assumed to be representative of Seward, as specific Seward data unavailable (<http://live.laborstats.alaska.gov/labforce/labdata.cfm?s=14&a=0>)

## City of Seward, Alaska

## Principal Employment by Industry - Current and Nine Years Ago

Industry	2014	2005
	Resident Workers	Resident Workers
Trade, Transportation and Utilities	232	238
Leisure and Hospitality	154	205
Educational and Health Services	121	123
Local Government	109	111
State Government	107	140
Professional and Business Services	90	37
Manufacturing	50	62
Construction	35	56
Other	28	26
Financial Activities	27	35
Natural Resources and Mining	25	26
Information	5	11
	983	1070

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

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
City Clerk	3.00	3.00	3.00	3.00	3.00	3.00	2.90	3.00	3.20	3.00
City Manager and Legislative	3.57	3.57	4.70	4.06	3.70	3.40	4.10	4.40	4.10	4.00
M.I.S.	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.50
Finance	7.19	7.19	7.00	7.12	7.50	6.70	6.90	7.10	6.70	7.00
Police, Jail, Animal Control	23.14	23.14	22.58	23.14	24.14	24.60	24.90	24.20	24.30	25.50
Fire	3.00	3.00	3.00	3.00	2.50	2.80	2.75	2.80	2.75	2.75
Building Inspection	3.00	3.00	3.00	2.00	1.94	1.20	1.25	1.20	1.25	1.25
Public Works	9.82	9.82	8.50	6.00	6.00	7.00	6.90	7.20	5.90	5.94
Community Development	2.10	2.10	3.30	3.52	4.16	2.70	1.90	1.60	2.00	2.00
Maintenance	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.10	2.03
Parks & Recreation	14.78	14.78	14.78	14.79	14.79	15.80	16.00	14.20	14.90	15.24
Library	4.20	4.20	4.20	4.50	4.50	4.50	4.60	4.50	4.60	4.59
<b>General Fund Total</b>	<b>77.80</b>	<b>77.80</b>	<b>78.06</b>	<b>75.13</b>	<b>76.23</b>	<b>75.70</b>	<b>76.20</b>	<b>74.20</b>	<b>73.80</b>	<b>75.80</b>
Parking	3.22	3.22	3.22	3.15	3.15	2.50	2.30	2.10	1.60	3.29
Harbor and SMIC	10.45	10.62	11.39	11.31	11.31	11.20	11.70	12.00	11.60	11.65
Electric	8.76	10.90	10.90	10.40	10.40	10.10	10.10	10.90	11.30	11.00
Water	3.00	3.00	3.00	3.00	2.88	2.70	2.70	2.70	2.60	3.53
Wastewater	2.00	2.00	2.00	2.00	1.88	2.70	2.60	2.50	2.60	2.53
<b>Total All Funds</b>	<b>105.23</b>	<b>107.54</b>	<b>108.57</b>	<b>104.99</b>	<b>105.85</b>	<b>104.90</b>	<b>105.60</b>	<b>104.40</b>	<b>103.50</b>	<b>107.80</b>

Source: City of Seward finance department

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Public Safety</b>										
Police Services:										
Physical arrests	458	305	257	257	290	253	300	251	345	289
Traffic violations/warnings	1,406	1,010	1,187	1,187	1,084	1,633	1,466	1,129	1400	1225
Parking violations	56	59	40	40	97	101	30	150	79	29
Fire and Emergency Services:										
Number of calls answered (a)	181	179	198	299	293	311	323	307	339	349
<b>Harbor</b>										
Registered vessels	4,344	3,100	1,630	3,347	3,593	3,549	3,348	3,608	3992	4,928
Number on waiting list for slips	471	477	362	287	257	262	206	192	171	183
Number of boat lifts	382	423	417	425	436	477	507	467	551	590
General cargo tonnage (b)	35,318	573	582	606	0	45	79	20,421	27	139.8
Fish product tonnage	21,300	12,972	21,873	16,299	12,018	20,647	13,471	17,119	24,563	10,862
Petroleum (gallons) (c)	2,569,060	2,691,297	2,957,732	2,780,723	2,349,695	2,595,958	2,310,694	3,934,806	2,856,968	2,536,738
<b>Water and Wastewater Systems:</b>										
Water service connections	917	921	933	928	945	946	950	949	961	958
Daily average consumption (gallons)		1,300,000	1,565,000	1,300,000	1,300,000	1,233,010	1,029,077	1,580,641	1,472,000	1,144,677
Sewer service connections	887	890	901	898	917	918	922	922	935	934
Daily average treatment (gallons)		870,000	715,000	504,745	504,745	598,457	723,896	681,749	657,821	519,132
<b>Electric System:</b>										
Number of service connections	2,831	2,901	3,089	3,112	3,167	3,194	3,224	3,218	2,706	2,735
Total kilowatt hour sales	54,786,754	55,412,943	56,228,590	56,360,698	55,716,466	54,683,681	57,253,825	58,738,003	57,950,087	55,190,496

(a) Beginning June 2008, began providing aid response for medical calls.

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

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

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Lane miles of street</b>	44.14	52.00	52.00	52.00	53.00	53.00	54.40	54.40	54.4	54.4
<b>Number of street lights</b>	235	258	258	265	265	265	265	265	265	265
<b>Public Safety</b>										
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Fire rating (ISO)	4/9	4/9	4/9	4/9	4/9	5/9	5/9	5/9	5/9	4/9
Number of fire hydrants	197	217	221	220	220	220	220	220	220	220
Number of police stations	1	1	1	1	1	1	1	1	1	1
<b>Number of Facilities</b>										
Parks and playgrounds	19	19	19	20	20	20	20	20	20	20
Libraries	1	1	1	1	1	1	1	1	1	1
Sewer treatment plants	2	2	2	2	2	2	2	2	2	2
Electric distribution line (miles)	63	65	65	65	65	65	65	69	69	69
Electric substations	3	3	3	3	3	3	3	3	3	3

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

**City of Seward, Alaska**  
**Property Value, Construction (3), 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	
2005	198,141,000	21	888,820	33	1,974,323	56,467,873
2006	220,649,800	36	24,332,857	22	1,204,392	59,374,764
2007	226,885,700	20	22,555,446	17	589,254	59,042,303
2008	229,373,700	14	903,500	16	1,928,879	60,821,068
2009	244,392,800	31	18,694,201	24	966,926	54,337,541
2010	242,037,200	36	4,376,321	15	941,261	57,426,000
2011	242,523,700	36	10,468,128	27	873,920	76,678,691
2012	253,609,300	36	6,254,641	18	717,400	82,765,489
2013	248,357,800	30	14,551,644	22	927,616	75,607,197
2014	249,826,500	25	8,072,217	26	1,070,400	79,852,000

1) "Estimated Actual Value" from Table 9.

2) Bank deposit data as of 12/31 through 2013. Beginning 2014, 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, 2014

Date of Incorporation	June 1, 1912
Class	Home Rule City
Form of Government	Council / Manager
Area, Square Miles	22
Miscellaneous Operational Statistics:	
Library - number of volumes	33,401
Fire Department - Number of volunteers	30
Sewer System - Maximum daily capacity (gallons)	1,300,000
Water System - Maximum daily capacity (gallons)	8,856,000
Electric System:	
Miles of distribution lines	70
Miles of transmission lines	42
Harbor - Number of permanent slips	654
City Employees:	
Regular Employees - Full-time equivalent	95
Temporary Employees - Full-time equivalent	9
Demographics:	
School Enrollment, City of Seward (3)	588
Unemployment Rate - Borough-Wide (1)	8%
Population (2)	2,768
Per-capita Personal Income (4)	48,728
Qualified Voters	1,732
Facilities and Services not included in the reporting entity:	
Education:	
Elementary School	
Number of students enrolled	277
Number of teachers	20
Middle School	
Number of students enrolled	125
Number of teachers	9
High School	
Number of students enrolled	186
Number of teachers	13
Alaska Vocational Technical Center	
Number of students served annually	1,249
Number of teachers (includes Instructional Aides)	35
Healthcare Facilities - a component unit of the reporting entity:	
Providence Seward Medical & Care Center	
Number of patient beds (6) combination of inpatient care & swing beds	6
Number of long-term care beds	40
Number of employees:	
Exempt	11
Non-Exempt (includes non-staff rotating physicians)	122

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: US Dept. of Commerce, Bureau of Economic Analysis. Personal income is estimated by multiplying Kenai Peninsula Borough per-capita personal income by Seward population, as Seward-specific data unavailable ([http://www.bea.gov/iTable/index\\_regional.cfm](http://www.bea.gov/iTable/index_regional.cfm))



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

3601 C Street, Suite 600  
Anchorage, AK 99503

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

Honorable Mayor and City Council  
City of Seward, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Seward, Alaska, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Seward's basic financial statements, and have issued our report thereon dated September 21, 2015. Our report includes a reference to other auditors who audited the operating account of the Providence Seward Medical and Care Center, as described in our report on City of Seward's financial statements. The operating account of Providence Seward Medical and Care Center was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the operating account of Providence Seward Medical and Care Center.

### ***Internal Control Over Financial Reporting***

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

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

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

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

*BDO USA, LLP*

Anchorage, Alaska  
September 21, 2015



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

3601 C Street, Suite 600  
Anchorage, AK 99503

## **Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133**

Honorable Mayor and City Council  
City of Seward, Alaska

### **Report on Compliance for Each Major Federal Program**

We have audited City of Seward's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Seward's major federal programs for the year ended December 31, 2014. City of Seward's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

City of Seward's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. City of Seward's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 OMB Circular A-133, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be

material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

City of Seward's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. City of Seward's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*BDO USA, LLP*

Anchorage, Alaska  
September 21, 2015



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

3601 C Street, Suite 600  
Anchorage, AK 99503

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

Honorable Mayor and City Council  
City of Seward, Alaska

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

We have audited City of Seward's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Seward's major state programs for the year ended December 31, 2014. City of Seward's major state programs are identified in the accompanying Schedule of State Financial Assistance.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

#### ***Opinion on Each Major State Program***

In our opinion, City of Seward complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2014.

## 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

BDO USA, LLP

Anchorage, Alaska  
September 21, 2015

**City of Seward, Alaska**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2014**

**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?  yes  no

Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  yes  no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
93.224	HRSA Health Care Cluster	Department of Health and Human Services
12.107	Navigation Projects - Seward Harbor	Department of Defense

Dollar threshold used to distinguish between a Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

**State Financial Assistance**

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

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

Dollar threshold used to distinguish a state major program: \$ 75,000

## City of Seward, Alaska

### Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2014

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

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

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

<b>Finding 2014-001</b>	<b>Program Income, Noncompliance and Significant Deficiency in Internal Control over Compliance</b>
<i>Agency</i>	U.S. Department of Health and Human Services
<i>CFDA No.</i>	93.224
<i>Program</i>	Consolidated Health Centers
<i>Award No.</i>	H80CS26600 <span style="float: right;"><i>Award Year</i> FY14</span>
<i>Criteria or requirement</i>	Per item J.2. of the Compliance Supplement for the Health Center Cluster, health centers are required to make every reasonable effort to collect appropriate reimbursement for their costs in providing health services to persons eligible for medical assistance under Title XIX of the Social Security Act (Medicaid), entitled to insurance benefits under Title XVIII of the Social Security Act (Medicare) or entitled to assistance for medical expenses under any other public assistance program or private health insurance program.
<i>Condition</i>	During the fiscal year, the Health Center opened to the public before implementing the medical billing software necessary to bill insurance or other medical assistance programs. Billing was not performed for a period of approximately three months.
<i>Questioned Costs</i>	There are no known questioned costs.
<i>Context</i>	This is the first year the Health Center has been in operation. The Health Center was opened prior to bringing the billing system online. Billing functions were established approximately three months after opening. Based on our review of a HRSA site visit, the billing system has been implemented and was deemed appropriately functioning.
<i>Effect</i>	The lack of software in the beginning part of the year served to reduce possible program income for that time period.
<i>Cause</i>	The Health Center was in high demand and was opened to treat patients prior to the necessary billing software being obtained.
<i>Recommendation</i>	We recommend that the Health Center continue to operate the medical billing software and bill third parties before expensing the services to the grant.
<i>Views of Responsible Officials and Planned Corrective Actions</i>	See the corrective action plan.

City of Seward, Alaska

Schedule of Findings and Questioned Costs, continued  
Year Ended December 31, 2014

---

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

There were no State award findings and questioned costs required to be reported in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

**City of Seward, Alaska**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2014**

---

**Financial Statement Findings and Questioned Costs**

<b>Finding 2013-001</b>	<b>Year End Inventory Count Procedures Significant Deficiency</b>
<i>Condition</i>	Inventory was overstated due to incomplete reconciliation and adjustment.
<i>Status</i>	Resolved.

**State Award Findings and Questioned Costs**

<b>Finding 2013-002</b>	<b>Timely Reporting Significant Deficiency in Internal Control over Compliance</b>
<i>Agency Program Award No.</i>	Alaska Energy Authority Seward Power Plant Integration 7910011 <span style="float: right;"><i>Award Year</i> FY13</span>
<i>Condition</i>	AEA reports were not submitted within 30 days of month end as required by the grant agreement.
<i>Status</i>	Resolved.

**City of Seward, Alaska**  
**Corrective Action Plan**  
**Year Ended December 31, 2014**

---

*Person Responsible*    Kris Erchinger  
                                  907-224-4064  
                                  kerchinger@cityofseward.net

**Federal Award Findings**

**Finding 2014-001      Program Income**

*Corrective Action*      First-time recipients of Section 330 federal grant funds from the Department of Health & Human Services, Health Resources and Services Administration are required to meet specific program requirements to operate as a federally qualified health center. HRSA allows a new-start clinic only 120 days from the date of their Notice of Grant Award, to open the doors to the clinic and begin seeing patients. Unfortunately, this was a new start clinic with no employees. The Board of the Seward Community Health Center had to recruit and hire an executive director who then hired administrative staff, recruited new physicians and nursing staff, remodeled a clinic space, purchased supplies and equipment, then started seeing patients. It took time for new staff to research appropriate electronic health records programs, clinic practice management, and billing software, for the Board to approve those major purchases, and for staff to purchase and install the hardware and then implement the software programs and obtain training to operate them. In addition, prior to billing patients for services, the clinic needed to establish a fee schedule, enroll as a participating provider with commercial and managed-care payers in the area, obtain approval from Medicare as a federally qualified health center for billing purposes, develop an accounts receivable system and all associated financial policies and procedures, develop a sliding fee scale, etc. and train staff in proper medical billing procedures.

During the first year of operation (2014), the clinic ended the year with an accounts receivable balance of \$115,417.89, with an offset of an estimated \$67,735.49 in allowances for uncollectible accounts. However, the City of Seward contributed \$700,000 to the clinic in its first year of operations for the purpose of providing start-up funding for the new clinic, such that no federal funds were at risk for the portion of the receivables not collected.

*Expected Completion*    All necessary billing systems and personnel were in place prior to the end of 2014.