

Mayor

James Kacsh

Council Members

Kristin Carpenter

Tim Joyce

David Allison

Bret Bradford

EJ Cheshier

David Reggiani

James Burton

City Manager

Randy Robertson

City Clerk

Susan Bourgeois

Deputy Clerk

Tina Hammer

Student Council

**COUNCIL WORK SESSION
SEPTEMBER 18, 2013 @ 7:00 PM
LIBRARY MEETING ROOM**

AGENDA

A. CALL TO ORDER

B. ROLL CALL

Mayor James Kacsh, Council members Kristin Carpenter, Tim Joyce, David Allison, Bret Bradford, EJ Cheshier, David Reggiani and James Burton

C. COMMUNICATIONS BY AND PETITIONS FROM VISITORS

1. Audience Comments regarding agenda items

D. WORKSESSION TOPIC

2. BDO (formerly Mikunda Cottrell) presentation of City of Cordova 2012 financial audit

E. AUDIENCE PARTICIPATION

F. COUNCIL COMMENTS

G. ADJOURNMENT

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CITY OF CORDOVA, ALASKA

Basic Financial Statements, Supplementary
Information, and Single Audit Reports

Year Ended December 31, 2012

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CITY OF CORDOVA, ALASKA

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FINANCIAL SECTION

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Independent Auditor's Report

Honorable Mayor and City Council
City of Cordova, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Cordova, Alaska, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City'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 Cordova Community Medical Center, a component unit of the reporting entity. 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 Cordova Community Medical 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.

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.

Honorable Mayor and City Council
City of Cordova, Alaska

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Cordova, Alaska, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund and the General Reserve Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2012, City of Cordova adopted the provisions of Governmental Accounting Standards Board (GASB) Statement number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and the provisions of GASB Statement number 65, *Items Previously Reported as Assets and Liabilities*. These provisions have been retrospectively applied to all periods presented in these financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit for the year ended December 31, 2012 was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Cordova's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, the Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance are required by OMB Circular A-133 and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, respectively.

The accompanying Schedule of Expenditures of Federal Awards, the Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2012 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, 2012.

Honorable Mayor and City Council
City of Cordova, Alaska

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, City of Cordova's basic financial statements for the year ended December 31, 2011 which are not presented with the accompanying financial statements. In our report dated September 5, 2012, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended December 31, 2011 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 December 31, 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2011 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2011.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013 on our consideration of City of Cordova'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 Cordova's internal control over financial reporting and compliance.

Mikunda, Cottrell & Co.

Anchorage, Alaska
June 28, 2013

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BASIC FINANCIAL STATEMENTS

CITY OF CORDOVA, ALASKA

Statement of Net Position

December 31, 2012

Assets	Primary Government			Component Units		
	Governmental Activities	Business- type Activities	Total	Cordova City School District	Cordova Community Medical Center	Cordova Volunteer Fire Department
Cash and investments	\$ 14,840,895	683,875	15,524,770	789,611	76,949	44,973
Receivables:						
Taxes	550,806	-	550,806	-	-	-
Accounts	-	438,079	438,079	-	1,259,456	-
Grants and shared revenues	806,891	887,987	1,694,878	53,110	29,027	-
Assessments	4,668	-	4,668	-	-	-
Other	41,060	-	41,060	43,778	39,299	-
Allowance for doubtful accounts	-	(113,174)	(113,174)	-	(379,881)	-
Prepaid items	89,043	62,919	151,962	112,493	35,774	-
Inventory	-	-	-	43,263	121,409	-
Restricted cash and investments	9,669	585,579	595,248	-	-	-
Internal balances	342,439	(342,439)	-	-	-	-
Loan receivable from Medical Center	700,000	-	700,000	-	-	-
Capital assets:						
Land and construction in progress	15,901,452	7,445,804	23,347,256	-	122,010	-
Other capital assets, net of depreciation	33,047,629	27,626,161	60,673,790	226,297	1,970,090	-
Total assets	<u>66,334,552</u>	<u>37,274,791</u>	<u>103,609,343</u>	<u>1,268,552</u>	<u>3,274,133</u>	<u>44,973</u>
Deferred Outflows						
Deferred loss on bonds	-	6,065	6,065	-	-	-
Total assets and deferred outflows	<u>\$ 66,334,552</u>	<u>37,280,856</u>	<u>103,615,408</u>	<u>1,268,552</u>	<u>3,274,133</u>	<u>44,973</u>
Liabilities						
Accounts payable	1,382,509	249,697	1,632,206	85,568	315,000	779
Accrued payroll and related liabilities	61,429	19,052	80,481	68,619	384,870	-
Customer deposits	-	34,461	34,461	-	1,121	-
Accrued interest payable	347,867	35,922	383,789	-	-	-
Unearned revenue	98,903	353,154	452,057	-	-	-
Noncurrent liabilities:						
Due within one year:						
Accrued vacation and sick leave	217,438	108,717	326,155	-	-	-
Bonds and loans	786,000	98,044	884,044	-	40,000	-
Capital leases	-	-	-	-	5,712	-
Due in more than one year:						
Loans	-	1,562,442	1,562,442	-	460,000	-
General obligation bonds	15,868,000	212,000	16,080,000	-	-	-
Unamortized bond premium	214,800	-	214,800	-	-	-
Landfill closure costs	-	634,780	634,780	-	-	-
Total liabilities	<u>18,976,946</u>	<u>3,308,269</u>	<u>22,285,215</u>	<u>154,187</u>	<u>1,206,703</u>	<u>779</u>
Net Position						
Net investment in capital assets	32,080,281	33,205,544	65,285,825	226,297	2,086,388	-
Restricted:						
E-911	62,912	-	62,912	-	-	-
School Construction	121,432	-	121,432	336,300	-	-
Landfill closure	-	585,579	585,579	-	-	-
Unrestricted (deficit)	15,092,981	181,464	15,274,445	551,768	(18,958)	44,194
Total net position	<u>47,357,606</u>	<u>33,972,587</u>	<u>81,330,193</u>	<u>1,114,365</u>	<u>2,067,430</u>	<u>44,194</u>
Total liabilities and net position	<u>\$ 66,334,552</u>	<u>37,280,856</u>	<u>103,615,408</u>	<u>1,268,552</u>	<u>3,274,133</u>	<u>44,973</u>

See accompanying notes to basic financial statements.

CITY OF CORDOVA, ALASKA

Statement of Activities
Year Ended December 31, 2012

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units		
		Fees, Fines and Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	Primary Government			Cordova City School District	Cordova Community Medical Center	Cordova Volunteer Fire Department
		Services	Contributions	Contributions	Governmental Activities	Business- type Activities	Total			
Primary government:										
Governmental:										
General government	\$ 1,566,676	457,475	1,400	-	(1,107,801)	-	(1,107,801)			
Public safety	1,534,975	176,507	533,403	-	(825,065)	-	(825,065)			
Information and recreation	1,269,462	87,708	13,648	-	(1,168,106)	-	(1,168,106)			
Public works	2,510,946	1,807	84,080	2,707,711	282,652	-	282,652			
Education	2,037,252	-	1,141,691	40,000	(855,561)	-	(855,561)			
Health	736,053	-	-	1,191,287	455,234	-	455,234			
Community service	105,000	-	-	-	(105,000)	-	(105,000)			
Interest	841,115	-	959,698	-	118,583	-	118,583			
Total governmental activities	10,601,479	723,497	2,733,920	3,938,998	(3,205,064)	-	(3,205,064)			
Business-type:										
Port	1,801,092	1,075,491	38,317	1,572,636	-	885,352	885,352			
Water	1,019,149	630,622	11,429	121,468	-	(255,630)	(255,630)			
Sewer	1,004,200	636,828	11,495	-	-	(355,877)	(355,877)			
Refuse	1,096,044	802,909	19,541	-	-	(273,594)	(273,594)			
Camper Park	36,006	62,709	431	-	-	27,134	27,134			
Total business-type activities	4,956,491	3,208,559	81,213	1,694,104	-	27,385	27,385			
Total primary government	\$ 15,557,970	3,932,056	2,815,133	5,633,102	(3,205,064)	27,385	(3,177,679)			
Component units:										
School district	\$ 7,119,498	69,330	765,459	155,423			(6,129,286)			
Medical center	\$ 8,056,648	5,355,679	1,730,871	-				(970,098)		
Volunteer Fire Department	\$ 21,778	1,517	8,443	-					(11,818)	
General revenues:										
Sales taxes					\$ 3,254,979	-	3,254,979	-	-	-
Property taxes					1,641,437	-	1,641,437	-	-	-
Payments in lieu of taxes					408,841	-	408,841	-	-	-
Other taxes					140,440	-	140,440	-	-	-
Contributions from primary government Grants and entitlements not restricted to a specific purpose					-	-	-	1,790,940	421,132	15,750
Investment income					2,128,119	-	2,128,119	4,186,089	-	-
Other					647,749	1,802	649,551	358	-	315
Transfers					-	-	-	85,263	-	-
Total general revenues and transfers					27,890	(27,890)	-	-	-	-
					8,249,455	(26,088)	8,223,367	6,062,650	421,132	16,065
Change in net position					5,044,391	1,297	5,045,688	(66,636)	(548,966)	4,247
Beginning net position, as restated					42,313,215	33,971,290	76,284,505	1,181,001	2,616,396	39,947
Ending net position					\$ 47,357,606	33,972,587	81,330,193	1,114,365	2,067,430	44,194

See accompanying notes to basic financial statements.

CITY OF CORDOVA, ALASKA

Governmental Funds

Balance Sheet

December 31, 2012

Assets	Major Funds					Total Govern- mental Funds
	General	General Reserve Special Revenue	Cordova Center Capital Project	Hospital Repair Capital Project	Nonmajor Funds	
Cash and investments	\$ 3,978,720	9,449,667	1,355,889	-	399,058	15,183,334
Restricted cash and investments	-	-	-	-	9,669	9,669
Receivables:						
Taxes	550,806	-	-	-	-	550,806
Grants and shared revenues	355,465	-	149,883	291,181	10,362	806,891
Assessments	-	4,668	-	-	-	4,668
Cordova Community						
Medical Center	700,000	-	-	-	-	700,000
Other	27,772	-	-	-	13,288	41,060
Prepaid insurance	89,043	-	-	-	-	89,043
Due from other funds	228,257	-	-	-	-	228,257
Total assets	\$ 5,930,063	9,454,335	1,505,772	291,181	432,377	17,613,728
Liabilities						
Accounts payable	328,989	-	900,150	80,569	72,801	1,382,509
Accrued payroll and related liabilities	61,429	-	-	-	-	61,429
Unearned revenue	98,903	-	-	-	-	98,903
Due to other funds	-	-	-	210,612	17,645	228,257
Total liabilities	489,321	-	900,150	291,181	90,446	1,771,098
Deferred Inflows						
Deferred property taxes	15,716	-	-	-	-	15,716
Deferred ambulance revenue	-	-	-	-	13,288	13,288
Deferred special assessments	-	4,668	-	-	-	4,668
Total deferred inflows	15,716	4,668	-	-	13,288	33,672
Fund Balances						
Nonspendable:						
Medical Center receivable	700,000	-	-	-	-	700,000
Prepaid insurance	89,043	-	-	-	-	89,043
Restricted:						
Enhanced 911 services	-	-	-	-	62,912	62,912
School construction	-	-	-	-	121,432	121,432
Committed for education	1,699,272	-	-	-	-	1,699,272
Assigned:						
Capital projects and land	-	9,449,667	605,622	-	161,355	10,216,644
Public safety	-	-	-	-	63,028	63,028
Unassigned (deficit)	2,936,711	-	-	-	(80,084)	2,856,627
Total fund balances	5,425,026	9,449,667	605,622	-	328,643	15,808,958
Total liabilities, deferred inflows, and fund balances	\$ 5,930,063	9,454,335	1,505,772	291,181	432,377	17,613,728

See accompanying notes to basic financial statements.

CITY OF CORDOVA, ALASKA
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Position
 December 31, 2012

Total fund balances for governmental funds	\$	15,808,958
<p>Total net position reported for governmental activities in the Statement of Net Position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets and related accumulated depreciation are as follows:</p>		
Land and land improvements	\$	1,161,407
Construction in progress		14,740,045
Buildings		44,332,599
Machinery and equipment		6,363,385
Infrastructure		1,281,658
Accumulated depreciation		<u>(18,930,013)</u>
		48,949,081
<p>Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of:</p>		
Delinquent property taxes receivable		15,716
Deferred assessments receivable		4,668
Deferred ambulance revenue		<u>13,288</u>
		33,672
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:</p>		
General obligation bonds payable		(16,654,000)
Unamortized bond premium		(214,800)
Accrued interest on bonds		(347,867)
Accrued leave		<u>(217,438)</u>
		<u>(17,434,105)</u>
Net position of governmental activities	\$	<u>47,357,606</u>

See accompanying notes to basic financial statements.

CITY OF CORDOVA, ALASKA
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended December 31, 2012

	Major Funds					Total Govern- mental Funds
	General	General Reserve Special Revenue	Cordova Center Capital Project	Hospital Repair Capital Project	Nonmajor Funds	
Revenues:						
Taxes	\$ 5,473,282	-	-	-	-	5,473,282
Licenses and permits	30,405	-	-	-	-	30,405
Federal government	1,123,849	-	-	-	95,229	1,219,078
State of Alaska	3,675,036	-	2,637,540	1,191,287	59,067	7,562,930
Investment income	143,043	504,706	-	-	-	647,749
Land sales	-	214,000	-	-	-	214,000
Charges for services	813,810	-	-	-	-	813,810
Other revenues	90,585	1,807	-	-	33,738	126,130
Total revenues	<u>11,350,010</u>	<u>720,513</u>	<u>2,637,540</u>	<u>1,191,287</u>	<u>188,034</u>	<u>16,087,384</u>
Expenditures:						
Current:						
General government	1,849,089	-	-	-	76,209	1,925,298
Public safety	1,368,363	-	-	-	47,542	1,415,905
Information and recreation	1,127,752	-	-	-	201,944	1,329,696
Public works	2,416,130	-	-	-	24,006	2,440,136
Debt service:						
Principal	827,000	-	-	-	-	827,000
Interest	875,549	-	-	-	-	875,549
Contributions:						
Education	1,810,990	-	-	-	22,890	1,833,880
Cordova Community Medical Center	572,261	-	-	-	-	572,261
Family Resource Center	20,000	-	-	-	-	20,000
Community College	10,000	-	-	-	-	10,000
Cordova Chamber of Commerce	75,000	-	-	-	-	75,000
Capital outlay	-	-	3,537,540	1,191,287	374,070	5,102,897
Total expenditures	<u>10,952,134</u>	<u>-</u>	<u>3,537,540</u>	<u>1,191,287</u>	<u>746,661</u>	<u>16,427,622</u>
Excess of revenues over (under) expenditures	397,876	720,513	(900,000)	-	(558,627)	(340,238)
Other financing sources (uses):						
Transfers in	400,000	744,836	-	-	743,452	1,888,288
Transfers out	(914,721)	(945,677)	-	-	-	(1,860,398)
Net other financing sources (uses)	<u>(514,721)</u>	<u>(200,841)</u>	<u>-</u>	<u>-</u>	<u>743,452</u>	<u>27,890</u>
Net change in fund balances	(116,845)	519,672	(900,000)	-	184,825	(312,348)
Beginning fund balances	<u>5,541,871</u>	<u>8,929,995</u>	<u>1,505,622</u>	<u>-</u>	<u>143,818</u>	<u>16,121,306</u>
Ending fund balances	<u>\$ 5,425,026</u>	<u>9,449,667</u>	<u>605,622</u>	<u>-</u>	<u>328,643</u>	<u>15,808,958</u>

See accompanying notes to basic financial statements.

CITY OF CORDOVA, ALASKA

Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended December 31, 2012

Net change in fund balances - total governmental funds	\$	(312,348)
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$5,301,990) exceeds depreciation (\$694,105) and loss on disposal (\$21,000).		
		4,586,885
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of decrease in deferred taxes, assessments, and ambulance revenue.		
		(17,320)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Payments on long-term debt	\$	827,000
Amortization of bond premium		<u>20,188</u>
		847,188
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the net decrease (increase) in the following:		
Accrued interest		14,246
Accrued leave		<u>(74,260)</u>
		<u>(60,014)</u>
Change in net position of governmental activities	\$	<u>5,044,391</u>

See accompanying notes to basic financial statements.

CITY OF CORDOVA, ALASKA
 General Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 5,507,137	5,507,137	5,473,282	(33,855)
Licenses and permits	22,800	22,800	30,405	7,605
Federal government	1,070,306	1,070,306	1,123,849	53,543
State of Alaska	2,633,588	2,633,588	3,675,036	1,041,448
Investment income	66,146	66,146	143,043	76,897
Charges for services	784,934	784,934	813,810	28,876
Other revenues	95,170	95,170	90,585	(4,585)
Total revenues	<u>10,180,081</u>	<u>10,180,081</u>	<u>11,350,010</u>	<u>1,169,929</u>
Expenditures:				
Current:				
General government	1,581,800	1,581,800	1,849,089	(267,289)
Public safety	1,401,937	1,401,937	1,368,363	33,574
Information and recreation	1,040,660	1,029,660	1,127,752	(98,092)
Public works	1,458,492	1,469,492	2,416,130	(946,638)
Debt service:				
Principal	822,000	822,000	827,000	(5,000)
Interest	877,076	877,076	875,549	1,527
Contributions:				
Cordova City School District	1,770,940	1,790,940	1,810,990	(20,050)
Cordova Community Medical Center	1,212,230	812,230	572,261	239,969
Family Resource Center	20,000	20,000	20,000	-
Prince William Sound Community College	10,000	10,000	10,000	-
Cordova Chamber of Commerce	75,000	75,000	75,000	-
Total expenditures	<u>10,270,135</u>	<u>9,890,135</u>	<u>10,952,134</u>	<u>(1,061,999)</u>
Excess of revenues over (under) expenditures	(90,054)	289,946	397,876	107,930
Other financing sources (uses):				
Transfers in	-	-	400,000	400,000
Transfers out	(749,946)	(749,946)	(914,721)	(164,775)
Net other financing sources (uses)	<u>(749,946)</u>	<u>(749,946)</u>	<u>(514,721)</u>	<u>235,225</u>
Net change in fund balance	\$ <u>(840,000)</u>	<u>(460,000)</u>	(116,845)	<u>343,155</u>
Beginning fund balance			<u>5,541,871</u>	
Ending fund balance			\$ <u>5,425,026</u>	

See accompanying notes to basic financial statements.

CITY OF CORDOVA, ALASKA
 General Reserve Special Revenue Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Investment income	\$ 161,023	161,023	504,706	343,683
Land sales	200,000	200,000	214,000	14,000
Special assessments	-	-	1,807	1,807
Total revenues	<u>361,023</u>	<u>361,023</u>	<u>720,513</u>	<u>359,490</u>
Other financing sources (uses):				
Transfers in	744,836	744,836	744,836	-
Transfers out	<u>(945,677)</u>	<u>(945,677)</u>	<u>(945,677)</u>	<u>-</u>
Net other financing sources (uses)	<u>(200,841)</u>	<u>(200,841)</u>	<u>(200,841)</u>	<u>-</u>
Net change in fund balance	\$ <u>160,182</u>	<u>160,182</u>	519,672	<u>359,490</u>
Beginning fund balance			<u>8,929,995</u>	
Ending fund balance			\$ <u>9,449,667</u>	

See accompanying notes to basic financial statements.

CITY OF CORDOVA, ALASKA

Enterprise Funds
Statement of Net Position
December 31, 2012

Assets	Major Funds				Nonmajor	Total Enterprise Funds
	Port	Water	Sewer	Refuse	Fund Odiak Park	
Current assets:						
Cash and investments	\$ -	-	239,534	395,992	48,349	683,875
Receivables:						
Accounts	261,843	28,479	82,589	65,168	-	438,079
Grants	766,519	121,468	-	-	-	887,987
Allowance for doubtful accounts	(84,279)	(13,135)	(3,774)	(11,986)	-	(113,174)
Prepaid insurance	13,189	15,634	15,663	15,633	2,800	62,919
Total current assets	<u>957,272</u>	<u>152,446</u>	<u>334,012</u>	<u>464,807</u>	<u>51,149</u>	<u>1,959,686</u>
Restricted assets - landfill closure cash	-	-	-	585,579	-	585,579
Property, plant and equipment	26,118,415	15,436,352	18,509,693	4,100,388	90,080	64,254,928
Less accumulated depreciation	(10,643,486)	(7,316,503)	(8,697,653)	(2,476,173)	(49,148)	(29,182,963)
Net property, plant and equipment	<u>15,474,929</u>	<u>8,119,849</u>	<u>9,812,040</u>	<u>1,624,215</u>	<u>40,932</u>	<u>35,071,965</u>
Total noncurrent assets	<u>15,474,929</u>	<u>8,119,849</u>	<u>9,812,040</u>	<u>2,209,794</u>	<u>40,932</u>	<u>35,657,544</u>
Total assets	<u>16,432,201</u>	<u>8,272,295</u>	<u>10,146,052</u>	<u>2,674,601</u>	<u>92,081</u>	<u>37,617,230</u>
<u>Deferred Outflows</u>						
Deferred loss on bonds	-	-	-	6,065	-	6,065
Total assets and deferred outflows	\$ <u>16,432,201</u>	<u>8,272,295</u>	<u>10,146,052</u>	<u>2,680,666</u>	<u>92,081</u>	<u>37,623,295</u>
<u>Liabilities</u>						
Current liabilities:						
Accounts payable	167,990	35,033	19,826	26,674	174	249,697
Accrued payroll and related liabilities	6,296	2,833	2,833	7,090	-	19,052
Accrued vacation and sick leave	62,982	11,782	11,782	22,171	-	108,717
Customer deposits	-	34,461	-	-	-	34,461
Accrued interest payable	-	7,595	25,314	3,013	-	35,922
Due to other funds	176,122	166,317	-	-	-	342,439
Unearned revenue	353,154	-	-	-	-	353,154
Current portion of bonds and loans	-	69,044	-	29,000	-	98,044
Total current liabilities	<u>766,544</u>	<u>327,065</u>	<u>59,755</u>	<u>87,948</u>	<u>174</u>	<u>1,241,486</u>
Noncurrent liabilities, net of current portion:						
General obligation bonds	-	-	-	212,000	-	212,000
Loans payable to ADEC	-	483,312	1,079,130	-	-	1,562,442
Landfill closure costs	-	-	-	634,780	-	634,780
Total noncurrent liabilities	<u>-</u>	<u>483,312</u>	<u>1,079,130</u>	<u>846,780</u>	<u>-</u>	<u>2,409,222</u>
Total liabilities	<u>766,544</u>	<u>810,377</u>	<u>1,138,885</u>	<u>934,728</u>	<u>174</u>	<u>3,650,708</u>
<u>Net Position</u>						
Net investment in capital assets	15,474,929	7,567,493	8,732,910	1,389,280	40,932	33,205,544
Restricted for landfill closure	-	-	-	585,579	-	585,579
Unrestricted (deficit)	190,728	(105,575)	274,257	(228,921)	50,975	181,464
Total net position	<u>15,665,657</u>	<u>7,461,918</u>	<u>9,007,167</u>	<u>1,745,938</u>	<u>91,907</u>	<u>33,972,587</u>
Total liabilities and net position	\$ <u>16,432,201</u>	<u>8,272,295</u>	<u>10,146,052</u>	<u>2,680,666</u>	<u>92,081</u>	<u>37,623,295</u>

See accompanying notes to basic financial statements.

CITY OF CORDOVA, ALASKA

Enterprise Funds

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2012

	Major Funds				Nonmajor Funds	Total Enterprise Funds
	Port	Water	Sewer	Refuse	Odiak Park	
Operating revenues - charges for services	\$ <u>1,075,491</u>	<u>630,622</u>	<u>636,828</u>	<u>802,909</u>	<u>62,709</u>	<u>3,208,559</u>
Operating expenses:						
Salaries and benefits	509,742	224,381	219,381	422,920	6,105	1,382,529
Other operating expenses	584,541	399,629	357,705	488,374	27,864	1,858,113
Depreciation	<u>706,809</u>	<u>377,130</u>	<u>413,266</u>	<u>125,330</u>	<u>2,037</u>	<u>1,624,572</u>
Total operating expenses	<u>1,801,092</u>	<u>1,001,140</u>	<u>990,352</u>	<u>1,036,624</u>	<u>36,006</u>	<u>4,865,214</u>
Income (loss) from operations	(725,601)	(370,518)	(353,524)	(233,715)	26,703	(1,656,655)
Nonoperating revenues (expenses):						
Investment income	1,802	-	-	-	-	1,802
Interest expense	-	(8,371)	-	(13,966)	-	(22,337)
In-kind contributions	-	(9,638)	(13,848)	(45,454)	-	(68,940)
State of Alaska PERS relief	<u>38,317</u>	<u>11,429</u>	<u>11,495</u>	<u>19,541</u>	<u>431</u>	<u>81,213</u>
Net nonoperating revenues (expenses)	<u>40,119</u>	<u>(6,580)</u>	<u>(2,353)</u>	<u>(39,879)</u>	<u>431</u>	<u>(8,262)</u>
Income (loss) before contributions and transfers	(685,482)	(377,098)	(355,877)	(273,594)	27,134	(1,664,917)
Capital contributions	1,572,636	121,468	-	-	-	1,694,104
Transfers in	-	9,600	-	-	-	9,600
Transfers out	<u>(29,998)</u>	<u>(1,164)</u>	<u>-</u>	<u>(2,328)</u>	<u>(4,000)</u>	<u>(37,490)</u>
Change in net position	857,156	(247,194)	(355,877)	(275,922)	23,134	1,297
Beginning net position	<u>14,808,501</u>	<u>7,709,112</u>	<u>9,363,044</u>	<u>2,021,860</u>	<u>68,773</u>	<u>33,971,290</u>
Ending net position	\$ <u>15,665,657</u>	<u>7,461,918</u>	<u>9,007,167</u>	<u>1,745,938</u>	<u>91,907</u>	<u>33,972,587</u>

See accompanying notes to basic financial statements.

CITY OF CORDOVA, ALASKA

Enterprise Funds
Statement of Cash Flows
Year Ended December 31, 2012

	Major Funds				Nonmajor	Total Enterprise Funds
	Port	Water	Sewer	Refuse	Funds Odiak Park	
Cash flows from operating activities:						
Receipts from customers and users	\$ 1,071,354	658,449	600,202	746,749	62,709	3,139,463
Payments for interfund services used	(130,258)	(99,899)	(94,082)	(127,845)	-	(452,084)
Payments to suppliers	(304,106)	(374,681)	(277,226)	(305,130)	(28,764)	(1,289,907)
Payments to employees	(447,927)	(204,587)	(201,847)	(382,328)	(5,900)	(1,242,589)
Net cash flows from operating activities	<u>189,063</u>	<u>(20,718)</u>	<u>27,047</u>	<u>(68,554)</u>	<u>28,045</u>	<u>154,883</u>
Cash flows from noncapital financing activities:						
Transfers in	-	9,600	-	-	-	9,600
Transfers out	(29,998)	(1,164)	-	(2,328)	(4,000)	(37,490)
Net cash flows from noncapital financing activities	<u>(29,998)</u>	<u>8,436</u>	<u>-</u>	<u>(2,328)</u>	<u>(4,000)</u>	<u>(27,890)</u>
Cash flows from capital and related financing activities:						
Additions to property, plant and equipment	(1,853,716)	(178,884)	(66,191)	(80,559)	-	(2,179,350)
Capital contributions received	806,117	-	-	-	-	806,117
Loan proceeds	-	-	140,000	-	-	140,000
Increase in due to other funds	176,122	166,317	-	-	-	342,439
Principal and interest paid on long-term debt	-	(78,365)	-	(41,450)	-	(119,815)
Net cash flows from capital and related financing activities	<u>(871,477)</u>	<u>(90,932)</u>	<u>73,809</u>	<u>(122,009)</u>	<u>-</u>	<u>(1,010,609)</u>
Cash flows from investing activities - investment income received						
	<u>1,802</u>	<u>-</u>	<u>-</u>	<u>1,219</u>	<u>-</u>	<u>3,021</u>
Net increase (decrease) in cash and investments	(710,610)	(103,214)	100,856	(191,672)	24,045	(880,595)
Beginning cash and investments	<u>710,610</u>	<u>103,214</u>	<u>138,678</u>	<u>1,173,243</u>	<u>24,304</u>	<u>2,150,049</u>
Ending cash and investments	\$ <u>-</u>	<u>-</u>	<u>239,534</u>	<u>981,571</u>	<u>48,349</u>	<u>1,269,454</u>
Reconciliation of cash and investments to statement of net position:						
Cash and investments	-	-	239,534	395,992	48,349	683,875
Restricted assets	-	-	-	585,579	-	585,579
Total cash and investments	\$ <u>-</u>	<u>-</u>	<u>239,534</u>	<u>981,571</u>	<u>48,349</u>	<u>1,269,454</u>

See accompanying notes to basic financial statements.

CITY OF CORDOVA, ALASKA

Enterprise Funds
Statement of Cash Flows, continued

	Major Funds				Nonmajor Funds	Total Enterprise Funds
	Port	Water	Sewer	Refuse	Odiak Park	
Reconciliation of income (loss) from operations to net cash flows from operating activities:						
Income (loss) from operations	\$ (725,601)	(370,518)	(353,524)	(233,715)	26,703	(1,656,655)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:						
Depreciation	706,809	377,130	413,266	125,330	2,037	1,624,572
Noncash expense - PERS relief	38,317	11,429	11,495	19,541	431	81,213
Increase (decrease) in allowance for doubtful accounts	10,514	-	652	-	-	11,166
In-kind contributions	-	(9,638)	(13,848)	(45,454)	-	(68,940)
(Increase) decrease in assets:						
Accounts receivable	(39,373)	30,750	(29,930)	(10,706)	-	(49,259)
Prepaid insurance	18,829	6,191	6,162	6,625	73	37,880
Deposits	-	-	6,500	-	-	6,500
Increase (decrease) in liabilities:						
Accounts payable	131,348	(81,142)	(19,765)	(1,226)	(973)	28,242
Accrued payroll and related liabilities	175	(3,417)	847	1,827	(226)	(794)
Accrued vacation and sick leave	23,323	11,782	5,192	19,224	-	59,521
Unearned revenue	24,722	-	-	-	-	24,722
Customer deposits	-	6,715	-	-	-	6,715
Landfill closure costs payable	-	-	-	50,000	-	50,000
Net cash flows from operating activities	\$ <u>189,063</u>	<u>(20,718)</u>	<u>27,047</u>	<u>(68,554)</u>	<u>28,045</u>	<u>154,883</u>
Noncash capital and related financing activities -						
Equipment disposed of during the year	\$ <u>5,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,006</u>

See accompanying notes to basic financial statements.

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements

December 31, 2012

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

Reporting Entity

The City of Cordova (the City) was incorporated in 1909 as a home rule municipality under the laws of the State of Alaska. The City operates under a council-manager form of government and performs municipal duties allowed by Alaska statutes and as directed by its residents.

These financial statements present City of Cordova (the primary government) and its component units, the Cordova City School District, Cordova Community Medical Center, and Cordova Volunteer Fire Department. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. They are discretely presented in a separate column to emphasize that they are legally separate from the City.

Cordova City School District

Cordova City School District is responsible for elementary and secondary education within the City. The members of the School Board are elected by the voters; however, the School District is fiscally dependent upon the City because the City Council approves the total annual budget of the School District, levies the necessary taxes, and provides significant operating subsidies to the School District.

Cordova Community Medical Center

Cordova Community Medical Center provides health care, including long-term care, in the Cordova area. The Health Services Advisory Board of the Medical Center is appointed by the City Council.

Cordova Volunteer Fire Department

The Cordova Volunteer Fire Department assists the City's fire department with fire prevention, training, and fighting fires in the Cordova area.

In accordance with Alaska statutes, the Cordova City School District maintains a June 30 fiscal year end. Cordova Community Medical Center also operates on a June 30 fiscal year end. The City has established a December 31 year end. For this report, the June 30, 2012 financial statements of the School District and Medical Center have been included with the City of Cordova.

Complete financial statements of individual component units can be obtained from their respective administrative offices at the addresses below:

Cordova City School District
P.O. Box 140
Cordova, AK 99574

Cordova Community Medical Center
P.O. Box 160
Cordova, AK 99574

Cordova Volunteer Fire Department
P.O. Box 1210
Cordova, AK 99574

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City and its component units. 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 and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. 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.

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 and sales taxes, charges for services, leases, 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. All other revenue items are considered to be measurable and available only when received by the government.

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

The City reports the following major funds:

Major governmental funds:

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

The *General Reserve Special Revenue Fund* accounts for financial activities related to land purchases and sales, and serves as the City's emergency reserves fund.

The *Cordova Center Capital Project Fund* accounts for costs associated with design and construction of the new Cordova Center building.

The *Hospital Repair Capital Project Fund* accounts for costs associated with repairs made to the Cordova Community Medical Center, a component unit of the City.

Major proprietary funds:

The *Port Enterprise Fund* is used to account for the operations of the port and harbor.

The *Water Enterprise Fund* is used to account for the operations of the City water system.

The *Sewer Enterprise Fund* is used to account for the operations of the City sewer system.

The *Refuse Enterprise Fund* is used to account for the Refuse Utility and the solid waste landfill.

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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and federal and State of Alaska entitlement revenues.

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

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. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise 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.

Budgets

An operating budget is adopted each year for the General Fund and General Reserve Special Revenue Fund on the same modified accrual basis used to reflect actual revenues and expenditures in the fund financial statements. Appropriations lapse at year end to the extent that they have not been expended or encumbered. Budgetary control is exercised at the department level. The City Manager is authorized to transfer budget amounts between line items within any department; however, any supplemental appropriations that amend the total expenditures of any department or fund require Council approval. Budgets are not adopted for the other governmental funds.

Central Treasury

A central treasury is used to account for cash from most funds of the City to maximize interest income. Investments are stated at fair value. Investment earnings are allocated to most funds based on their respective cash balances. The School District, Medical Center and Volunteer Fire Department maintain separate cash accounts from the City.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Enterprise Funds consider all cash accounts 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.

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.

Inventory

Inventories are valued 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 expense at the time individual inventory items are consumed.

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."

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Grants 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.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick leave benefits. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets (e.g. roads, sidewalks, etc.) have been capitalized on a prospective basis beginning January 1, 2004. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 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.

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. 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.

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

Buildings and improvements	50-60 years
Infrastructure	50 years
Improvements	20-50 years
Machinery and equipment	3-20 years

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Unearned Grant Revenue

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

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

The City applies the provisions of Governmental Accounting Standards Board (GASB) Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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.

Nonspendable fund balance. This 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.

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 or ordinances 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 by taking the same type of action imposing the commitment. 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. The City Council or their designee have the authority to assign amounts to be used for specific purposes. Assigned fund balances 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.

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Fund Balances, continued

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.

Change in Accounting Principle

The City has adopted newly issued GASB pronouncements 63 and 65, resulting in a change in the presentation of the government-wide and fund level financial statements. The new pronouncements require reporting two new categories of accounts. Certain items previously reported as assets are now categorized as *deferred outflows*. A *deferred outflow* represents the consumption of the government's net assets or fund balance that is applicable to a future reporting period. Other items previously categorized as liabilities are now categorized as *deferred inflows*. A *deferred inflow* represents the acquisition of net assets or fund balance that is applicable to a future reporting period. For example, revenues that have been earned but are not yet available in the governmental funds are now reported as *deferred inflows*. In the government-wide financial statements, the residual net of all of the accounts is now called *net position*. As discussed further in Note 6, these statements have been retrospectively applied and have resulted in a restatement of opening net position.

Pension Plan

Substantially all employees of the City participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska.

Comparative Data

Comparative data for the prior year have been presented in some of the accompanying individual financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain amounts in the prior year data have been reclassified to conform to the current year's presentation.

(2) **Cash and Investments**

The City of Cordova utilizes 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."

Investment Policy

The investment policy authorizes the City to invest in U.S. Treasury obligations, U.S. government agency securities and instrumentalities of government-sponsored corporations, State of Alaska obligations, certificates of deposit with commercial banks, repurchase agreements, and investments through the Alaska Municipal League Investment Pool. Investments are carried at fair value.

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

During 2010, the City passed an ordinance authorizing investments in different securities than those listed above in the following ratio:

Fixed income securities	50%
Equity securities	40%
Alternative securities	10%

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, 2012.

	<u>Pooled Cash and Investments</u>	<u>Certificate of Deposit</u>	<u>Totals</u>
Bank deposits	\$ 1,236,672	-	1,236,672
Investments	14,402,774	480,572	14,883,346
	<u>\$ 15,639,446</u>	<u>480,572</u>	<u>16,120,018</u>

Government-wide Statement of Net Position

Cash and investments	\$ 15,524,770
Restricted cash and investments	<u>595,248</u>
	<u>\$ 16,120,018</u>

Restricted Cash and Investments

The City maintains a certificate of deposit for future landfill closure costs as required by the Alaska Department of Environmental Conservation. The balance in this account at December 31, 2012 totaled \$480,572 and is included in investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

<u>Investments</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>
U.S. Treasuries	\$ 3,027,665	2,233,879	793,786	-
U.S. government agencies	1,018,895	120,983	862,782	35,130
Certificate of deposit	480,572	480,572	-	-
Asset backed securities	1,063,113	-	526,076	537,037
Corporate bonds	<u>2,207,321</u>	<u>162,167</u>	<u>1,445,184</u>	<u>599,970</u>
Total subject to interest rate risk	<u>7,797,566</u>	<u>2,997,601</u>	<u>3,627,828</u>	<u>1,172,137</u>
Cash and money market accounts	946,377			
Fixed income securities	1,803,891			
Equity securities	2,258,348			
Other	946,302			
Alternative investments	<u>1,130,862</u>			
Total investments	\$ <u>14,883,346</u>			

Credit risk

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

(3) **Capital Assets**

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2012</u>
<u>Governmental activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 1,161,407	-	-	1,161,407
Construction in progress	<u>27,109,439</u>	<u>5,030,227</u>	<u>(17,399,621)</u>	<u>14,740,045</u>
Total capital assets not being depreciated	<u>28,270,846</u>	<u>5,030,227</u>	<u>(17,399,621)</u>	<u>15,901,452</u>
<i>Capital assets being depreciated:</i>				
Buildings	27,460,543	16,872,056	-	44,332,599
Infrastructure	1,017,139	264,519	-	1,281,658
Machinery and equipment	<u>5,849,576</u>	<u>534,809</u>	<u>(21,000)</u>	<u>6,363,385</u>
Total assets being depreciated	<u>34,327,258</u>	<u>17,671,384</u>	<u>(21,000)</u>	<u>51,977,642</u>

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2012</u>
<u>Governmental activities, continued</u>				
<i>Capital assets being depreciated, continued:</i>				
Less accumulated depreciation for:				
Buildings	\$ 14,882,695	464,055	-	15,346,750
Infrastructure	48,480	20,343	-	68,823
Machinery and equipment	<u>3,304,733</u>	<u>209,707</u>	-	<u>3,514,440</u>
Total accumulated depreciation	<u>18,235,908</u>	<u>694,105</u>	<u>-</u>	<u>18,930,013</u>
 Total capital assets being depreciated, net	 <u>16,091,350</u>	 <u>16,977,279</u>	 <u>(21,000)</u>	 <u>33,047,629</u>
 Governmental activity capital assets, net	 \$ <u>44,362,196</u>	 <u>22,007,506</u>	 <u>(17,420,621)</u>	 <u>48,949,081</u>
<u>Business-type activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 5,566,333	-	-	5,566,333
Construction in progress	<u>235,755</u>	<u>1,853,716</u>	<u>(210,000)</u>	<u>1,879,471</u>
Total capital assets not being depreciated	<u>5,802,088</u>	<u>1,853,716</u>	<u>(210,000)</u>	<u>7,445,804</u>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 827,561	80,559	-	908,120
Improvements other than buildings	48,392,716	437,881	-	48,830,597
Machinery and equipment	6,595,462	17,196	(5,007)	6,607,651
Landfill	<u>462,756</u>	<u>-</u>	<u>-</u>	<u>462,756</u>
Total assets being depreciated	<u>56,278,495</u>	<u>535,636</u>	<u>(5,007)</u>	<u>56,809,124</u>
Less accumulated depreciation for:				
Buildings	537,021	19,552	-	556,573
Improvements other than buildings	23,756,220	1,338,023	-	25,094,243
Machinery and equipment	3,015,557	243,859	5,007	3,254,409
Landfill	<u>254,600</u>	<u>23,138</u>	<u>-</u>	<u>277,738</u>
Total accumulated depreciation	<u>27,563,398</u>	<u>1,624,572</u>	<u>5,007</u>	<u>29,182,963</u>
 Total capital assets being depreciated, net	 <u>28,715,097</u>	 <u>(1,088,936)</u>	 <u>-</u>	 <u>27,626,161</u>
 Business-type activity capital assets, net	 \$ <u>34,517,185</u>	 <u>764,780</u>	 <u>(210,000)</u>	 <u>35,071,965</u>

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

Depreciation expense was charged to the functions as follows:

Governmental activities

General government	\$ 103,439
Public safety	71,767
Information and recreation	105,161
Public works	46,574
Education	203,372
Health	<u>163,792</u>
Total depreciation expense - governmental activities	\$ <u>694,105</u>

Business-type activities

Port	\$ 706,809
Water	377,130
Sewer	413,266
Refuse	125,330
Camper Park	<u>2,037</u>
Total depreciation expense - business-type activities	\$ <u>1,624,572</u>

(4) **Long-Term Debt**

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2012:

	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2012</u>	Due Within <u>One Year</u>
<u>Governmental activities</u>					
General Obligation Bonds:					
\$16,615,000 2009 school bonds, due in annual installments of \$595,000 to \$1,295,000 through February 1, 2029; plus interest at 4.00% to 6.00% payable semiannually	\$ 15,535,000	-	575,000	14,960,000	595,000
\$620,000 1998 refunding bonds, final payment of \$70,000 due January 1, 2013; plus interest at 4.75%	70,000	-	70,000	-	-

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

<u>Governmental activities, continued</u>	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2012</u>	Due Within <u>One Year</u>
General Obligation Bonds, continued:					
\$175,000 2010 Series A bonds, due in annual installments of \$35,000 to \$40,000 through August 1, 2015; plus interest at 2.00% to 3.00% payable semiannually	\$ 145,000	-	35,000	110,000	35,000
\$1,340,000 2005 Series A bonds, due in annual installments of \$116,000 to \$160,000 through October 1, 2019; plus interest at 2.50% to 5.00% payable semiannually	1,076,000	-	112,000	964,000	116,000
\$210,000 2010 Series B bonds, due in annual installments of \$40,000 to \$45,000 beginning August 1, 2016 through August 1, 2020; plus interest at 3.75% to 4.76% payable semiannually	210,000	-	-	210,000	-
\$445,000 2011 Series Three school bonds, due in annual installments of \$40,000 to \$55,000 through 2021; plus interest at 4.00% to 5.00% payable semiannually	\$445,000	-	35,000	410,000	40,000
Accrued vacation and sick leave	<u>143,178</u>	<u>212,707</u>	<u>138,447</u>	<u>217,438</u>	<u>217,438</u>
Total governmental activities	\$ <u>17,624,178</u>	<u>212,707</u>	<u>965,447</u>	<u>16,871,438</u>	<u>963,438</u>

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

<u>Business-type activities</u>	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2012</u>	Due Within <u>One Year</u>
General Obligation Bonds:					
\$335,000 2005 Series A bonds, due in annual installments of \$29,000 to \$40,000 through October 1, 2019; plus interest at 2.50% to 5.00% payable semiannually	\$ 269,000	-	28,000	241,000	29,000
Alaska Department of Environmental Conservation loans:					
\$1,380,884 Drinking Water loan, due in annual installments of \$69,044 through February 1, 2020; plus interest at 1.50%	621,400	-	69,044	552,356	69,044
\$1,100,000 (maximum) Clean Water loan, terms not yet established; interest at 1.50%	939,130	140,000	-	1,079,130	-
Accrued vacation and sick leave	49,196	69,004	9,483	108,717	108,717
Landfill closure costs payable	<u>584,780</u>	<u>50,000</u>	<u>-</u>	<u>634,780</u>	<u>-</u>
Total business-type activities	\$ <u>2,463,506</u>	<u>259,004</u>	<u>106,527</u>	<u>2,615,983</u>	<u>206,761</u>

The annual debt service requirements of the general obligation bonds and loans outstanding at December 31, 2012 that are in repayment status follow:

Governmental activities

<u>General Obligation Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
Year Ending:			
December 31, 2013	\$ 786,000	842,261	1,628,261
2014	819,000	809,511	1,628,511
2015	857,000	773,867	1,630,867
2016	896,000	735,092	1,631,092
2017	929,000	695,761	1,624,761
2018-2022	4,657,000	2,795,126	7,452,126
2023-2027	5,190,000	1,516,639	6,706,639
2028-2030	<u>2,520,000</u>	<u>146,912</u>	<u>2,666,912</u>
	\$ <u>16,654,000</u>	<u>8,315,169</u>	<u>24,969,169</u>

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

Business-type activities

<u>General Obligation Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
Year Ending:			
December 31, 2013	\$ 29,000	12,050	41,050
2014	31,000	10,600	41,600
2015	33,000	9,050	42,050
2016	34,000	7,400	41,400
2017	36,000	5,700	41,700
2018-2019	<u>78,000</u>	<u>5,900</u>	<u>83,900</u>
	\$ <u>241,000</u>	<u>50,700</u>	<u>291,700</u>

<u>ADEC Loan</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
Year Ending:			
December 31, 2013	\$ 69,044	8,285	77,329
2014	69,044	7,250	76,294
2015	69,044	6,214	75,258
2016	69,044	5,178	74,222
2017	69,044	4,143	73,187
2018-2020	<u>207,136</u>	<u>6,214</u>	<u>213,350</u>
	\$ <u>552,356</u>	<u>37,284</u>	<u>589,640</u>

(5) **Landfill Closure and Postclosure Liability**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, accounting principles generally accepted in the United States of America require that the City report a portion of these closure and postclosure care costs each period based on landfill capacity used as of each balance sheet date.

There are currently two cells available for use at the City's new landfill at Mile 17. The future total estimated closure cost of these two cells is approximately \$800,000. The \$634,780 (an increase of \$50,000) reported as landfill closure costs payable at December 31, 2012 for the new landfill represents the cumulative amount reported to date based on the use of the expected usage of the two cells. The City will recognize the remaining estimated cost of closure and postclosure care of \$165,220 as the remaining expected usage is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The remaining life of the two cells is estimated to be approximately 13 years.

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

(6) **Change in Accounting Principles – Adoption of GASB Pronouncements - Restatement**

The City has adopted newly issued GASB pronouncement numbers 63 and 65, resulting in a change in presentation for the government-wide financial statements. The new pronouncements require, among other things, that debt issuance costs be recognized as an expense in the year incurred, rather than capitalizing and amortizing these costs over the life of the debt. Retroactive restatement of net position is required in the year of adoption.

The beginning net position in the Governmental Activities has been restated as follows:

	<u>Governmental Activities</u>
2012 beginning net position, as previously presented	\$ 42,439,824
Restatement to write off unamortized bond issuance costs	<u>(126,609)</u>
2012 beginning net position, as restated	<u>\$ 42,313,215</u>

(7) **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.

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.

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Conversion to Cost Sharing, continued

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 (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare).

Employer and Other Contribution Rates

There are three contribution rates associated with the pension and healthcare contributions and related liabilities:

Contractual Rate: This is the required funding rate for participating employers. The contractual rate is statutorily capped at a uniform 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 (ARM) Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap. There are no constraints or restrictions on the actuarial cost method or other assumptions used in this valuation, other than those established and agreed to by the ARM Board. Current legislation provides that the State of Alaska will contribute the difference between the ARM Board adopted rate and the contractual (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected within the financial statements.

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 FY13, the rate uses an 8.00% pension discount rate and a 6.88% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

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.

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Employer and Other Contribution Rates, continued

Contribution rates for the six months ended June 30, 2012 were determined as part of the June 30, 2009 actuarial valuation. Rates for the six months ended December 31, 2012 (State fiscal year 2013) were determined in the June 30, 2010 valuation.

	Contractual	ARM Board Adopted	GASB 43
	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
State FY12			
<u>January to June</u>			
Pension	9.92%	15.10%	23.10%
Postemployment healthcare	<u>12.08%</u>	<u>18.39%</u>	<u>32.74%</u>
Total contribution rate	<u>22.00%</u>	<u>33.49%</u>	<u>55.84%</u>
State FY13			
<u>July to December</u>			
Pension	9.67%	15.75%	24.95%
Postemployment healthcare	<u>12.33%</u>	<u>20.09%</u>	<u>39.93%</u>
Total contribution rate	<u>22.00%</u>	<u>35.84%</u>	<u>64.88%</u>

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 contributed approximately 11.49% and 13.84% of covered payroll to the Plan for each six month period noted above, respectively.

In accordance with the provisions of GASB Statement Number 24, the City has recorded the State on-behalf payment in the amount of \$332,763 as revenue and expense/expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here.

<u>Year</u> <u>Ended</u> <u>December 31</u>	<u>Annual</u> <u>Pension</u> <u>Cost</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Total</u> <u>Benefit</u> <u>Cost</u> <u>(TBC)</u>	<u>City</u> <u>Contri-</u> <u>butions</u>	<u>% of</u> <u>TBC</u> <u>Contributed</u>
2012	\$ 201,450	\$ 256,912	\$ 458,362	\$ 458,362	100%
2011	233,235	252,671	485,906	485,906	100%
2010	175,037	305,835	480,872	480,872	100%

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

(8) **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, and 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 account.

Employer Contribution Rates

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

	<u>Others</u> <u>Tier IV</u>	<u>Police/Fire</u> <u>Tier IV</u>
<u>January to June</u>		
Individual account	5.00%	5.00%
Retiree medical plan	0.51	0.51
Occupational death and disability benefits	<u>0.20</u>	<u>0.97</u>
	<u>5.71 %</u>	<u>6.48%</u>
	<u>Others</u> <u>Tier IV</u>	<u>Police/Fire</u> <u>Tier IV</u>
<u>July to December</u>		
Individual account	5.00%	5.00%
Retiree medical plan	0.48	0.48
Occupational death and disability benefits	<u>0.14</u>	<u>0.99</u>
	<u>5.62 %</u>	<u>6.47%</u>

In addition, the employer must contribute to the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount at “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2012, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,848 per year for each full-time employee, and \$1.18 per hour for part-time employees.

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, 2012 were \$107,223 and \$91,289, respectively.

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

(9) **Deferred Compensation Plan**

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are available to all employees and 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 plans require that all assets and income of the plans be held in trust for the exclusive benefit of participants and their beneficiaries.

(10) **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. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for property and content damage, workers' compensation, professional liabilities, and employee medical costs. Settled claims from these risks have not exceeded commercial insurance coverage. The City has no coverage for potential losses from environmental damages.

(11) **Interfund Receivables, Payables, and Transfers**

A schedule of interfund balances and transfers for the year ended December 31, 2012, follows:

Due from other funds:

Due to the General Fund from:

Hospital Repair Capital Projects Fund for advances to cover capital costs	\$ 210,612
Nonmajor governmental funds for advances to cover capital costs	<u>17,645</u>
Total due from other funds	<u>\$ 228,257</u>

Transfers:

To General Reserve Special Revenue Fund for

“permanent fund replacement” from:

General Fund	716,946
Water Enterprise Fund	1,164
Port Enterprise Fund	20,398
Refuse Enterprise Fund	2,328
Odiak Park Enterprise Fund	<u>4,000</u>
Total transfers to General Reserve Special Revenue Fund	<u>744,836</u>

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Interfund Receivables, Payables, and Transfers, continued

Transfers, continued:

To General Fund from General Reserve Special Revenue Fund for operating subsidy	\$ <u>400,000</u>
To Water Enterprise Fund from Port Enterprise Fund	<u>9,600</u>
To General Capital Projects Fund for capital expenditures from:	
General Fund	164,775
General Reserve Special Revenue Fund	<u>434,058</u>
Total transfers to General Capital Projects Fund	<u>598,833</u>
To Equipment Replacement Capital Project Fund from General Fund	<u>33,000</u>
To Street Improvements Capital Project Fund from General Reserve Special Revenue Fund	<u>111,619</u>
Total transfers to other funds	\$ <u>1,897,888</u>

(12) **Contingencies**

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability.

Cordova Center Construction

The City awarded a fixed bid contract for the construction of the outer shell of the Cordova Center. The contractor has asserted that ground conditions, winter weather, and changes in the scope of work have resulted in additional compensable costs in excess of the fixed price bid.

As of December 31, 2012, the amount of claims outstanding on this project was \$9.9 million. Included therein was \$2.2 million payable to a subcontractor. The City has settled the \$2.2 million claim with the subcontractor for \$900,000 which has been accrued as a liability at December 31, 2012. The remaining disputed items are now at \$7.7 million. The City plans to vigorously defend against certain aspects of the contractor's assertion, but may agree to other portions. Due to the uncertainty of the outcome of this claim, no liability has been reflected in these financial statements for this matter.

CITY OF CORDOVA, ALASKA

Notes to Basic Financial Statements, continued

Contingencies, continued

Protested Property Taxes

During 2012, the City received a \$138,042 payment from Alyeska Pipeline Service Company on behalf of BP Pipelines (Alaska) Inc., ConocoPhillips Transportation Alaska, Inc., ExxonMobil Pipeline Company, Unocal Pipeline Company, and Koch Alaska Pipeline Company (collectively, the Owners) with respect to the Trans Alaska Pipeline System (TAPS) for tax years 2007, 2008, and 2009. This payment was made under protest “with full reservation of rights for refund” as the Owners of TAPS believe the State Assessment Review Board has substantially overvalued TAPS for tax purposes. Pending the outcome of the Owners of TAPS ongoing legal proceedings, the City may be required to refund this payment. No liability has been reflected in these financial statements for this matter.

(13) **New Accounting Pronouncements**

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

GASB 66 – Technical Corrections – 2012 – Effective for year end December 31, 2013 – This statement contains certain technical corrections to prior GASB statements on the topics of Risk Financing, Operating Leases, Loan Purchases, and Servicing Fees.

GASB 67 – Financial Reporting for Pension Plans – 2013 – Effective for year end December 31, 2014 – This statement contains certain technical corrections to prior GASB statements on the topic of improving financial reporting by state and local governmental pension plans.

GASB 68 – Accounting and Financial Reporting for Pensions – 2013 – Effective for year end December 31, 2015 – This statement contains certain technical corrections to prior GASB statements on the topics of Net Pension Liability and Pension Expense.

GASB 69 – Government Combination and Disposals of Government Operations – 2013 – Effective for year end December 31, 2014 – This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

(14) **Subsequent Events**

In 2012, the City entered into a line of credit agreement with UBS Financial. At December 31, 2012, no funds had been drawn on the line. Subsequent to year end the City drew down \$900,000 to fund the settlement payment to the construction contractor referenced in Note 12. The line is secured by cash in the Central Treasury.

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 police and fire protection, public works, planning, legal services, administrative services, etc. Appropriations are made from the fund annually. The fund will continue to exist indefinitely.

Revenue, for this and other funds, is recorded by source, i.e., taxes, State of Alaska, etc. Expenditures are recorded first by function, then by activity and object of the expenditure.

General Fund expenditures are made primarily for current day-to-day operating expenditures and operating equipment. Capital expenditures for large-scale public improvements, such as buildings, are accounted for elsewhere in the Capital Project or Enterprise Funds.

CITY OF CORDOVA, ALASKA
 General Fund
 Balance Sheet
 December 31, 2012
 With Comparative Amounts for 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash and investments	\$ <u>3,978,720</u>	<u>4,852,450</u>
Receivables:		
Sales tax	534,875	517,818
Delinquent property taxes	15,931	44,927
Grants and shared revenues	355,465	-
Cordova Community Medical Center	700,000	500,000
Other	<u>27,772</u>	<u>6,450</u>
Total receivables	<u>1,634,043</u>	<u>1,069,195</u>
Prepaid insurance	89,043	92,157
Due from other funds	<u>228,257</u>	<u>226,409</u>
 Total assets	 \$ <u><u>5,930,063</u></u>	 <u><u>6,240,211</u></u>
 <u>Liabilities</u>		
Accounts payable	328,989	504,938
Accrued payroll and related liabilities	61,429	51,612
Unearned revenue	<u>98,903</u>	<u>98,489</u>
Total liabilities	<u>489,321</u>	<u>655,039</u>
 <u>Deferred Inflows</u>		
Deferred property taxes	<u>15,716</u>	<u>43,301</u>
 <u>Fund Balance</u>		
Nonspendable:		
Medical Center receivable	700,000	500,000
Prepaid insurance	89,043	92,157
Committed for education	1,699,272	1,018,179
Unassigned	<u>2,936,711</u>	<u>3,931,535</u>
Total fund balance	<u>5,425,026</u>	<u>5,541,871</u>
 Total liabilities, deferred inflows, and fund balance	 \$ <u><u>5,930,063</u></u>	 <u><u>6,240,211</u></u>

CITY OF CORDOVA, ALASKA

General Fund

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

Year Ended December 31, 2012

With Comparative Amounts for 2011

	2012		Variance with Budget	2011
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Taxes:				
Property tax	\$ 1,510,000	1,669,022	159,022	1,618,002
Sales tax	3,517,137	3,254,979	(262,158)	3,190,224
Public accommodations surtax	105,000	116,264	11,264	117,502
Vehicle rental surtax	10,000	14,603	4,603	16,066
Penalties and interest	15,000	9,573	(5,427)	14,369
Federal payment in lieu of property taxes	350,000	408,841	58,841	401,611
Total taxes	<u>5,507,137</u>	<u>5,473,282</u>	<u>(33,855)</u>	<u>5,357,774</u>
Licenses and permits:				
Business licenses	16,500	24,095	7,595	14,625
Other licenses and permits	6,300	6,310	10	6,515
Total licenses and permits	<u>22,800</u>	<u>30,405</u>	<u>7,605</u>	<u>21,140</u>
Federal government:				
National forest receipts	1,065,581	1,119,124	53,543	1,180,532
Coastal zone management grants	-	-	-	2,174
USFS dispatch services	4,725	4,725	-	4,725
Total federal government	<u>1,070,306</u>	<u>1,123,849</u>	<u>53,543</u>	<u>1,187,431</u>
State of Alaska:				
Raw fish tax	1,000,000	1,371,290	371,290	1,658,375
Liquor licenses	14,000	11,650	(2,350)	11,675
Cooperative tax refunds	100,000	134,091	34,091	114,526
Shared fisheries tax	65,000	65,315	315	24,852
Revenue sharing	202,622	294,223	91,601	276,416
PERS relief	-	251,550	251,550	216,240
Dispatch services	4,725	4,725	-	4,725
Library grant	6,350	6,500	150	6,500

CITY OF CORDOVA, ALASKA

General Fund

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

	2012		Variance with Budget	2011
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues, continued:				
State of Alaska, continued:				
Motor vehicle registration	\$ 62,500	52,353	(10,147)	67,192
Driver license fees	12,000	15,130	3,130	11,905
Public safety contract - jail	185,784	151,250	(34,534)	206,806
Snowpocalypse reimbursement	-	355,465	355,465	-
Other	2,400	1,170	(1,230)	2,160
State debt reimbursement - school bonds	975,707	959,698	(16,009)	921,233
Library travel grant	2,500	626	(1,874)	-
Total State of Alaska	<u>2,633,588</u>	<u>3,675,036</u>	<u>1,041,448</u>	<u>3,522,605</u>
Investment income	<u>66,146</u>	<u>143,043</u>	<u>76,897</u>	<u>192,515</u>
Charges for services:				
Administrative overhead charges	452,084	452,084	-	422,200
Leases	126,050	178,282	52,232	175,347
Bidarki Center	70,000	69,886	(114)	72,104
Pool	23,200	17,822	(5,378)	29,917
Fines and forfeitures	31,100	20,940	(10,160)	36,484
Dog impounds and licenses	1,500	1,670	170	3,672
Airline security services	79,500	70,544	(8,956)	60,676
Finger printing and case file fees	1,500	2,582	1,082	4,398
Total charges for services	<u>784,934</u>	<u>813,810</u>	<u>28,876</u>	<u>804,798</u>
Other revenues:				
In-kind from School and Medical Center	53,170	53,170	-	53,170
Material and equipment sales	6,600	4,118	(2,482)	3,277
Cemetery lot sales	3,000	700	(2,300)	-
Miscellaneous	31,900	31,197	(703)	95,441
Fisherman's Memorial Park	500	1,400	900	1,400
Total other revenues	<u>95,170</u>	<u>90,585</u>	<u>(4,585)</u>	<u>153,288</u>
Total revenues	<u>10,180,081</u>	<u>11,350,010</u>	<u>1,169,929</u>	<u>11,239,551</u>

CITY OF CORDOVA, ALASKA

General Fund

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

	2012		Variance with Budget	2011
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures:				
General government:				
City council:				
Materials and supplies	\$ 1,500	1,094	406	1,417
Purchased services	<u>21,650</u>	<u>12,656</u>	<u>8,994</u>	<u>17,801</u>
Total city council	<u>23,150</u>	<u>13,750</u>	<u>9,400</u>	<u>19,218</u>
City clerk:				
Salaries and benefits	168,296	184,875	(16,579)	182,392
Materials and supplies	2,000	2,299	(299)	2,204
Purchased services	<u>55,320</u>	<u>57,624</u>	<u>(2,304)</u>	<u>32,616</u>
Total city clerk	<u>225,616</u>	<u>244,798</u>	<u>(19,182)</u>	<u>217,212</u>
Management:				
Salaries and benefits	350,538	330,396	20,142	248,177
Materials and supplies	3,600	1,421	2,179	584
Purchased services	30,250	18,984	11,266	16,110
Repairs and vehicle expense	<u>250</u>	<u>-</u>	<u>250</u>	<u>-</u>
Total management	<u>384,638</u>	<u>350,801</u>	<u>33,837</u>	<u>264,871</u>
Finance:				
Salaries and benefits	339,432	390,920	(51,488)	355,338
Materials and supplies	7,500	5,017	2,483	6,408
Purchased services	<u>11,900</u>	<u>6,120</u>	<u>5,780</u>	<u>5,110</u>
Total finance	<u>358,832</u>	<u>402,057</u>	<u>(43,225)</u>	<u>366,856</u>
Planning and zoning:				
Salaries and benefits	165,564	186,138	(20,574)	173,117
Materials and supplies	3,000	892	2,108	2,549
Purchased services	<u>25,000</u>	<u>36,820</u>	<u>(11,820)</u>	<u>67,136</u>
Total planning and zoning	<u>193,564</u>	<u>223,850</u>	<u>(30,286)</u>	<u>242,802</u>

CITY OF CORDOVA, ALASKA

General Fund

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

	2012		Variance with Budget	2011
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
General government, continued:				
Nondepartmental services:				
Materials and supplies	\$ 15,000	9,658	5,342	12,797
Purchased services	381,000	604,175	(223,175)	410,272
Capital outlay	-	-	-	185
Total nondepartmental services	<u>396,000</u>	<u>613,833</u>	<u>(217,833)</u>	<u>423,254</u>
Total general government	<u>1,581,800</u>	<u>1,849,089</u>	<u>(267,289)</u>	<u>1,534,213</u>
Public safety:				
Police department:				
Salaries and benefits	726,110	699,470	26,640	778,204
Materials and supplies	17,700	16,523	1,177	13,067
Purchased services	43,650	41,418	2,232	34,626
Repairs and vehicle expense	28,000	27,390	610	36,947
Capital outlay	-	-	-	15,923
Total police department	<u>815,460</u>	<u>784,801</u>	<u>30,659</u>	<u>878,767</u>
Jail operations:				
Salaries and benefits	186,789	194,747	(7,958)	203,336
Materials and supplies	8,500	8,426	74	7,889
Purchased services	12,800	4,540	8,260	12,225
Repairs and vehicle expense	2,200	1,128	1,072	1,025
Total jail operations	<u>210,289</u>	<u>208,841</u>	<u>1,448</u>	<u>224,475</u>
Fire department:				
Salaries and benefits	169,144	181,963	(12,819)	167,006
Materials and supplies	40,727	40,253	474	27,936
Purchased services	70,235	65,919	4,316	46,683
Repairs and vehicle expense	28,500	28,875	(375)	28,548
Capital outlay	-	-	-	11,427
Total fire department	<u>308,606</u>	<u>317,010</u>	<u>(8,404)</u>	<u>281,600</u>

CITY OF CORDOVA, ALASKA

General Fund

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

	2012		Variance with Budget	2011
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public safety, continued:				
Department of Motor Vehicles:				
Salaries and benefits	\$ 51,972	44,053	7,919	35,146
Materials and supplies	1,050	502	548	581
Purchased services	14,050	13,156	894	14,863
Capital outlay	-	-	-	20,690
Total Department of Motor Vehicles	<u>67,072</u>	<u>57,711</u>	<u>9,361</u>	<u>71,280</u>
Disaster management - materials and supplies	<u>510</u>	<u>-</u>	<u>510</u>	<u>2,981</u>
Total public safety	<u>1,401,937</u>	<u>1,368,363</u>	<u>33,574</u>	<u>1,459,103</u>
Information and recreation:				
Library:				
Salaries and benefits	339,576	352,882	(13,306)	338,260
Materials and supplies	17,000	16,926	74	14,263
Purchased services	13,950	24,017	(10,067)	17,553
Repairs and vehicle expense	3,500	2,415	1,085	1,581
Total library	<u>374,026</u>	<u>396,240</u>	<u>(22,214)</u>	<u>371,657</u>
Ski hill:				
Repairs	3,700	72	3,628	3,550
Purchased services	<u>54,700</u>	<u>74,430</u>	<u>(19,730)</u>	<u>72,013</u>
Total ski hill	<u>58,400</u>	<u>74,502</u>	<u>(16,102)</u>	<u>75,563</u>
Bidarki Center:				
Salaries and benefits	261,643	312,288	(50,645)	298,251
Materials and supplies	11,932	9,949	1,983	4,856
Purchased services	58,050	56,929	1,121	61,540
Repairs and vehicle expense	7,550	5,288	2,262	6,161
Capital outlay	-	-	-	4,700
Total Bidarki Center	<u>339,175</u>	<u>384,454</u>	<u>(45,279)</u>	<u>375,508</u>

CITY OF CORDOVA, ALASKA

General Fund

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

	2012		Variance with Budget	2011
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Information and recreation, continued:				
Pool:				
Salaries and benefits	\$ 109,659	100,235	9,424	109,793
Materials and supplies	22,650	24,089	(1,439)	16,207
Purchased services	108,550	125,519	(16,969)	141,267
Repairs and vehicle expense	17,200	22,713	(5,513)	8,554
Capital outlay	-	-	-	5,223
Total pool	<u>258,059</u>	<u>272,556</u>	<u>(14,497)</u>	<u>281,044</u>
Total information and recreation	<u>1,029,660</u>	<u>1,127,752</u>	<u>(98,092)</u>	<u>1,103,772</u>
Public works:				
Public works administration:				
Salaries and benefits	97,196	114,995	(17,799)	101,508
Materials and supplies	700	707	(7)	646
Purchased services	2,650	7,388	(4,738)	1,943
Repairs and vehicle expense	5,200	6,689	(1,489)	4,027
Total public works administration	<u>105,746</u>	<u>129,779</u>	<u>(24,033)</u>	<u>108,124</u>
Building maintenance:				
Salaries and benefits	156,072	139,724	16,348	87,317
Materials and supplies	9,700	15,141	(5,441)	6,958
Purchased services	161,050	196,116	(35,066)	162,804
Repairs and vehicle expense	16,200	17,661	(1,461)	22,504
Capital outlay	-	-	-	2,755
Total building maintenance	<u>343,022</u>	<u>368,642</u>	<u>(25,620)</u>	<u>282,338</u>
Street maintenance:				
Salaries and benefits	436,912	372,829	64,083	442,276
Materials and supplies	17,500	16,137	1,363	17,095
Purchased services	90,000	82,639	7,361	87,383
Repairs and vehicle expense	31,500	90,962	(59,462)	67,870
Total street maintenance	<u>575,912</u>	<u>562,567</u>	<u>13,345</u>	<u>614,624</u>

CITY OF CORDOVA, ALASKA

General Fund

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

	2012		Variance with Budget	2011
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public works, continued:				
Snow removal:				
Salaries and benefits	\$ 31,881	174,703	(142,822)	28,601
Materials and supplies	24,000	150,044	(126,044)	40,765
Purchased services	5,000	627,925	(622,925)	4,360
Total snow removal	<u>60,881</u>	<u>952,672</u>	<u>(891,791)</u>	<u>73,726</u>
Equipment maintenance:				
Salaries and benefits	160,698	91,814	68,884	89,324
Materials and supplies	15,500	32,135	(16,635)	23,817
Purchased services	3,800	1,736	2,064	3,020
Repairs and vehicle expense	95,000	160,982	(65,982)	120,377
Total equipment maintenance	<u>274,998</u>	<u>286,667</u>	<u>(11,669)</u>	<u>236,538</u>
Parks maintenance:				
Salaries and benefits	44,507	64,761	(20,254)	48,844
Materials and supplies	18,058	16,871	1,187	-
Purchased services	23,150	13,062	10,088	16,721
Repairs and vehicle expense	15,000	9,130	5,870	11,287
Capital outlay	-	-	-	7,043
Total parks maintenance	<u>100,715</u>	<u>103,824</u>	<u>(3,109)</u>	<u>83,895</u>
Cemetery maintenance:				
Salaries and benefits	7,718	11,665	(3,947)	7,794
Materials and supplies	500	314	186	550
Capital outlay	-	-	-	547
Total parks maintenance	<u>8,218</u>	<u>11,979</u>	<u>(3,761)</u>	<u>8,891</u>
Total public works	<u>1,469,492</u>	<u>2,416,130</u>	<u>(946,638)</u>	<u>1,408,136</u>
Debt service:				
General obligation bond principal	822,000	827,000	(5,000)	753,000
General obligation bond interest	877,076	875,549	1,527	888,387
ADEC Clean Water loan principal	-	-	-	24,746
ADEC Clean Water loan interest	-	-	-	699
Total debt service	<u>1,699,076</u>	<u>1,702,549</u>	<u>(3,473)</u>	<u>1,666,832</u>

CITY OF CORDOVA, ALASKA

General Fund

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

	2012		Variance with Budget	2011
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Contributions:				
Cordova City School District	\$ 1,790,940	1,810,990	(20,050)	1,955,940
Cordova Community Medical Center	812,230	572,261	239,969	412,230
Family Resource Center	20,000	20,000	-	20,000
Prince William Sound Community College	10,000	10,000	-	10,000
Cordova Chamber of Commerce	75,000	75,000	-	75,000
Total contributions	<u>2,708,170</u>	<u>2,488,251</u>	<u>219,919</u>	<u>2,473,170</u>
Total expenditures	<u>9,890,135</u>	<u>10,952,134</u>	<u>(1,061,999)</u>	<u>9,645,226</u>
Excess of revenues over expenditures	289,946	397,876	107,930	1,594,325
Other financing sources (uses):				
Transfers in:				
School Capital Project Fund	-	-	-	200,000
General Reserve Special Revenue Fund	-	400,000	400,000	-
Transfers out:				
General Reserve Special Revenue Fund	(716,946)	(716,946)	-	(865,248)
Capital Project Funds:				
Street Improvements	-	-	-	(45,000)
Equipment replacement	(33,000)	(33,000)	-	-
General Capital Projects	-	(164,775)	(164,775)	(8,750)
Public Safety Building	-	-	-	(75,000)
Hospital Repair	-	-	-	(13,500)
Shipyards Building	-	-	-	(5,650)
Shipyards Fill	-	-	-	(5,000)
Sawmill Avenue Project	-	-	-	(5,000)
Net other financing sources (uses)	<u>(749,946)</u>	<u>(514,721)</u>	<u>235,225</u>	<u>(823,148)</u>
Net change in fund balance	\$ <u>(460,000)</u>	(116,845)	<u>343,155</u>	771,177
Beginning fund balance		<u>5,541,871</u>		<u>4,770,694</u>
Ending fund balance	\$	<u>5,425,026</u>		<u>5,541,871</u>

NONMAJOR GOVERNMENTAL FUNDS

The Special Revenue Fund is established to finance particular activities and is created from receipts of designated revenues.

E-911

This fund is established to account for restricted revenues and costs associated with Enhanced 911 surcharges.

The Capital Project Funds are established to account for the resources expended to acquire assets of a relatively permanent nature. Capital Project Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to a certain purpose are used only for that purpose and further enables them to report to creditors, and other grantors of capital project fund revenue, that their requirements regarding the use of the revenues were fully satisfied.

School Building

This fund accounts for the ILP School Building project.

School Capital Project

This fund is used to account for various construction, maintenance, and repair projects for the school.

Street Improvements

This fund accounts for various street repair and improvement projects.

Ambulance

This fund accounts for miscellaneous revenues that have been earmarked for additional ambulance equipment.

Equipment Replacement

This fund accounts for various equipment purchases.

General Capital Projects

This fund accounts for various community-wide capital projects.

Shipyard Fill

This fund accounts for the site development and groundwork associated with the future shipyard building.

Sawmill Avenue Project

This fund accounts for street repair and improvements specific to Sawmill Avenue.

CITY OF CORDOVA, ALASKA

Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2012

	Special	Capital Project Funds								Totals
	Revenue Fund	School Building	School Capital Project	Street Improvements	Ambulance	Equipment Replacement	General Capital Projects	Shipyards Fill	Sawmill Ave. Project	
<u>Assets</u>	<u>E-911</u>									
Cash and investments	\$ 62,912	-	111,763	128,451	63,028	32,904	-	-	-	399,058
Restricted cash and investments	-	9,669	-	-	-	-	-	-	-	9,669
Grants receivable	-	-	-	-	-	-	10,362	-	-	10,362
Other receivable	-	-	-	-	13,288	-	-	-	-	13,288
Total assets	\$ 62,912	9,669	111,763	128,451	76,316	32,904	10,362	-	-	432,377
<u>Liabilities</u>										
Accounts payable	-	-	-	-	-	-	72,801	-	-	72,801
Due to other funds	-	-	-	-	-	-	13,883	1,832	1,930	17,645
Total liabilities	-	-	-	-	-	-	86,684	1,832	1,930	90,446
<u>Deferred Inflows</u>										
Deferred ambulance revenue	-	-	-	-	13,288	-	-	-	-	13,288
<u>Fund Balances</u>										
Restricted:										
Enhanced 911 services	62,912	-	-	-	-	-	-	-	-	62,912
School construction	-	9,669	111,763	-	-	-	-	-	-	121,432
Assigned:										
Capital projects	-	-	-	128,451	-	32,904	-	-	-	161,355
Public safety	-	-	-	-	63,028	-	-	-	-	63,028
Unassigned (deficit)	-	-	-	-	-	-	(76,322)	(1,832)	(1,930)	(80,084)
Total fund balances (deficit)	62,912	9,669	111,763	128,451	63,028	32,904	(76,322)	(1,832)	(1,930)	328,643
Total liabilities, deferred inflows and fund balances	\$ 62,912	9,669	111,763	128,451	76,316	32,904	10,362	-	-	432,377

CITY OF CORDOVA, ALASKA

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in
 Fund Balances (Deficit)
 Year Ended December 31, 2012

	Special	Capital Project Funds								Totals
	Revenue Fund	School	School	Street	Ambulance	Equipment	General	Shipyards	Sawmill	
	<u>E-911</u>	<u>Building</u>	<u>Project</u>	<u>Improvements</u>		<u>Replacement</u>	<u>Projects</u>	<u>Fill</u>	<u>Project</u>	
Revenues:										
Federal government	\$ -	-	-	-	-	-	95,229	-	-	95,229
State of Alaska	-	-	-	-	-	-	59,067	-	-	59,067
Other revenues	<u>17,238</u>	-	-	-	-	-	16,500	-	-	33,738
Total revenues	<u>17,238</u>	-	-	-	-	-	170,796	-	-	188,034
Expenditures:										
General government	-	-	-	-	-	-	76,209	-	-	76,209
Public safety	9,034	-	-	-	-	-	38,508	-	-	47,542
Information and recreation	-	-	-	-	-	-	201,944	-	-	201,944
Public works	-	-	-	-	-	96	20,148	1,832	1,930	24,006
Education	-	-	390	-	-	-	22,500	-	-	22,890
Capital outlay	-	41,982	16,359	58,934	-	-	256,795	-	-	374,070
Total expenditures	<u>9,034</u>	<u>41,982</u>	<u>16,749</u>	<u>58,934</u>	<u>-</u>	<u>96</u>	<u>616,104</u>	<u>1,832</u>	<u>1,930</u>	<u>746,661</u>
Excess of revenues over (under) expenditures	8,204	(41,982)	(16,749)	(58,934)	-	(96)	(445,308)	(1,832)	(1,930)	(558,627)
Other financing sources - transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,619</u>	<u>-</u>	<u>33,000</u>	<u>598,833</u>	<u>-</u>	<u>-</u>	<u>743,452</u>
Net change in fund balances (deficit)	8,204	(41,982)	(16,749)	52,685	-	32,904	153,525	(1,832)	(1,930)	184,825
Beginning fund balances (deficit)	<u>54,708</u>	<u>51,651</u>	<u>128,512</u>	<u>75,766</u>	<u>63,028</u>	<u>-</u>	<u>(229,847)</u>	<u>-</u>	<u>-</u>	<u>143,818</u>
Ending fund balances (deficit)	\$ <u>62,912</u>	<u>9,669</u>	<u>111,763</u>	<u>128,451</u>	<u>63,028</u>	<u>32,904</u>	<u>(76,322)</u>	<u>(1,832)</u>	<u>(1,930)</u>	<u>328,643</u>

CITY OF CORDOVA, ALASKA
 General Capital Projects Fund
 Schedule of Expenditures by Project
 Year Ended December 31, 2012

Pool repairs and improvements	\$ 184,442
Homeland security projects	91,042
Mt. Eccles estate culvert	46,761
Student van	40,000
First Street rehabilitation	33,235
Uniforms and safety equipment	25,038
Ford truck	24,247
Code revisions	21,091
Jail and dispatch surveillance	16,058
Morning music program	15,000
Dispatch radio consolettes	14,538
Land trade costs	14,402
Window replacement	13,000
Tot lot	11,855
Evidence locker system	11,058
GIS capital planning	9,028
Bidarki Center door replacement	7,409
Weight room expansion	7,243
Disaster supply trailer	6,649
Other miscellaneous projects	24,008
	<u>616,104</u>
	\$ <u>616,104</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise – where the intent of the government’s council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government’s council has decided that periodic determination of net income is appropriate for accountability purposes.

MAJOR ENTERPRISE FUNDS

Port

This fund accounts for the operations of the port and boat harbor.

Water

This fund accounts for the operations of the water system.

Sewer

This fund accounts for the operations of the sewer system.

Refuse

This fund accounts for the operations of the baler, refuse collection services, and landfill.

NONMAJOR ENTERPRISE FUND

Odiak Park

This fund accounts for the operations of the Odiak Camper Park.

CITY OF CORDOVA, ALASKA
Port Enterprise Fund
Statement of Net Position
December 31, 2012
With Comparative Amounts for 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and investments	\$ -	710,610
Receivables:		
Accounts	261,843	222,470
Grants	766,519	-
Allowance for doubtful accounts	(84,279)	(73,765)
Prepaid insurance	13,189	32,018
Total current assets	<u>957,272</u>	<u>891,333</u>
Property, plant and equipment:		
Land	4,395,992	4,395,992
Construction in progress	1,864,071	10,355
Buildings	274,983	274,983
Machinery and equipment	2,789,954	2,794,960
Improvements	16,793,415	16,793,415
Total property, plant and equipment	26,118,415	24,269,705
Accumulated depreciation	(10,643,486)	(9,941,683)
Net property, plant and equipment	<u>15,474,929</u>	<u>14,328,022</u>
Total assets	\$ <u>16,432,201</u>	<u>15,219,355</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	167,990	36,642
Accrued payroll and related liabilities	6,296	6,121
Accrued vacation and sick leave	62,982	39,659
Due to other funds	176,122	-
Unearned revenue	353,154	328,432
Total current liabilities	<u>766,544</u>	<u>410,854</u>
<u>Net Position</u>		
Net investment in capital assets	15,474,929	14,328,022
Unrestricted	190,728	480,479
Total net position	<u>15,665,657</u>	<u>14,808,501</u>
Total liabilities and net position	\$ <u>16,432,201</u>	<u>15,219,355</u>

CITY OF CORDOVA, ALASKA
Port Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
User charges:		
Slip fees	\$ 796,152	694,740
Wharfage and dockage	<u>65,572</u>	<u>68,164</u>
Total user charges	861,724	762,904
Rents, leases and storage fees	76,532	63,879
Travel lift fees	77,603	59,586
Penalties and interest	9,852	1,492
Other revenues	<u>49,780</u>	<u>116,623</u>
Total operating revenues	<u>1,075,491</u>	<u>1,004,484</u>
Operating expenses:		
Salaries and benefits	509,742	478,461
Materials and supplies	8,598	11,474
Purchased services	341,365	248,437
Vehicle expense	17,050	17,361
Insurance	70,208	58,653
Repairs and maintenance	17,062	30,494
Depreciation	706,809	732,625
Allocated administrative and billing expenses	<u>130,258</u>	<u>122,590</u>
Total operating expenses	<u>1,801,092</u>	<u>1,700,095</u>
Loss from operations	(725,601)	(695,611)
Nonoperating revenues:		
Investment income	1,802	132
State of Alaska PERS relief	<u>38,317</u>	<u>30,954</u>
Total nonoperating revenues	<u>40,119</u>	<u>31,086</u>
Loss before contributions and transfers	(685,482)	(664,525)
Capital contributions	1,572,636	3,093
Transfers out	<u>(29,998)</u>	<u>(29,928)</u>
Change in net position	857,156	(691,360)
Beginning net position	<u>14,808,501</u>	<u>15,499,861</u>
Ending net position	\$ <u>15,665,657</u>	<u>14,808,501</u>

CITY OF CORDOVA, ALASKA
Port Enterprise Fund
Statement of Cash Flows
Year Ended December 31, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,071,354	984,617
Payments for interfund services used	(130,258)	(122,590)
Payments to suppliers	(304,106)	(360,446)
Payments to employees	<u>(447,927)</u>	<u>(441,386)</u>
Net cash flows from operating activities	<u>189,063</u>	<u>60,195</u>
Cash flows from noncapital financing activities - transfers out	<u>(29,998)</u>	<u>(29,928)</u>
Cash flows from capital and related financing activities:		
Additions to property, plant and equipment	(1,853,716)	(10,355)
Increase in due to other funds	176,122	-
Capital contributions received	<u>806,117</u>	<u>3,093</u>
Net cash flows from capital and related financing activities	<u>(871,477)</u>	<u>(7,262)</u>
Cash flows from investing activities - investment income received	<u>1,802</u>	<u>132</u>
Net increase (decrease) in cash and investments	(710,610)	23,137
Beginning cash and investments	<u>710,610</u>	<u>687,473</u>
Ending cash and investments	<u>\$ -</u>	<u>710,610</u>

CITY OF CORDOVA, ALASKA
Port Enterprise Fund
Statement of Cash Flows, continued

	<u>2012</u>	<u>2011</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (725,601)	(695,611)
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities:		
Depreciation	706,809	732,625
Noncash expense - PERS relief	38,317	30,954
Increase in allowance for doubtful accounts	10,514	47,670
Noncash expense - accumulated depreciation adjustment	-	(402)
(Increase) decrease in assets:		
Accounts receivable	(39,373)	(78,229)
Prepaid insurance	18,829	1,061
Increase (decrease) in liabilities:		
Accounts payable	131,348	5,314
Accrued payroll and related liabilities	175	6,121
Accrued vacation and sick leave	23,323	-
Unearned revenue	<u>24,722</u>	<u>10,692</u>
Net cash flows from operating activities	\$ <u>189,063</u>	<u>60,195</u>
Noncash capital and related financing activities -		
Equipment disposed of during the year	\$ <u>5,006</u>	<u>-</u>

CITY OF CORDOVA, ALASKA
Port Enterprise Fund
Schedule of Port Capital Projects
Year Ended December 31, 2012

Breakwater
Extension and
Boat Ramp
Improvements

Funding sources:

State of Alaska	\$ 1,572,636
Port Enterprise Fund	<u>281,080</u>
Total funding sources	\$ <u><u>1,853,716</u></u>
Expenditures - capital outlay	\$ <u><u>1,853,716</u></u>

CITY OF CORDOVA, ALASKA

Water Enterprise Fund
Statement of Net Position
December 31, 2012

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and investments	\$ -	103,214
Accounts receivable	28,479	59,229
Allowance for doubtful accounts	(13,135)	(13,135)
Grants receivable	121,468	-
Prepaid insurance	15,634	21,825
Total current assets	<u>152,446</u>	<u>171,133</u>
Property, plant and equipment:		
Land	881,531	881,531
Construction in progress	-	210,000
Buildings	33,591	33,591
Machinery and equipment	147,516	147,516
Improvements	14,373,714	13,984,830
Total property, plant and equipment	15,436,352	15,257,468
Accumulated depreciation	(7,316,503)	(6,939,374)
Net property, plant and equipment	<u>8,119,849</u>	<u>8,318,094</u>
Total assets	\$ <u>8,272,295</u>	<u>8,489,227</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	35,033	116,175
Accrued payroll and related liabilities	2,833	6,250
Accrued vacation and sick leave	11,782	-
Due to other funds	166,317	-
Customer deposits	34,461	27,746
Accrued interest payable	7,595	8,544
Current portion of loan payable to ADEC	69,044	69,044
Total current liabilities	327,065	227,759
Loan payable to ADEC, net of current portion	483,312	552,356
Total liabilities	<u>810,377</u>	<u>780,115</u>
<u>Net Position</u>		
Net investment in capital assets	7,567,493	7,696,694
Unrestricted (deficit)	(105,575)	12,418
Total net position	<u>7,461,918</u>	<u>7,709,112</u>
Total liabilities and net position	\$ <u>8,272,295</u>	<u>8,489,227</u>

CITY OF CORDOVA, ALASKA
Water Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2012

	<u>2012</u>	<u>2011</u>
Operating revenues - user charges	\$ <u>630,622</u>	<u>655,903</u>
Operating expenses:		
Salaries and benefits	224,381	237,867
Materials and supplies	59,884	46,863
Purchased services	148,203	130,819
Vehicle expense	8,943	8,787
Insurance	21,691	28,701
Repairs and maintenance	61,009	215,689
Depreciation	377,130	378,450
Allocated administrative and billing expenses	<u>99,899</u>	<u>90,675</u>
Total operating expenses	<u>1,001,140</u>	<u>1,137,851</u>
Loss from operations	(370,518)	(481,948)
Nonoperating revenues (expenses):		
State of Alaska PERS relief	11,429	10,793
In-kind contributions to School and Medical Center	(9,638)	(10,515)
Interest expense	<u>(8,371)</u>	<u>(17,510)</u>
Net nonoperating revenues (expenses)	<u>(6,580)</u>	<u>(17,232)</u>
Loss before contributions and transfers	(377,098)	(499,180)
Capital contributions	121,468	127,520
Transfers in	9,600	9,600
Transfers out	<u>(1,164)</u>	<u>(18,664)</u>
Change in net position	(247,194)	(380,724)
Beginning net position	<u>7,709,112</u>	<u>8,089,836</u>
Ending net position	\$ <u>7,461,918</u>	<u>7,709,112</u>

CITY OF CORDOVA, ALASKA

Water Enterprise Fund
Statement of Cash Flows
Year Ended December 31, 2012

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 658,449	677,277
Payments for interfund services used	(99,899)	(90,675)
Payments to suppliers	(374,681)	(365,735)
Payments to employees	<u>(204,587)</u>	<u>(229,351)</u>
Net cash flows from operating activities	<u>(20,718)</u>	<u>(8,484)</u>
Cash flows from noncapital financing activities:		
Transfers in	9,600	9,600
Transfers out	<u>(1,164)</u>	<u>(18,664)</u>
Net cash flows from noncapital financing activities	<u>8,436</u>	<u>(9,064)</u>
Cash flows from capital and related financing activities:		
Additions to property, plant and equipment	(178,884)	(223,613)
Capital contributions received	-	127,520
Increase in due to other funds	166,317	-
Principal and interest paid on ADEC loans	<u>(78,365)</u>	<u>(79,402)</u>
Net cash flows from capital and related financing activities	<u>(90,932)</u>	<u>(175,495)</u>
Net decrease in cash and investments	(103,214)	(193,043)
Beginning cash and investments	<u>103,214</u>	<u>296,257</u>
Ending cash and investments	\$ <u>-</u>	<u>103,214</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (370,518)	(481,948)
Adjustments to reconcile loss from operations to net cash used by operating activities:		
Depreciation	377,130	378,450
Noncash expense - PERS relief	11,429	10,793
Increase in allowance for doubtful accounts	-	9,827
In-kind contributions	(9,638)	(10,515)
(Increase) decrease in assets:		
Accounts receivable	30,750	(5,684)
Prepaid insurance	6,191	(21,825)
Increase (decrease) in liabilities:		
Accounts payable	(81,142)	86,949
Accrued payroll and related liabilities	(3,417)	(2,277)
Accrued vacation and sick leave	11,782	-
Customer deposits	<u>6,715</u>	<u>27,746</u>
Net cash flows from operating activities	\$ <u>(20,718)</u>	<u>(8,484)</u>

CITY OF CORDOVA, ALASKA
 Water Enterprise Fund
 Schedule of Water Capital Projects
 Year Ended December 31, 2012

	LT2 Water Quality <u>Project</u>	Other Repair and Maintenance <u>Projects</u>
Funding sources:		
State of Alaska	\$ 121,468	-
Water Enterprise Fund	<u>-</u>	<u>57,416</u>
Total funding sources	\$ <u>121,468</u>	<u>57,416</u>
Expenditures - capital outlay	\$ <u>121,468</u>	<u>57,416</u>

CITY OF CORDOVA, ALASKA

Sewer Enterprise Fund
Statement of Net Position
December 31, 2012

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and investments	\$ 239,534	138,678
Accounts receivable	82,589	52,659
Allowance for doubtful accounts	(3,774)	(3,122)
Prepaid insurance	15,663	21,825
Deposits	-	6,500
Total current assets	<u>334,012</u>	<u>216,540</u>
Property, plant and equipment:		
Land	32,560	32,560
Construction in progress	15,400	15,400
Buildings	93,071	93,071
Machinery and equipment	715,912	698,718
Improvements	<u>17,652,750</u>	<u>17,603,753</u>
Total property, plant and equipment	18,509,693	18,443,502
Accumulated depreciation	<u>(8,697,653)</u>	<u>(8,284,387)</u>
Net property, plant and equipment	<u>9,812,040</u>	<u>10,159,115</u>
Total assets	\$ <u>10,146,052</u>	<u>10,375,655</u>
	<u>Liabilities</u>	
Current liabilities:		
Accounts payable	19,826	39,591
Accrued payroll and related liabilities	2,833	1,986
Accrued vacation and sick leave	11,782	6,590
Accrued interest payable	<u>25,314</u>	<u>25,314</u>
Total current liabilities	<u>59,755</u>	<u>73,481</u>
Loan payable to ADEC	<u>1,079,130</u>	<u>939,130</u>
Total liabilities	<u>1,138,885</u>	<u>1,012,611</u>
	<u>Net Position</u>	
Net investment in capital assets	8,732,910	9,219,985
Unrestricted	<u>274,257</u>	<u>143,059</u>
Total net position	<u>9,007,167</u>	<u>9,363,044</u>
Total liabilities and net position	\$ <u>10,146,052</u>	<u>10,375,655</u>

CITY OF CORDOVA, ALASKA
 Sewer Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Position
 Year Ended December 31, 2012

	<u>2012</u>	<u>2011</u>
Operating revenues - user charges	\$ <u>636,828</u>	<u>540,912</u>
Operating expenses:		
Salaries and benefits	219,381	240,507
Materials and supplies	39,361	28,801
Purchased services	160,217	168,041
Vehicle expense	20,702	11,696
Insurance	21,661	28,701
Repairs and maintenance	21,682	49,749
Depreciation	413,266	416,535
Allocated administrative and billing expenses	<u>94,082</u>	<u>88,200</u>
Total operating expenses	<u>990,352</u>	<u>1,032,230</u>
Loss from operations	(353,524)	(491,318)
Nonoperating revenues (expenses):		
State of Alaska PERS relief	11,495	10,793
In-kind contributions to School and Medical Center	(13,848)	(13,848)
Interest expense	<u>-</u>	<u>(5,946)</u>
Net nonoperating revenues (expenses)	<u>(2,353)</u>	<u>(9,001)</u>
Loss before transfers	(355,877)	(500,319)
Transfers out	<u>-</u>	<u>(31,078)</u>
Change in net position	(355,877)	(531,397)
Beginning net position	<u>9,363,044</u>	<u>9,894,441</u>
Ending net position	\$ <u><u>9,007,167</u></u>	<u><u>9,363,044</u></u>

CITY OF CORDOVA, ALASKA

Sewer Enterprise Fund
Statement of Cash Flows
Year Ended December 31, 2012

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 600,202	504,648
Payments for interfund services used	(94,082)	(88,200)
Payments to suppliers	(277,226)	(276,819)
Payments to employees	<u>(201,847)</u>	<u>(229,665)</u>
Net cash flows from operating activities	<u>27,047</u>	<u>(90,036)</u>
Cash flows from noncapital financing activities - transfers out	<u>-</u>	<u>(31,078)</u>
Cash flows from capital and related financing activities:		
Additions to property, plant and equipment	(66,191)	(38,998)
Loan proceeds	<u>140,000</u>	<u>2,534</u>
Net cash flows from capital and related financing activities	<u>73,809</u>	<u>(36,464)</u>
Net increase (decrease) in cash and investments	100,856	(157,578)
Beginning cash and investments	<u>138,678</u>	<u>296,256</u>
Ending cash and investments	\$ <u><u>239,534</u></u>	<u><u>138,678</u></u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (353,524)	(491,318)
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities:		
Depreciation	413,266	416,535
Noncash expense - PERS relief	11,495	10,793
Noncash expense - accumulated depreciation adjustment	-	(1,047)
Increase (decrease) in allowance for doubtful accounts	652	(186)
In-kind contributions	(13,848)	(13,848)
(Increase) decrease in assets:		
Accounts receivable	(29,930)	886
Prepaid insurance	6,162	(2,291)
Deposits	6,500	-
Increase (decrease) in liabilities:		
Accounts payable	(19,765)	13,507
Accrued payroll and related liabilities	847	(6,541)
Accrued vacation and sick leave	5,192	6,590
Customer deposits	<u>-</u>	<u>(23,116)</u>
Net cash flows from operating activities	\$ <u><u>27,047</u></u>	<u><u>(90,036)</u></u>

CITY OF CORDOVA, ALASKA
Sewer Enterprise Fund
Schedule of Sewer Capital Projects
Year Ended December 31, 2012

	Sewer Upgrade <u>Projects</u>	Odiak Sewer Lift Pump <u>Station</u>
Funding source - Sewer Enterprise Fund	\$ <u>48,997</u>	<u>17,194</u>
Expenditures - capital outlay	\$ <u>48,997</u>	<u>17,194</u>

CITY OF CORDOVA, ALASKA

 Refuse Enterprise Fund
 Statement of Net Position
 December 31, 2012

With Comparative Amounts for 2011

	<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:			
Cash and investments		\$ 395,992	637,793
Receivables:			
Accounts		65,168	54,462
Accrued interest		-	1,219
Allowance for doubtful accounts		(11,986)	(11,986)
Prepaid insurance		15,633	22,258
Total current assets		<u>464,807</u>	<u>703,746</u>
Restricted assets - landfill closure cash		<u>585,579</u>	<u>535,450</u>
Property, plant and equipment:			
Land and land improvements		256,250	256,250
Buildings		346,554	346,554
Machinery and equipment		2,954,269	2,954,269
Improvements		80,559	-
Landfill		462,756	462,756
Total property, plant and equipment		4,100,388	4,019,829
Accumulated depreciation		(2,476,173)	(2,350,843)
Net property, plant and equipment		<u>1,624,215</u>	<u>1,668,986</u>
Total assets		<u>2,674,601</u>	<u>2,908,182</u>
	<u>Deferred Outflows</u>		
Deferred loss on bonds		<u>6,065</u>	<u>6,931</u>
Total assets and deferred outflows		<u>\$ 2,680,666</u>	<u>2,915,113</u>
	<u>Liabilities</u>		
Current liabilities:			
Accounts payable		26,674	27,900
Accrued payroll and related liabilities		7,090	5,263
Accrued vacation and sick leave		22,171	2,947
Accrued interest payable		3,013	3,363
Current portion of bonds payable		29,000	28,000
Total current liabilities		<u>87,948</u>	<u>67,473</u>
Bonds payable, net of current portion		212,000	241,000
Landfill closure costs		634,780	584,780
Total liabilities		<u>934,728</u>	<u>893,253</u>
	<u>Net Position</u>		
Net investment in capital assets		1,389,280	1,406,917
Restricted for landfill closure		585,579	535,450
Unrestricted (deficit)		(228,921)	79,493
Total net position		<u>1,745,938</u>	<u>2,021,860</u>
Total liabilities and net position		<u>\$ 2,680,666</u>	<u>2,915,113</u>

CITY OF CORDOVA, ALASKA
 Refuse Enterprise Fund
 Statement of Revenues, Expenses and Changes in Net Position
 Year Ended December 31, 2012
 With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues - user charges	\$ <u>802,909</u>	<u>805,828</u>
Operating expenses:		
Salaries and benefits	422,920	403,392
Materials and supplies	38,947	20,238
Purchased services	59,032	63,806
Vehicle expense	96,756	59,590
Insurance	22,625	29,134
Repairs and maintenance	93,169	33,660
Depreciation	125,330	120,280
Allocated administrative and billing expenses	127,845	120,735
Landfill closure and monitoring expense	<u>50,000</u>	<u>50,000</u>
Total operating expenses	<u>1,036,624</u>	<u>900,835</u>
Loss from operations	(233,715)	(95,007)
Nonoperating revenues (expenses):		
Investment income	-	670
State of Alaska PERS relief	19,541	19,783
In-kind contributions to School and Medical Center	(45,454)	(45,454)
Interest expense	<u>(13,966)</u>	<u>(15,046)</u>
Net nonoperating revenues (expenses)	<u>(39,879)</u>	<u>(40,047)</u>
Loss before transfers	(273,594)	(135,054)
Transfers out	<u>(2,328)</u>	<u>(19,828)</u>
Change in net position	(275,922)	(154,882)
Beginning net position	<u>2,021,860</u>	<u>2,176,742</u>
Ending net position	\$ <u><u>1,745,938</u></u>	<u><u>2,021,860</u></u>

CITY OF CORDOVA, ALASKA

Refuse Enterprise Fund
Statement of Cash Flows
Year Ended December 31, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 746,749	756,612
Payment for interfund services used	(127,845)	(120,735)
Payments to suppliers	(305,130)	(191,989)
Payments to employees	<u>(382,328)</u>	<u>(390,704)</u>
Net cash flows from operating activities	<u>(68,554)</u>	<u>53,184</u>
Cash flows from noncapital financing activities - transfers out	<u>(2,328)</u>	<u>(19,828)</u>
Cash flows from capital and related financing activities:		
Additions to property, plant, and equipment	(80,559)	(40)
Principal and interest paid on general obligation bonds	<u>(41,450)</u>	<u>(41,422)</u>
Net cash flows from capital and related financing activities	<u>(122,009)</u>	<u>(41,462)</u>
Cash flows from investing activities - investment income received	<u>1,219</u>	<u>670</u>
Net decrease in cash and investments	(191,672)	(7,436)
Beginning cash and investments	<u>1,173,243</u>	<u>1,180,679</u>
Ending cash and investments	\$ <u>981,571</u>	<u>1,173,243</u>
Reconciliation of cash and investments to statement of net position:		
Cash and investments	395,992	637,793
Restricted cash	<u>585,579</u>	<u>535,450</u>
Total cash and investments	\$ <u>981,571</u>	<u>1,173,243</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(233,715)	(95,007)
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities:		
Depreciation	125,330	120,280
Noncash expense - PERS relief	19,541	19,783
Decrease in allowance for doubtful accounts	-	(37)
In-kind contributions to School and Medical Center	(45,454)	(45,454)
(Increase) decrease in assets:		
Accounts receivable	(10,706)	(3,725)
Prepaid insurance	6,625	(2,724)
Increase (decrease) in liabilities:		
Accounts payable	(1,226)	17,163
Accrued payroll and related liabilities	1,827	801
Accrued vacation and sick leave	19,224	(7,896)
Landfill closure costs payable	<u>50,000</u>	<u>50,000</u>
Net cash flows from operating activities	\$ <u>(68,554)</u>	<u>53,184</u>

CITY OF CORDOVA, ALASKA
 Odiak Park Enterprise Fund
 Statement of Net Position
 December 31, 2012
 With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 48,349	24,304
Prepaid insurance	<u>2,800</u>	<u>2,873</u>
Total current assets	<u>51,149</u>	<u>27,177</u>
Property, plant and equipment:		
Buildings	79,362	79,362
Improvements	<u>10,718</u>	<u>10,718</u>
Total property, plant and equipment	90,080	90,080
Accumulated depreciation	<u>(49,148)</u>	<u>(47,111)</u>
Net property, plant and equipment	<u>40,932</u>	<u>42,969</u>
 Total assets	 \$ <u>92,081</u>	 <u>70,146</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	174	1,147
Accrued payroll and related liabilities	<u>-</u>	<u>226</u>
Total current liabilities	<u>174</u>	<u>1,373</u>
<u>Net Position</u>		
Net investment in capital assets	40,932	42,969
Unrestricted	<u>50,975</u>	<u>25,804</u>
Total net position	<u>91,907</u>	<u>68,773</u>
 Total liabilities and net position	 \$ <u>92,081</u>	 <u>70,146</u>

CITY OF CORDOVA, ALASKA
Odiak Park Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues - park fees	\$ <u>62,709</u>	<u>56,121</u>
Operating expenses:		
Salaries and benefits	6,105	15,425
Materials and supplies	171	447
Purchased services	23,741	19,873
Insurance	2,673	4,589
Repairs and maintenance	1,279	2,498
Depreciation	<u>2,037</u>	<u>2,037</u>
Total operating expenses	<u>36,006</u>	<u>44,869</u>
Income from operations	26,703	11,252
Nonoperating revenues - State of Alaska PERS relief	<u>431</u>	<u>843</u>
Income before transfers	27,134	12,095
Transfers out	<u>(4,000)</u>	<u>(4,000)</u>
Change in net position	23,134	8,095
Beginning net position	<u>68,773</u>	<u>60,678</u>
Ending net position	\$ <u><u>91,907</u></u>	<u><u>68,773</u></u>

CITY OF CORDOVA, ALASKA
Odiak Park Enterprise Fund
Statement of Cash Flows
Year Ended December 31, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 62,709	56,121
Payments to suppliers	(28,764)	(27,194)
Payments to employees	<u>(5,900)</u>	<u>(14,356)</u>
Net cash flows from operating activities	<u>28,045</u>	<u>14,571</u>
 Cash flows from noncapital financing activities - transfers out	 <u>(4,000)</u>	 <u>(4,000)</u>
 Net increase in cash and investments	 24,045	 10,571
 Beginning cash and investments	 <u>24,304</u>	 <u>13,733</u>
 Ending cash and investments	 \$ <u><u>48,349</u></u>	 <u><u>24,304</u></u>
 Reconciliation of income from operations to net cash flows from operating activities:		
Income from operations	26,703	11,252
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation	2,037	2,037
Noncash expense - PERS relief	431	843
(Increase) decrease in assets - prepaid insurance	73	(891)
Increase (decrease) in liabilities:		
Accounts payable	(973)	1,104
Accrued payroll and related liabilities	<u>(226)</u>	<u>226</u>
Net cash flows from operating activities	\$ <u><u>28,045</u></u>	<u><u>14,571</u></u>

CITY OF CORDOVA, ALASKA
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2012

<u>Name of Award</u>	<u>Grant Number</u>	Catalog of Federal Domestic Assistance <u>Number</u>	Total Grant <u>Award</u>	January 1, 2012 Receivable (Deferred)	Federal Share of Expend- itures	Federal Receipts	December 31, 2012 Receivable (Deferred)
Department of Agriculture							
Passed through State Department of Commerce, Community and Economic Development - National Forest Receipts							
	891363	10.665	\$ 1,119,124	-	1,119,124	1,119,124	-
Department of Interior							
Passed through State Department of Natural Resources Pioneers of Alaska: Igloo #19							
	12569	15.904	5,255	-	3,148	787	2,361
Passed through State Department of Commerce, Community and Economic Development - Payment in Lieu of Taxes							
	801417	15.226	408,841	-	408,841	408,841	-
Total Department of Interior				-	411,989	409,628	2,361
Denali Commission							
Cordova Dust Control							
	01385-00	90.100	137,400	137,400	-	-	137,400
Environmental Protection Agency							
Wastewater Treatment Plant Facility Plan Loan							
	261071	66.458	1,100,000	-	112,256	112,256	-
Alaska Energy Authority							
Alaska Small City EECBG - ARRA							
	7510010	81.128	97,300	28,661	-	28,661	-
Department of Homeland Security							
Passed through State Department of Military and Veteran Affairs:							
State Homeland Security Program - Equipment							
	2009-SS-T9-0007	97.067	110,160	-	74,524	74,524	-
State Homeland Security Program - Equipment							
	10 SHSP GR34067	97.067	57,973	12,706	9,557	22,263	-
Total CFDA #97.067				12,706	84,081	96,787	-
Emergency Management Planning Grant							
	EMW-2011-EP-00002	97.042	16,000	16,000	-	16,000	-
Emergency Management Planning Grant							
	EMW-2012-EP-00028-S01	97.042	16,000	-	8,000	-	8,000
Total CFDA #97.042				16,000	8,000	16,000	8,000
Total Department of Homeland Security				28,706	92,081	112,787	8,000
Total Federal Awards			\$	194,767	1,735,450	1,782,456	147,761

CITY OF CORDOVA, ALASKA
 Schedule of State Financial Assistance
 Year Ended December 31, 2012

<u>Name of Award</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>January 1, 2012 Receivable (Deferred)</u>	<u>State Share of Expenditures</u>	<u>State Receipts</u>	<u>December 31, 2012 Receivable (Deferred)</u>
Department of Commerce, Community and Economic Development						
*Cordova Center Construction and Equipment	11-EV-001	\$ 7,000,000	1,081,691	2,637,540	3,569,348	149,883
*Revenue Sharing	2012	294,223	-	294,223	294,223	-
Shared Fisheries Business Tax	2012	65,315	-	65,315	65,315	-
Window Replacement Grant	13-DM-044	13,000	-	13,000	13,000	-
Student Van Grant	13-DM-183	40,000	-	40,000	40,000	-
Morning Music Program	12-DM-048	15,000	-	15,000	15,000	-
Bike Rack Construction	13-DM-004	4,000	-	4,000	4,000	-
*Breakwater Extension and Boat Ramp	12-DC-339	1,400,000	-	1,400,000	805,481	594,519
*North Fill Boat Ramp Improvements	12-DC-340	350,000	-	172,636	636	172,000
*Hospital Roof Emergency Repairs & Replacement	12-DC-801	2,000,000	-	1,191,287	900,107	291,180
Total Department of Commerce, Community, and Economic Development			<u>1,081,691</u>	<u>5,833,001</u>	<u>5,707,110</u>	<u>1,207,582</u>
Department of Environmental Conservation						
*LT2 Compliance UV Treatment Facility	26169	3,775,000	-	121,468	121,468	-
Department of Administration						
*PERS Relief Funding	N/A	332,763	-	332,763	332,763	-
Department of Revenue						
Liquor Licenses	N/A	11,650	-	11,650	11,650	-
*Raw Fish Tax	N/A	1,371,290	-	1,371,290	1,371,290	-
*Electric and Telephone Cooperative	N/A	134,091	-	134,091	134,091	-
Total Department of Revenue			<u>-</u>	<u>1,517,031</u>	<u>1,517,031</u>	<u>-</u>
Department of Education and Early Development						
Public Library Assistance	PLA-12-725-15	6,500	-	6,500	6,500	-
*Debt Reimbursement	2012	959,698	-	959,698	959,698	-
Total Department of Education and Early Development			<u>-</u>	<u>966,198</u>	<u>966,198</u>	<u>-</u>
Department of Military and Veteran Affairs						
*Prince William Sound Winter Storm	AK 12-238	355,465	-	355,465	-	355,465
Total State Financial Assistance			<u>\$ 1,081,691</u>	<u>9,125,926</u>	<u>8,644,570</u>	<u>1,563,047</u>

* Major program

CITY OF CORDOVA, ALASKA

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance

Year Ended December 31, 2012

(1) **Basis of Presentation**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the grant activity of City of Cordova and are presented on the modified accrual basis of accounting. The information in the schedules is presented in accordance with the requirements of 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*.

(2) **2012 Winter Snowstorm – State Emergency Funding**

In January 2012, the City experienced a snowstorm that generated an unusually heavy snowload. The heavy snow caused significant unplanned snow removal costs to the City along with structural damage of certain City facilities. The State of Alaska issued an emergency declaration and has awarded preliminary grant estimates for the event. The amounts reported on the Schedule of State Financial Assistance as Department of Military and Veteran's Affairs (DMVA) Prince William Sound Winter Storm reflect those preliminary estimates by the granting agency. Actual award amounts may differ, pending final resolution of insurance claims and detailed review by DMVA. Any difference in the actual award amount, and the amounts reported for 2012 will be adjusted in the year the contracts fully settle. Actual costs incurred far exceed the amounts reported on the State Schedule.

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SINGLE AUDIT SECTION

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 Cordova, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Cordova, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City of Cordova's basic financial statements, and have issued our report thereon dated June 28, 2013. Our report includes a reference to other auditors who audited the financial statements of Cordova Community Medical Center, as described in our report on City of Cordova's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance on other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies any exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Honorable Mayor and City Council
City of Cordova, Alaska

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 12-01 and 12-02 to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Cordova'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 12-01 and 12-02.

City of Cordova's Response to Findings

City of Cordova's response to the findings identified in our audit is described in the accompanying corrective action plan. City of Cordova's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cordova'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 City of Cordova's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mikunda, Cottrell & Co.

Anchorage, Alaska
June 28, 2013

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

Honorable Mayor and City Council
City of Cordova, Alaska

Report on Compliance for Each Major Federal Program

We have audited City of Cordova's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Cordova's major federal programs for the year ended December 31, 2012. City of Cordova'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 Cordova'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 Cordova'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 Cordova's compliance.

Honorable Mayor and City Council
City of Cordova, Alaska

Opinion on Each Major Federal Program

In our opinion, City of Cordova 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, 2012.

Report on Internal Control Over Compliance

Management of City of Cordova 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 Cordova'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 Cordova's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mikunda, Cottrell & Co.

Anchorage, Alaska
June 28, 2013

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

Honorable Mayor and City Council
City of Cordova, Alaska

Report on Compliance for Each Major State Program

We have audited City of Cordova'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 Cordova's major state programs for the year ended December 31, 2012. City of Cordova'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 Cordova'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 Cordova'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 Cordova's compliance.

Honorable Mayor and City Council
City of Cordova, Alaska

Opinion on Each Major State Program

In our opinion, City of Cordova 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, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and which is described in the accompanying schedule of findings and questioned costs as item 12-03. Our opinion on each major state program is not modified with respect to this matter.

City of Cordova's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. City of Cordova'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 Cordova 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 Cordova'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 Cordova'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.

Honorable Mayor and City Council
City of Cordova, Alaska

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 12-03, that we consider to be a significant deficiency.

City of Cordova's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. City of Cordova'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 the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

Mikunda, Cottrell & Co.

Anchorage, Alaska
June 28, 2013

CITY OF CORDOVA, ALASKA

Schedule of Findings and Questioned Costs

Year Ended December 31, 2012

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs? Unqualified

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

Identification of major programs:

<u>Agency</u>	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Department of Agriculture	10.665	Schools and Roads – Grants to States
Department of Interior	15.226	Payments in Lieu of Taxes

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

Auditee qualified as low-risk auditee? yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

Type of auditor's report issued on compliance for major programs? Unqualified

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

CITY OF CORDOVA, ALASKA

Schedule of Findings and Questioned Costs, continued

II. Financial Statement Findings Section

Finding 12-01: Year End Financial Reporting – Material Weakness

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

Condition: Certain general ledger accounts were not fully reconciled at year end. Journal entries and supporting documentation were not always reviewed.

Context: During the final audit work, auditor noted that certain accounts, such as accounts payable, accounts receivable, deferred revenue, and depreciation required significant adjustment to conform to GAAP.

Effect: Several material adjustments were required to complete the year end financial statements in accordance with GAAP.

Cause: At year end certain accounts were not fully closed prior to the audit.

Recommendation: In order to make the year end financial statements as accurate as possible, the City should fully reconcile and adjust the general ledger accounts. This function should be performed timely at year end to allow for financial statement preparation.

Views of Responsible

Officials: See Corrective Action Plan.

Finding 12-02: Central Treasury and Accounts Receivable Classification – Material Weakness

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

Condition: Clearing accounts are used as temporary accounts that do not maintain balances during the year. Seven cash clearing accounts had balances at the end of the year.

Context: During final audit work, auditor noted that seven cash clearing accounts had balances at year end, totaling a net credit balance of \$54,113.

Effect: Clearing accounts were unable to be reconciled at the end of the year, likely resulting in an overstatement of accounts receivable.

Cause: Clearing accounts were not properly maintained during the year.

CITY OF CORDOVA, ALASKA

Schedule of Findings and Questioned Costs, continued

Financial Statement Findings Section, continued

Finding 12-02: Central Treasury and Accounts Receivable Classification – Material Weakness, continued

Recommendation: Postings to clearing accounts should be on a temporary basis for the purpose of summarizing similar transactions. At a minimum, uncleared postings or residual balances in the clearing accounts should be investigated and corrected monthly.

Views of Responsible

Officials: See Corrective Action Plan.

III. Federal Award Findings and Questioned Costs

None noted.

IV. State Award Findings and Questioned Costs

Finding 12-03: Costs incurred prior the grant start date – Significant Deficiency in Internal Control Over Compliance

Agency: Department of Commerce, Community, and Economic Development

Program: Student Van

Award No.: 13-DM-183

Criteria: According to the State of Alaska Designated Legislative Grant Agreement, the grant cannot be used to pay for any costs incurred prior to July 1, 2012.

Condition: The grant was for the purchase of a new school van. However, the van was purchased prior to July 1, 2012, the effective date of the grant.

Questioned Costs: \$40,000

Context: The purchase of \$40,000 of the school van was prior to July 1, 2012.

Effect: The City is not in compliance of purchasing the school van within the time restriction.

Cause: The City did not review the timing requirement of the grant.

Recommendation: The City should understand the condition of the grant to be in compliance.

Views of Responsible

Officials: See Corrective Action Plan.

CITY OF CORDOVA, ALASKA

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2012

Finding 11-01: Year End Financial Reporting – Material Weakness

Condition: Certain general ledger accounts were not fully reconciled at year end.

Status: This issue was not resolved in FY12. See finding 12-01.

Finding 11-02: Lack of Supporting Documentation for Cash Disbursement Transactions – Material Weakness

Condition: Certain accounts payable/other cash disbursement transactions are processed further and entered in the accounting system without proper supporting documentation.

Status: This issue was resolved in FY12.

Finding 11-03: Review and Approval of Employees' Timesheets – Significant Deficiency

Condition: Employees' timesheets are not properly reviewed and approved.

Status: This issue was resolved in FY12.

CITY OF CORDOVA, ALASKA

Corrective Action Plan

Year Ended December 31, 2012

Department/ Finding Number	Contact Person/ Phone Number	Corrective Action Planned
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Financial Statement Findings

12-01	Finance Director/ Jon K. Stavig/ (907) 424-6200	Year End Financial Reporting – Material Weakness Year end came at a time when there was turnover within the Finance Dept. and City Manager position. This created some difficulties with proper training and the adequate close out of some of the accounts. Journal entries are now properly reviewed with supporting documentation. Additional training is ongoing to address the reconciliation process with the general ledger on accounts.
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Completion Date: In progress.

12-02	Finance Director/ Jon K. Stavig/ (907) 424-6200	Central Treasury and Accounts Receivable Classification – Material Weakness Research was done to determine the root cause of residual balances in the clearing accounts. Processes have been implemented to reconcile these accounts more frequently and deal with discrepancies timely.
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Completion Date: Complete.

State Award Findings and Questioned Costs

12-03	Finance Director/ Jon K. Stavig/ (907) 424-6200	Costs incurred prior the grant start date – Significant Deficiency in Internal Control We have reviewed with staff working with grants and with our subsidiary units on grant effective dates and eligibility requirements to be in compliance for reimbursement.
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Completion Date: Complete.