



City of Cordova, Alaska

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information and Single Audit Reports
Year Ended December 31, 2014

City of Cordova, Alaska

Basic Financial Statements, Required Supplementary
Information, Supplementary Information
and Single Audit Reports
Year Ended December 31, 2014

City of Cordova, Alaska

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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 the City of Cordova, Alaska, as of and for the year ended December 31, 2014, 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 the Cordova Community Medical Center Enterprise Fund, which is a major fund and represents 14 percent, 8 percent, and 63 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cordova Community Medical Center Enterprise Fund, 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.

Opinions

In our opinion based on our audit and the report of the 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 40-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit for the year ended December 31, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cordova's basic financial statements. The supplementary information, as listed in the table of contents, for the year ended December 31, 2014 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal awards is required by OMB Circular A-133, *Audits of States, Local Investment, and Nonprofit Organizations*, and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the basic financial statements. The supplementary information, as listed in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2014, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2014.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Cordova as of and for the year ended December 31, 2013 (not presented herein), and have issued our report thereon dated October 21, 2014, which contained a qualified opinion on the Cordova Community Medical Center Enterprise Fund and the Business-type Activities and unmodified opinions on the respective financial statements of the governmental activities, each major fund, except the Cordova Community Medical Center Enterprise Fund and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended December 31, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2013.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2015 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 the City of Cordova's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
July 30, 2015

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Basic Financial Statements

City of Cordova, Alaska
Statement of Net Position

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Cordova City School District	Cordova Volunteer Fire Department
<i>December 31, 2014</i>					
Assets					
Cash and investments	\$ 13,936,903	\$ 1,736,271	\$ 15,673,174	\$ 1,118,221	\$ 46,122
Receivables:					
Taxes	528,474	-	528,474	-	-
Accounts	-	2,247,538	2,247,538	-	-
Grants and shared revenues	3,860,331	1,433,752	5,294,083	140,777	-
Assessments	3,685	-	3,685	-	-
Other	57,598	223,451	281,049	-	-
Allowance for doubtful accounts	-	(1,089,575)	(1,089,575)	-	-
Prepaid items	182,546	140,193	322,739	42,747	-
Deposits	-	6,500	6,500	-	-
Inventory	-	134,897	134,897	54,919	-
Restricted cash and investments	-	686,746	686,746	-	-
Internal balances	2,750,403	(2,750,403)	-	-	-
Capital assets:					
Land and construction in progress	19,481,801	7,315,020	26,796,821	-	-
Other capital assets, net of depreciation	26,158,849	30,831,199	56,990,048	168,525	-
Total Assets	66,960,590	40,915,589	107,876,179	1,525,189	46,122
Deferred Outflows					
Deferred loss on bonds	-	4,333	4,333	-	-
Total Assets and Deferred Outflows	\$ 66,960,590	\$ 40,919,922	\$ 107,880,512	\$ 1,525,189	\$ 46,122
Liabilities					
Line of credit	\$ 2,366,578	\$ -	\$ 2,366,578	\$ -	\$ -
Accounts payable	1,082,432	739,279	1,821,711	746	447
Accrued payroll and related liabilities	103,647	515,581	619,228	65,158	-
Payable to third party payors	-	336,000	336,000	-	-
Customer deposits	-	43,239	43,239	-	-
Accrued interest payable	322,242	65,647	387,889	-	-
Unearned revenue	83,832	441,299	525,131	-	-
Noncurrent liabilities:					
Due within one year:					
Accrued vacation and sick leave	343,299	108,194	451,493	-	-
Bonds and loans	857,000	109,149	966,149	-	-
Due in more than one year:					
Loans	-	1,632,772	1,632,772	-	-
General obligation bonds	14,192,000	148,000	14,340,000	-	-
Unamortized bond premium	174,424	-	174,424	-	-
Landfill closure costs	-	702,831	702,831	-	-
Total Liabilities	19,525,454	4,841,991	24,367,445	65,904	447
Net Position					
Net investment in capital assets	30,417,226	36,260,631	66,677,857	168,525	-
Restricted:					
E-911	64,396	-	64,396	-	-
Medical Center	-	11,903	11,903	-	-
School District	-	-	-	299,227	-
Unrestricted (deficit)	16,953,514	(194,603)	16,758,911	991,533	45,675
Total Net Position	47,435,136	36,077,931	83,513,067	1,459,285	45,675
Total Liabilities and Net Position	\$ 66,960,590	\$ 40,919,922	\$ 107,880,512	\$ 1,525,189	\$ 46,122

See accompanying notes to basic financial statements.

City of Cordova, Alaska
Statement of Activities

Year Ended December 31, 2014	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	Primary Government			Component Units	
		Activities				Gov- ern- men- tal Activities	Busi- ness- type Activities	Total	Cordova City School District
Primary Government									
Governmental:									
General government	\$ 2,012,874	\$ 674,210	\$ 6,451	\$ -	\$ (1,332,213)	\$ -	\$ (1,332,213)		
Public safety	2,105,637	210,418	255,699	233,957	(1,405,563)	-	(1,405,563)		
Information and recreation	1,902,562	117,253	6,650	61,910	(1,716,749)	-	(1,716,749)		
Public works	1,903,393	4,786	-	4,067,325	2,168,718	-	2,168,718		
Education	2,323,260	-	819,006	-	(1,504,254)	-	(1,504,254)		
Health	-	-	-	206,825	206,825	-	206,825		
Community service	119,547	-	-	-	(119,547)	-	(119,547)		
Interest	767,830	-	958,903	-	191,073	-	191,073		
Total governmental activities	11,135,103	1,006,667	2,046,709	4,570,017	(3,511,710)	-	(3,511,710)		
Business-type:									
Port	1,868,184	1,316,645	83,125	-	-	(468,414)	(468,414)		
Water	1,042,537	654,509	33,964	344,851	-	(9,213)	(9,213)		
Sewer	1,061,472	751,995	33,964	-	-	(275,513)	(275,513)		
Refuse	1,050,450	938,919	71,157	497,448	-	457,074	457,074		
Medical Center	9,257,467	7,179,873	916,804	168,477	-	(992,313)	(992,313)		
Camper Park	47,442	70,940	-	-	-	23,498	23,498		
Total business-type activities	14,327,552	10,912,881	1,139,014	1,010,776	-	(1,264,881)	(1,264,881)		
Total Primary Government	\$ 25,462,655	\$ 11,919,548	\$ 3,185,723	\$ 5,580,793	(3,511,710)	(1,264,881)	(4,776,591)		
Component Units									
School District	\$ 6,887,762	\$ 60,564	\$ 1,602,362	\$ -				\$ (5,224,836)	
Volunteer Fire Department	\$ 24,846	\$ 19,787	\$ 679	\$ -					\$ (4,380)
General Revenues									
Sales taxes					\$ 3,341,198	\$ -	\$ 3,341,198	-	-
Property taxes					2,124,664	-	2,124,664	-	-
Payments in lieu of taxes					422,221	-	422,221	-	-
Other taxes					147,923	-	147,923	-	-
Contributions from primary government					-	-	-	1,654,727	-
Grants and entitlements not restricted to a specific purpose					2,815,191	-	2,815,191	3,782,374	-
Investment income					400,948	169	401,117	2,266	202
Other					-	16,679	16,679	49,615	220
Transfers					(367,267)	367,267	-	-	-
Total General Revenues and Transfers					8,884,878	384,115	9,268,993	5,488,982	422
Change in net position					5,373,168	(880,766)	4,492,402	264,146	(3,958)
Net Position, beginning					42,061,968	36,958,697	79,020,665	1,195,139	49,633
Net Position, ending					\$ 47,435,136	\$ 36,077,931	\$ 83,513,067	\$ 1,459,285	\$ 45,675

See accompanying notes to basic financial statements.

City of Cordova, Alaska
Governmental Funds
Balance Sheet

	Major Funds				Total Govern- mental Funds
	General	General Reserve Special Revenue	Cordova Center Capital Project	Nonmajor Funds	
<i>December 31, 2014</i>					
Assets					
Cash and investments	\$ 1,970,113	\$ 11,273,248	\$ -	\$ 693,542	\$ 13,936,903
Receivables:					
Taxes	528,474	-	-	-	528,474
Grants and shared revenues	-	-	3,825,010	35,321	3,860,331
Assessments	-	3,685	-	-	3,685
Other	37,726	-	-	19,872	57,598
Prepaid insurance	182,546	-	-	-	182,546
Due from other funds	2,217,998	-	-	-	2,217,998
Interfund advances	1,274,611	-	-	-	1,274,611
Total Assets	\$ 6,211,468	\$ 11,276,933	\$ 3,825,010	\$ 748,735	\$ 22,062,146
Liabilities, Deferred Inflows and Fund Balances					
Liabilities					
Line of credit	\$ -	\$ -	\$ 2,366,578	\$ -	\$ 2,366,578
Accounts payable	158,304	-	915,074	9,054	1,082,432
Accrued payroll and related liabilities	103,647	-	-	-	103,647
Unearned revenue	83,832	-	-	-	83,832
Due to other funds	-	-	675,360	66,846	742,206
Total Liabilities	345,783	-	3,957,012	75,900	4,378,695
Deferred Inflows					
Deferred property taxes	11,968	-	-	-	11,968
Deferred ambulance revenue	-	-	-	10,089	10,089
Deferred special assessments	-	3,685	-	-	3,685
Total Deferred Inflows	11,968	3,685	-	10,089	25,742
Fund Balances					
Nonspendable:					
Medical Center advance	1,274,611	-	-	-	1,274,611
Prepaid insurance	182,546	-	-	-	182,546
Restricted - Enhanced 911 services	-	-	-	64,396	64,396
Committed for education	1,731,568	-	-	-	1,731,568
Assigned:					
School construction	-	-	-	111,763	111,763
Capital projects and land	-	11,273,248	-	361,794	11,635,042
Public safety	-	-	-	170,132	170,132
Unassigned (deficit)	2,664,992	-	(132,002)	(45,339)	2,487,651
Total Fund Balances (Deficit)	5,853,717	11,273,248	(132,002)	662,746	17,657,709
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 6,211,468	\$ 11,276,933	\$ 3,825,010	\$ 748,735	\$ 22,062,146

See accompanying notes to basic financial statements.

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

Total fund balances for governmental funds		\$ 17,657,709
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets and related accumulated depreciation are as follows:		
Land and land improvements	\$ 1,410,419	
Construction in progress	18,071,382	
Buildings	34,615,397	
Infrastructure	1,350,357	
Machinery and equipment	6,622,541	
Accumulated depreciation	<u>(16,429,446)</u>	
Total capital assets		45,640,650
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of:		
Delinquent property taxes receivable	11,968	
Deferred assessments receivable	3,685	
Deferred ambulance revenue	<u>10,089</u>	
Total other long-term assets		25,742
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:		
General obligation bonds payable	(15,049,000)	
Unamortized bond premium	(174,424)	
Accrued interest on bonds	(322,242)	
Accrued leave	<u>(343,299)</u>	
Total long-term liabilities		<u>(15,888,965)</u>
Total Net Position of Governmental Activities		\$ <u>47,435,136</u>

See accompanying notes to basic financial statements.

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

<i>Year Ended December 31, 2014</i>	Major Funds				Total Govern- mental Funds
	General	General Reserve Special Revenue	Cordova Center Capital Project	Nonmajor Funds	
Revenues					
Taxes	\$ 6,038,625	\$ -	\$ -	\$ -	\$ 6,038,625
Licenses and permits	24,986	-	-	-	24,986
Federal government	825,756	-	-	233,957	1,059,713
State of Alaska	4,105,694	-	3,917,834	123,896	8,147,424
Investment income	65,604	335,344	-	-	400,948
Land sales	-	224,797	-	-	224,797
Charges for services	886,581	-	-	-	886,581
Other revenues	515,728	4,133	10,643	61,970	592,474
Total Revenues	12,462,974	564,274	3,928,477	419,823	17,375,548
Expenditures					
Current:					
General government	1,767,515	-	582,055	-	2,349,570
Public safety	1,777,864	-	-	163,072	1,940,936
Information and recreation	1,726,405	-	-	-	1,726,405
Public works	1,723,683	-	-	9,595	1,733,278
Cordova City School District	1,731,568	-	-	-	1,731,568
Prince William Sound Community College	10,000	-	-	-	10,000
Family Resource Center	20,000	-	-	-	20,000
Cordova Chamber of Commerce	89,547	-	-	-	89,547
Debt service:					
Principal	819,000	-	-	-	819,000
Interest	809,511	-	1,578	-	811,089
Capital outlay	-	-	4,063,731	658,946	4,722,677
Total Expenditures	10,475,093	-	4,647,364	831,613	15,954,070
Excess of revenues over (under) expenditures	1,987,881	564,274	(718,887)	(411,790)	1,421,478
Other Financing Sources (Uses)					
Transfers in	-	38,984	-	577,000	615,984
Transfers out	(983,251)	-	-	-	(983,251)
Net Other Financing Sources (Uses)	(983,251)	38,984	-	577,000	(367,267)
Net change in fund balances	1,004,630	603,258	(718,887)	165,210	1,054,211
Fund Balances, beginning	4,849,087	10,669,990	586,885	497,536	16,603,498
Fund Balances (Deficit), ending	\$ 5,853,717	\$ 11,273,248	\$ (132,002)	\$ 662,746	\$ 17,657,709

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, 2014

Net change in fund balances - total governmental funds		\$ 1,054,211
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 (\$4,707,027) exceeds depreciation (\$1,083,458).		
		3,623,569
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.		
		(7,966)
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:		
Principal payments on long-term debt	\$ 819,000	
Amortization of bond premium	20,188	
		839,188
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 payable	23,071	
Accrued leave	(158,905)	
		(135,834)
Change in Net Position of Governmental Activities		\$ 5,373,168

See accompanying notes to basic financial statements.

City of Cordova, Alaska
Enterprise Funds
Statement of Net Position

<i>December 31, 2014</i>	Major Funds					Nonmajor	Total Enterprise Funds
	Port	Water	Sewer	Refuse	Medical Center	Fund Odiak Park	
Assets and Deferred Outflows							
Current Assets							
Cash and investments	\$ 972,983	\$ -	\$ 369,556	\$ -	\$ 314,246	\$ 79,486	\$ 1,736,271
Receivables:							
Accounts	286,405	15,752	89,811	78,435	1,777,135	-	2,247,538
Grants	-	1,224,440	-	196,000	13,312	-	1,433,752
Other	-	-	-	-	223,451	-	223,451
Allowance for doubtful accounts	(169,224)	(8,441)	(22,961)	(8,134)	(880,815)	-	(1,089,575)
Inventory	-	-	-	-	134,897	-	134,897
Prepaid expenses	29,074	26,167	26,168	29,074	27,010	2,700	140,193
Deposits	-	-	6,500	-	-	-	6,500
Total Current Assets	1,119,238	1,257,918	469,074	295,375	1,609,236	82,186	4,833,027
Restricted Assets - landfill closure cash	-	-	-	686,746	-	-	686,746
Property, Plant and Equipment	26,356,675	16,636,404	18,520,987	5,066,069	13,248,077	90,080	79,918,292
Less accumulated depreciation	(12,128,008)	(8,143,986)	(9,502,474)	(2,672,514)	(9,271,869)	(53,222)	(41,772,073)
Net Property, Plant and Equipment	14,228,667	8,492,418	9,018,513	2,393,555	3,976,208	36,858	38,146,219
Total Assets	15,347,905	9,750,336	9,487,587	3,375,676	5,585,444	119,044	43,665,992
Deferred Outflows - deferred loss on bonds	-	-	-	4,333	-	-	4,333
Total Assets and Deferred Outflows	\$ 15,347,905	\$ 9,750,336	\$ 9,487,587	\$ 3,380,009	\$ 5,585,444	\$ 119,044	\$ 43,670,325
Liabilities and Net Position							
Current Liabilities							
Accounts payable	\$ 14,339	\$ 18,279	\$ 8,808	\$ 6,719	\$ 685,913	\$ 5,221	\$ 739,279
Accrued payroll and related liabilities	9,956	4,291	4,291	7,876	488,745	422	515,581
Accrued vacation and sick leave	51,858	16,844	16,844	22,648	-	-	108,194
Payable to third party payors	-	-	-	-	336,000	-	336,000
Customer deposits	-	43,239	-	-	-	-	43,239
Accrued interest payable	-	5,696	57,688	2,263	-	-	65,647
Due to other funds	-	1,198,863	-	276,929	-	-	1,475,792
Unearned revenue	441,299	-	-	-	-	-	441,299
Current portion of bonds and loans	-	69,044	-	33,000	7,105	-	109,149
Total Current Liabilities	517,452	1,356,256	87,631	349,435	1,517,763	5,643	3,834,180
Noncurrent Liabilities, net of current portion							
Interfund advances	-	-	-	-	1,274,611	-	1,274,611
General obligation bonds	-	-	-	148,000	-	-	148,000
Loan payable to bank	-	-	-	-	10,496	-	10,496
Loans payable to ADEC	-	543,146	1,079,130	-	-	-	1,622,276
Landfill closure costs	-	-	-	702,831	-	-	702,831
Total Noncurrent Liabilities	-	543,146	1,079,130	850,831	1,285,107	-	3,758,214
Total Liabilities	517,452	1,899,402	1,166,761	1,200,266	2,802,870	5,643	7,592,394
Net Position							
Net investment in capital assets	14,228,667	7,880,228	7,939,383	2,216,888	3,958,607	36,858	36,260,631
Restricted	-	-	-	-	11,903	-	11,903
Unrestricted (deficit)	601,786	(29,294)	381,443	(37,145)	(1,187,936)	76,543	(194,603)
Total Net Position	14,830,453	7,850,934	8,320,826	2,179,743	2,782,574	113,401	36,077,931
Total Liabilities and Net Position	\$ 15,347,905	\$ 9,750,336	\$ 9,487,587	\$ 3,380,009	\$ 5,585,444	\$ 119,044	\$ 43,670,325

See accompanying notes to basic financial statements.

City of Cordova, Alaska
Enterprise Funds
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended December 31, 2014</i>	Major Funds					Nonmajor Fund	Total Enterprise Funds
	Port	Water	Sewer	Refuse	Medical Center	Odiak Park	
Operating Revenues							
Charges for services	\$ 1,316,645	\$ 654,509	\$ 751,995	\$ 938,919	\$ 7,179,873	\$ 70,940	\$ 10,912,881
Operating Expenses							
Salaries and benefits	574,055	267,967	264,843	536,830	5,707,521	19,842	7,371,058
Other operating expenses	533,699	321,596	344,913	375,142	3,277,608	25,563	4,878,521
Depreciation	760,430	434,819	407,877	99,814	263,088	2,037	1,968,065
Total Operating Expenses	1,868,184	1,024,382	1,017,633	1,011,786	9,248,217	47,442	14,217,644
Income (loss) from operations	(551,539)	(369,873)	(265,638)	(72,867)	(2,068,344)	23,498	(3,304,763)
Nonoperating Revenues (Expenses)							
Investment income (loss)	1,221	-	-	(1,219)	167	-	169
Interest expense	-	(6,300)	(16,187)	(11,079)	(9,250)	-	(42,816)
In-kind contributions	-	(11,855)	(27,652)	(27,585)	-	-	(67,092)
State of Alaska PERS relief	83,125	33,964	33,964	71,157	916,804	-	1,139,014
Other	-	-	-	-	16,679	-	16,679
Net Nonoperating Revenues (Expenses)	84,346	15,809	(9,875)	31,274	924,400	-	1,045,954
Income (loss) before contributions and transfers	(467,193)	(354,064)	(275,513)	(41,593)	(1,143,944)	23,498	(2,258,809)
Capital contributions	-	344,851	-	497,448	168,477	-	1,010,776
Transfers in	-	23,600	-	-	406,251	-	429,851
Transfers out	(29,928)	(1,164)	(11,164)	(16,328)	-	(4,000)	(62,584)
Change in net position	(497,121)	13,223	(286,677)	439,527	(569,216)	19,498	(880,766)
Net Position, beginning	15,327,574	7,837,711	8,607,503	1,740,216	3,351,790	93,903	36,958,697
Net Position, ending	\$ 14,830,453	\$ 7,850,934	\$ 8,320,826	\$ 2,179,743	\$ 2,782,574	\$ 113,401	\$ 36,077,931

See accompanying notes to basic financial statements.

City of Cordova, Alaska
Enterprise Funds
Statement of Cash Flows

<i>Year Ended December 31, 2014</i>	Major Funds					Nonmajor Fund	Total Enterprise Funds
	Port	Water	Sewer	Refuse	Medical Center	Odiak Park	
Cash Flows from (for) Operating Activities							
Receipts from customers and users	\$ 1,413,249	\$ 662,668	\$ 723,085	\$ 907,708	\$ 7,392,548	\$ 70,940	\$ 11,170,198
Receipts from grants	-	-	-	-	118	-	118
Payments for interfund services used	(141,394)	(110,291)	(109,775)	(130,585)	-	-	(492,045)
Payments to suppliers	(395,866)	(428,393)	(257,674)	(200,364)	(2,836,680)	(20,521)	(4,139,498)
Payments to employees	(473,831)	(226,157)	(223,033)	(455,557)	(4,753,621)	(19,740)	(6,151,939)
Net cash flows from (for) operating activities	402,158	(102,173)	132,603	121,202	(197,635)	30,679	386,834
Cash Flows from (for) Noncapital Financing Activities							
Transfers in	-	23,600	-	-	406,251	-	429,851
Transfers out	(29,928)	(1,164)	(11,164)	(16,328)	-	(4,000)	(62,584)
Restricted contributions	-	-	-	-	11,903	-	11,903
Net cash flows from (for) noncapital financing activities	(29,928)	22,436	(11,164)	(16,328)	418,154	(4,000)	379,170
Cash Flows from (for) Capital and Related Financing Activities							
Additions to property, plant and equipment	(30,092)	(577,228)	(13,219)	(660,436)	(2,646)	-	(1,283,621)
Capital contributions received	-	-	-	301,448	-	-	301,448
Increase (decrease) in due to other funds	-	732,579	-	276,929	-	-	1,009,508
Principal and interest paid on long-term debt	-	(75,614)	-	(41,600)	(15,653)	-	(132,867)
Net cash flows from (for) capital and related financing activities	(30,092)	79,737	(13,219)	(123,659)	(18,299)	-	(105,532)
Cash Flows from Investing Activities							
Investment income received	1,221	-	-	-	167	-	1,388
Net increase (decrease) in cash and investments	343,359	-	108,220	(18,785)	202,387	26,679	661,860
Cash and Investments, beginning	629,624	-	261,336	705,531	111,859	52,807	1,761,157
Cash and Investments, ending	\$ 972,983	\$ -	\$ 369,556	\$ 686,746	\$ 314,246	\$ 79,486	\$ 2,423,017
Reconciliation of Cash and Investments to Statement of Net Position							
Cash and investments	\$ 972,983	\$ -	\$ 369,556	\$ -	\$ 314,246	\$ 79,486	\$ 1,736,271
Restricted assets	-	-	-	686,746	-	-	686,746
Total Cash and Investments	\$ 972,983	\$ -	\$ 369,556	\$ 686,746	\$ 314,246	\$ 79,486	\$ 2,423,017

See accompanying notes to basic financial statements.

City of Cordova, Alaska
Enterprise Funds
Statement of Cash Flows, continued

<i>Year Ended December 31, 2014</i>	Major Funds					Nonmajor	Total
	Port	Water	Sewer	Refuse	Medical Center	Fund Odiak Park	
Reconciliation of Income (Loss) from Operations to Net							
Cash Flows from (for) Operating Activities							
Income (loss) from operations	\$ (551,539)	\$ (369,873)	\$ (265,638)	\$ (72,867)	\$ (2,068,344)	\$ 23,498	\$ (3,304,763)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:							
Depreciation	760,430	434,819	407,877	99,814	263,088	2,037	1,968,065
Noncash expense - PERS relief	83,125	33,964	33,964	71,157	916,804	-	1,139,014
Other nonoperating grants	-	-	-	-	4,776	-	4,776
Increase (decrease) in allowance for doubtful accounts	31,915	3,164	5,239	3,174	(69,124)	-	(25,632)
In-kind contributions	-	(11,855)	(27,652)	(27,585)	-	-	(67,092)
(Increase) decrease in assets:							
Accounts receivable	(16,678)	11,556	(6,497)	(6,800)	843,816	-	825,397
Inventory	-	-	-	-	(6,438)	-	(6,438)
Prepaid expenses	(2,950)	(9,667)	(9,638)	(12,574)	37,761	-	2,932
Deposits	-	-	-	-	-	-	-
Increase (decrease) in liabilities:							
Accounts payable	(611)	(207,421)	(12,898)	(11,284)	111,546	5,042	(115,626)
Accrued payroll and related liabilities	2,112	977	977	1,714	37,096	102	42,978
Accrued vacation and sick leave	14,987	6,869	6,869	8,402	-	-	37,127
Unearned revenue	81,367	-	-	-	-	-	81,367
Customer deposits	-	5,294	-	-	-	-	5,294
Landfill closure costs payable	-	-	-	68,051	-	-	68,051
Payable to third party payors	-	-	-	-	(268,616)	-	(268,616)
Net Cash Flows from (for) Operating Activities	\$ 402,158	\$ (102,173)	\$ 132,603	\$ 121,202	\$ (197,635)	\$ 30,679	\$ 386,834
Noncash Capital and Related Financing Activities							
Contributed capital assets	\$ -	\$ -	\$ -	\$ -	\$ 168,477	\$ -	\$ 168,477

See accompanying notes to basic financial statements.

City of Cordova, Alaska

Notes to Basic Financial Statements Year Ended December 31, 2014

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 the City of Cordova (the primary government) and its component units, the Cordova City School District, Cordova Community Medical Center (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. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, the blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended component unit - Cordova Community Medical Center

Cordova Community Medical Center provides health care, including long-term care, in the Cordova area. The City Council through local ordinance has assumed all governance responsibility for the medical center. In addition, the City bears significant financial burden and risk of loss associated with the medical center operations. A Health Services Advisory Board is appointed by the City Council and operations management has been contracted with Providence Health Systems.

Discretely presented component unit - 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.

Discretely presented component unit - 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 previously operated on a June 30 fiscal year end and changed its fiscal year end to December 31, beginning with December 31, 2013. The City has established a December 31 year end. For this report, the June 30, 2014 year end financial statements of the School District 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

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

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.

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.

The *Cordova Community Medical Center Enterprise Fund* is used to account for the Medical Center which provides health care and long-term care services in Cordova.

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.

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.

City of Cordova, Alaska

Notes to Basic Financial Statements

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 when purchased and charged to operations when used 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."

Property taxes

Property taxes are a lien on the assessed value of taxable property as of January 1. Pursuant to Alaska Statute, Title 29.45.240, the City establishes the mill rate levy by June 15. Tax bills are mailed prior to July 1 and may be paid in two equal installments. The first installment is due by August 31 and the second installment is due by October 31. City property tax revenues in the fund financial statements are recognized in the fiscal year in which they are collectible and available to finance expenditures of the fiscal period.

City of Cordova, Alaska

Notes to Basic Financial Statements

Any real or personal property taxes still due the City at December 31 are delinquent. Any amount not collected within 60 days following year end are considered unavailable and are reflected as deferred inflows in the General Fund.

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

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

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 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 has 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.

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.

Pension Plan

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

City of Cordova, Alaska

Notes to Basic Financial Statements

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.

In 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, 2014.

	Pooled Cash and Investments	Cordova Community Medical Center	Totals
Bank deposits	\$ 1,422,516	\$ 314,246	\$ 1,736,762
Investments	14,623,158	-	14,623,158
	\$ 16,045,674	\$ 314,246	\$ 16,359,920

	Pooled Cash and Investments	Cordova Community Medical Center	Government- wide Statement of Net Position
Cash and investments	\$ 15,358,928	\$ 314,246	\$ 15,673,174
Restricted cash and investments	686,746	-	686,746
	\$ 16,045,674	\$ 314,246	\$ 16,359,920

City of Cordova, Alaska

Notes to Basic Financial Statements

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy is that deposit-type securities shall be collateralized for any amount exceeding FDIC or any other federal deposit insurance limits.

Restricted Cash and Investments

The City maintains restricted cash for future landfill closure costs as required by Alaska Department of Environmental Conservation. The restricted cash balance, is comprised of a certificated of deposit at December 31, 2014 totaling \$481,738, with the remaining restricted funds in the amount of \$205,008 being held in the central treasury. Total restricted cash is \$686,746 at December 31, 2014.

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. It is the policy of the City to limit the maximum maturity/average life for any single security to 30/5 years. For investments held in funds other than the General Reserve Special Revenue fund, the effective portfolio duration may not exceed 125% of the duration of the Merrill Lynch 1-3 year treasury bond index. For investments in the General Reserve Special Revenue Fund, the effective portfolio duration may not exceed 125% of the duration of the Barclay's Intermediate Government/Credit Index.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1 year	1 to 5 years	Over 5 years
Fixed income exchange traded funds	\$ 587,291	\$ -	\$ 137,408	\$ 449,883
Fixed income mutual funds	5,900,186	2,329,032	2,348,121	1,223,033
Asset backed securities	136,548	-	136,548	-
Certificate of deposit	734,063	734,063	-	-
Total subject to interest rate risk	7,358,088	3,063,095	2,622,077	1,672,916
Investment not subject to interest rate risk	7,265,070	-	-	-
Total Investments	\$ 14,623,158	\$ 3,063,095	\$ 2,622,077	\$ 1,672,916

Investments by Class

Cash and money market accounts	\$ 1,799,725
Equity securities	2,126,719
Other	1,416,348
Alternative investments	1,922,277
Fixed income securities	6,624,026
Certificates of deposit	734,063
Total Investments	\$ 14,623,158

City of Cordova, Alaska

Notes to Basic Financial Statements

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. It is the City's policy to limit its investments to the following ratings: investment grade corporate securities and Yankee Bonds must be rated BBB-/Baa3 or better by Standard & Poor's, Moody's Investors Services ("Moody's"), Fitch, or another nationally recognized statistical ratings organization ("NSRO"). State and local government obligations must have an underlying rating of at least A-/A3. Securitized Assets must be rated AAA/Aaa by Standard & Poor's, Moody's, Fitch, or NSRO. Money Market Funds shall contain securities having a rating of at least A-1/P-1. For the General Reserve Special Revenue Fund, securities in a suitably diversified bond mutual fund need not meet these rating requirements.

Custodial credit risk-investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The City holds certain Mutual Funds which consist of a blend of equity and bonds. The maturity date of these debt securities varies considerably and is a function of the mutual fund's investment strategy.

3. Capital Assets

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

Governmental Activities	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 1,270,454	\$ 139,965	\$ -	\$ 1,410,419
Construction in progress	13,848,862	4,238,170	(15,650)	18,071,382
Total capital assets not being depreciated	15,119,316	4,378,135	(15,650)	19,481,801
<i>Capital assets being depreciated:</i>				
Buildings	34,615,397	-	-	34,615,397
Infrastructure	1,350,357	-	-	1,350,357
Machinery and equipment	6,664,599	344,542	386,600	6,622,541
Total assets being depreciated	42,630,353	344,542	386,600	42,588,295
Less accumulated depreciation for:				
Buildings	11,789,270	701,843	-	12,491,113
Infrastructure	110,544	42,386	-	152,930
Machinery and equipment	3,832,774	339,229	(386,600)	3,785,403
Total accumulated depreciation	15,732,588	1,083,458	(386,600)	16,429,446
Total capital assets being depreciated, net	26,897,765	(738,916)	-	26,158,849
Governmental Activity Capital Assets, net	\$ 42,017,081	\$ 3,639,219	\$ (15,650)	\$ 45,640,650

City of Cordova, Alaska

Notes to Basic Financial Statements

Business-type Activities	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 5,688,343	\$ -	-	\$ 5,688,343
Construction in progress	1,118,235	1,501,055	(992,613)	1,626,677
Total capital assets not being depreciated	6,806,578	1,501,055	(992,613)	7,315,020
<i>Capital assets being depreciated:</i>				
Buildings and improvements	11,392,024	-	(26,751)	11,365,273
Improvements other than buildings	51,413,440	909,140	-	52,322,580
Machinery and equipment	8,410,687	61,267	(19,291)	8,452,663
Landfill	462,756	-	-	462,756
Total assets being depreciated	71,678,907	970,407	(46,042)	72,603,272
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	8,222,328	229,007	-	8,451,335
Improvements other than buildings	26,478,278	1,426,478	-	27,904,756
Machinery and equipment	4,821,817	289,442	(19,291)	5,091,968
Landfill	300,876	23,138	-	324,014
Total accumulated depreciation	39,823,299	1,968,065	(19,291)	41,772,073
Total capital assets being depreciated, net	31,855,608	(997,658)	(26,751)	30,831,199
Business-Type Activity Capital Assets, net	\$ 38,662,186	\$ 503,397	\$ (1,019,364)	\$ 38,146,219

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

Governmental Activities

General government	\$ 102,333
Public safety	112,590
Information and recreation	151,411
Public works	125,432
Education	591,692

Total Depreciation Expense - Governmental Activities **\$ 1,083,458**

City of Cordova, Alaska

Notes to Basic Financial Statements

Business-type Activities

Port	\$	760,430
Water		434,819
Sewer		407,877
Refuse		99,814
Medical Center		263,088
Camper Park		2,037
Total Depreciation Expense - Business-type Activities		\$ 1,968,065

4. Short Term Debt

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

Governmental Activities	Balance January 1, 2014	Additions	Retired	Balance December 31, 2014	Due Within One Year
\$2,793,919 line of credit, payable to bank, becomes due on December 31, 2015. Interest at LIBOR plus 2.75%	\$	- \$ 2,366,578	\$ -	\$ 2,366,578	\$ 2,366,578

5. Long Term Debt

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

Governmental Activities	Balance January 1, 2014	Additions	Retired	Balance December 31, 2014	Due Within One Year
General Obligation Bonds:					
\$16,615,000 2009 school bonds, due in annual installments of \$645,000 to \$1,295,000 through February 1, 2029; plus interest at 4.00% to 6.00% payable semiannually	\$ 14,365,000	-	\$ 620,000	\$ 13,745,000	\$ 645,000
\$175,000 2010 Series A bonds, due in final installment of \$40,000 due August 1, 2015; plus interest at 2.00% payable semiannually	75,000	-	35,000	40,000	40,000

City of Cordova, Alaska

Notes to Basic Financial Statements

Governmental Activities, cont.	Balance January 1, 2014	Additions	Retired	Balance December 31, 2014	Due Within One Year
\$1,340,000 2005 Series A bonds, due in annual installments of \$132,000 to \$160,000 through October 1, 2019; plus interest at 2.50% to 5.00% payable semiannually.	\$ 848,000	\$ -	\$ 124,000	\$ 724,000	\$ 132,000
\$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	370,000	-	40,000	330,000	40,000
Accrued vacation and sick leave	184,394	266,157	107,252	343,299	343,299
Total Governmental Activities	\$ 16,052,394	\$ 266,157	\$ 926,252	\$ 15,392,299	\$ 1,200,299

Business-type Activities	Balance January 1, 2014	Additions	Retired	Balance December 31, 2014	Due Within One Year
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General Obligation Bonds:

\$335,000 2005 Series A bonds, due in annual installments of \$33,000 to \$40,000 through October 1, 2019; plus interest at 2.50% to 5.00% payable semiannually	\$ 212,000	\$ -	\$ 31,000	\$ 181,000	\$ 33,000
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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%	483,312	-	69,044	414,268	69,044
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City of Cordova, Alaska

Notes to Basic Financial Statements

Business-type Activities, continued	Balance January 1, 2014	Additions	Retired	Balance December 31, 2014	Due Within One Year
\$1,081,500 (maximum) Drinking Water loan, terms not yet established; interest at 1.5%	\$ 55,270	\$ 142,652	\$ -	\$ 197,922	-
\$1,100,000 (maximum) Clean Water loan, terms not yet established; interest at 1.50%	1,079,130	-	-	1,079,130	-
Loan payable to financial institution, payable in monthly installments of \$712 until maturity in 2017; interest at 10%	24,004	-	6,403	17,601	7,105
Accrued vacation and sick leave	71,067	77,399	40,272	108,194	108,194
Landfill closure costs payable	634,780	68,051	-	702,831	-
Total Business-type Activities	\$ 2,559,563	\$ 288,102	\$ 146,719	\$ 2,700,946	\$ 217,343

The annual debt service requirements of the general obligation bonds and loans outstanding at December 31, 2014 that are in repayment status follow:

Governmental Activities

General Obligation Bonds	Principal	Interest	Total Requirements
Year Ending December 31,			
2015	\$ 857,000	\$ 773,349	\$ 1,630,349
2016	896,000	735,092	1,631,092
2017	929,000	695,761	1,624,761
2018	967,000	653,807	1,620,807
2019	1,020,000	607,561	1,627,561
2020-2024	4,580,000	2,315,238	6,895,238
2025-2029	5,800,000	882,071	6,682,071
	\$ 15,049,000	\$ 6,662,879	\$ 21,711,879

City of Cordova, Alaska

Notes to Basic Financial Statements

Business-type Activities

General Obligation Bonds	Principal	Interest	Total Requirements
Year Ending December 31,			
2015	\$ 33,000	\$ 9,050	\$ 42,050
2016	34,000	7,400	41,400
2017	36,000	5,700	41,700
2018	38,000	3,900	41,900
2019	40,000	2,000	42,000
	\$ 181,000	\$ 28,050	\$ 209,050

ADEC Loan	Principal	Interest	Total Requirements
Year Ending December 31,			
2015	\$ 69,044	\$ 6,214	\$ 75,258
2016	69,044	5,178	74,222
2017	69,045	4,143	73,188
2018	69,045	3,107	72,152
2019	69,045	2,071	71,116
2020	69,045	1,036	70,081
	\$ 414,268	\$ 21,749	\$ 436,017

Financial Institution Loan	Principal	Interest	Total Requirements
Year Ending December 31,			
2015	\$ 7,105	\$ 1,441	\$ 8,546
2016	7,849	697	8,546
2017	2,647	52	2,699
	\$ 17,601	\$ 2,190	\$ 19,791

City of Cordova, Alaska

Notes to Basic Financial Statements

6. 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 landfill at Mile 17. In addition there is a construction pit. The total estimated future closure cost of these two cells and the construction pit is approximately \$1,718,980. The \$702,831 reported as landfill closure costs payable at December 31, 2014 for the landfill represents the cumulative amount reported to date based on the use of the expected usage of the two cells and construction pit. The City will recognize the remaining estimated cost of closure and postclosure care of \$1,016,149 as the remaining expected usage is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The remaining life of cell 1 is estimated to be two years. Cell 2 is estimated to have a life of approximately 16 years once it starts accepting waste which is anticipated to be in 2016 when cell 1 will be capped and closed. In addition the construction pit has an estimated remaining life of approximately 12 years.

7. Fund Balances

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

	Major Funds				Total Governmental Funds
	General	General Reserve Special Revenue	Cordova Center Capital Project	Nonmajor Funds	
Nonspendable:					
Medical Center advance	\$ 1,274,611	\$ -	\$ -	\$ -	\$ 1,274,611
Prepaid insurance	182,546	-	-	-	182,546
Restricted -					
Enhanced 911 services	-	-	-	64,396	64,396
Committed for education	1,731,568	-	-	-	1,731,568
Assigned:					
School construction	-	-	-	111,763	111,763
Capital projects and land	-	11,273,248	-	361,794	11,635,042
Public safety	-	-	-	170,132	170,132
Unassigned (deficit)	2,664,992	-	(132,002)	(45,339)	2,487,651
Total Fund Balances (Deficit)	\$ 5,853,717	\$ 11,273,248	\$ (132,002)	\$ 662,746	\$ 17,657,709

City of Cordova, Alaska

Notes to Basic Financial Statements

The following funds had fund deficits at December 31, 2014:

Cordova Center Capital Project Fund	\$ (132,002)
Hospital Repair Capital Project Fund	(28,927)
Shipyard Fill Capital Project Fund	(14,482)
Sawmill Avenue Capital Project Fund	(1,930)

8. Expenditures Exceeding Appropriations

Expenditures exceeded appropriations by the following amounts in departments of the General Fund.

City clerk	\$ 15,842
Management	6,144
Nondepartmental	61,027
Police	194,649
Jail operations	38,452
Motor vehicles	3,700
Pool	45,538
Street maintenance	82,667
Parks maintenance	16,138

9. Defined Benefit Pension Plan

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

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

That same year, the State of Alaska passed additional legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

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

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

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

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

Effective beginning July 1, 2014, the State passed additional legislation appropriating a one-time funding contribution to the Plan in the amount of \$1 billion. This \$1 billion is allocated among all participating employers and will be recorded as an on-behalf payment. This amount significantly exceeds the required on-behalf payment established as the difference between the ARM Board rate and the employer effective rate. In addition, prior to July 1, 2015, there are no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039, resulting in lower ARM Board rates. As a result of these changes, the State fiscal year 2015 on-behalf payment will be significantly higher than under previous calculations, and in State fiscal year 2016, the on-behalf amounts will be lower than under previous calculations.

City of Cordova, Alaska

Notes to Basic Financial Statements

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

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

<i>January to June 2014</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB 43 Rate
Pension	10.64%	18.38%	7.74%	27.94%
Postemployment healthcare	11.36%	17.30%	5.94%	52.55%
Total Contribution Rate	22.00%	35.68%	13.68%	80.49%

July to December 2014

Pension	12.54%	25.09%	42.41%	33.05%
Postemployment healthcare	9.46%	18.94%	- %	55.07%
Total Contribution Rate	22.00%	44.03%	42.41%	88.12%

Annual Pension and Postemployment Healthcare Cost

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska has also made additional contributions to the Plan as noted above. In accordance with the provisions of GASB Statement Number 24, these additional contributions are considered on-behalf payments and are recorded as revenue and expense/expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, the State's contributions, in the amounts of \$891,844, \$389,629, and \$332,763 for 2014, 2013, and 2012, respectively, have been excluded from pension and OPEB cost as shown below.

<i>Year Ended December 31,</i>	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	City Contri- butions	% of TBC Contributed
2014	\$ 287,538	\$ 216,915	\$ 504,453	\$ 504,453	100%
2013	234,462	220,715	455,177	455,177	100%
2012	201,450	256,912	458,362	458,362	100%

City of Cordova, Alaska

Notes to Basic Financial Statements

10. Defined Contribution Pension Plan

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

Employee Contribution Rates

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

Employer Contribution Rates

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

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

July to December 2014

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

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

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

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended December 31, 2014 were \$172,323 and \$139,952, respectively.

City of Cordova, Alaska

Notes to Basic Financial Statements

11. 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.

12. Risk Management

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

13. Interfund Receivables, Payables, and Transfers

A schedule of interfund balances and transfers for the year ended December 31, 2014, follows:

Due from other funds:

Due to the General Fund from:

Cordova Center Capital Project for advances to cover capital costs	\$ 675,360
Water Enterprise Fund for operations and capital projects	1,198,863
Refuse Enterprise Fund for operations and capital projects	276,929
Nonmajor governmental funds for advances to cover capital costs	66,846

Total Due from Other Funds	\$ 2,217,998
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Interfund Advance

From General Fund to the Cordova Community Medical Center Enterprise Fund for working capital - there is currently no repayment plan	\$ 1,274,611
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City of Cordova, Alaska

Notes to Basic Financial Statements

Transfers:

To General Reserve Special Revenue Fund for "permanent fund replacement"	
from:	
Sewer Enterprise Fund	\$ 11,164
Water Enterprise Fund	1,164
Port Enterprise Fund	20,328
Refuse Enterprise Fund	2,328
Odiak Park Enterprise Fund	4,000
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Total transfers to General Reserve Special Revenue Fund	38,984
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To Water Enterprise Fund for water services from:	
Refuse Enterprise Fund	14,000
Port Enterprise Fund	9,600
<hr/>	
Total transfers to Water Enterprise Fund	23,600
<hr/>	
To Cordova Community Medical Center Enterprise Fund for operations from	
General Fund	406,251
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To General Capital Projects Fund for capital expenditures from General Fund	577,000
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Total Transfers to Other Funds	\$ 1,045,835

14. 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.

On March 22, 2014 the contractor filed a claim before the American Arbitration Association for \$5.8 million. During 2014 the City, entered into a settlement agreement with the contractor for a final payment in the amount of \$2,365,000 which was paid in 2014.

City of Cordova, Alaska

Notes to Basic Financial Statements

Protested Property Taxes

The City received payments totaling \$692,258 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 through 2014. These payments were 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 these payments. No liability has been reflected in these financial statements for this matter.

Litigation

The City is involved in various claims and pending litigation as part of the normal course of its activities. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the City's financial statements.

15. Subsequent Events

In February 2015, the City issued General Obligation Bonds, 2015 Series One in the amount of \$12,745,000. \$875,000 of the proceeds were used to refund \$905,000 of 2005 Series A bonds and \$10,065,000 of the proceeds were used to refund \$10,230,000 of 2009 School Bonds. \$1,805,000 was issued for the purpose of funding road construction and repairs. The General Obligation Bonds require annual payments of \$20,000 to \$1,295,000 beginning in 2015 through 2034 plus interest at 2% to 5%.

In May 2015 the City issued General Obligation and Refunding Bonds, 2015A Series Two in the amount of \$3,000,000 for construction of the community center. The Bonds require annual payments of \$90,000 to \$205,000 beginning in 2016 through 2035 plus interest at 2% to 5%.

In May 2015 the City adopted a self-funded group health plan which covers all permanent employees. The City will retain a major portion of the risk of this plan and will be liable for employee health claims approved for payment by the third party administrator. Stop-loss limits are \$45,000 per individual claim.

In 2015, the City made a loan of \$200,000 to the Cordova Community Medical Center to fund short term operational expenses. In addition, the city approved an additional amount of \$300,000. No funds have been drawn on this loan to date.

16. New Accounting Pronouncements

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

GASB 68 - Accounting and Financial Reporting for Pensions - Effective for year-end December 31, 2015 - This statement changes the reporting and disclosure requirements for governments that participate in pension plans.

City of Cordova, Alaska

Notes to Basic Financial Statements

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

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

Required Supplementary Information

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

<i>Year Ended December 31, 2014</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 5,665,865	\$ 5,665,865	\$ 6,038,625	\$ 372,760
Licenses and permits	26,100	26,100	24,986	(1,114)
Federal government	859,250	859,250	825,756	(33,494)
State of Alaska	4,385,513	4,385,513	4,105,694	(279,819)
Investment income	100,000	100,000	65,604	(34,396)
Charges for services	869,094	869,094	886,581	17,487
Other revenues	118,255	118,255	515,728	397,473
Total Revenues	12,024,077	12,024,077	12,462,974	438,897
Expenditures				
Current:				
General government	1,796,190	1,796,190	1,767,515	28,675
Public safety	1,573,845	1,573,845	1,777,864	(204,019)
Information and recreation	1,702,765	1,702,765	1,726,405	(23,640)
Public works	1,868,820	1,868,820	1,723,683	145,137
Cordova City School District	1,731,568	1,731,568	1,731,568	-
Prince William Sound Community College	10,000	10,000	10,000	-
Family Resource Center	20,000	20,000	20,000	-
Cordova Chamber of Commerce	89,547	89,547	89,547	-
Debt service:				
Principal	819,000	819,000	819,000	-
Interest	809,512	809,512	809,511	1
Total Expenditures	10,421,247	10,421,247	10,475,093	(53,846)
Excess of revenues over expenditures	1,602,830	1,602,830	1,987,881	385,051
Other Financing Uses				
Transfers out	(1,137,134)	(1,137,134)	(983,251)	153,883
Net change in fund balance	<u>\$ 465,696</u>	<u>\$ 465,696</u>	1,004,630	<u>\$ 538,934</u>
Fund Balance, beginning			<u>4,849,087</u>	
Fund Balance, ending			<u>\$ 5,853,717</u>	

City of Cordova, Alaska
General Reserve Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Year Ended December 31, 2014</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Investment income	\$ 225,000	\$ 225,000	\$ 335,344	\$ 110,344
Land sales	200,000	200,000	224,797	24,797
Special assessments	1,800	1,800	4,133	2,333
Total Revenues	426,800	426,800	564,274	137,474
Other Financing Sources				
Transfers in	38,984	38,984	38,984	-
Net change in fund balance	<u>\$ 465,784</u>	<u>\$ 465,784</u>	603,258	<u>\$ 137,474</u>
Fund Balance, beginning			<u>10,669,990</u>	
Fund Balance, ending			<u>\$ 11,273,248</u>	

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Supplementary Information

General Fund

The General Fund was 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

<i>December 31,</i>	2014	2013
Assets		
Cash and investments	\$ 1,970,113	\$ 2,433,811
Receivables:		
Sales tax	517,165	526,202
Delinquent property taxes	11,309	15,971
Grants and shared revenues	-	306,196
Other	37,726	42,458
Total Receivables	566,200	890,827
Prepaid insurance	182,546	220,160
Due from other funds	2,217,998	482,696
Interfund advances	1,274,611	1,274,611
Total Assets	\$ 6,211,468	\$ 5,302,105
Liabilities, Deferred Inflows, and Fund Balance		
Liabilities		
Accounts payable	\$ 158,304	\$ 262,795
Accrued payroll and related liabilities	103,647	83,644
Unearned revenue	83,832	91,992
Total Liabilities	345,783	438,431
Deferred Inflows		
Deferred property taxes	11,968	14,587
Fund Balance		
Nonspendable:		
Medical Center advance	1,274,611	1,274,611
Prepaid insurance	182,546	220,160
Committed for education	1,731,568	1,680,410
Unassigned	2,664,992	1,673,906
Total Fund Balance	5,853,717	4,849,087
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 6,211,468	\$ 5,302,105

City of Cordova, Alaska

General Fund

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

<i>Year Ended December 31,</i>	2014			2013
	Final Budget	Actual	Variance with Budget	Actual
Revenues				
Taxes:				
Property taxes	\$ 1,862,000	\$ 2,127,283	\$ 265,283	\$ 1,609,783
Sales taxes	3,270,000	3,341,198	71,198	3,236,415
Public accommodations surtax	117,500	114,908	(2,592)	116,136
Vehicle rental surtax	16,000	14,517	(1,483)	11,139
Penalties and interest	15,000	18,498	3,498	17,281
Federal payment in lieu of property taxes	385,365	422,221	36,856	393,230
Total taxes	5,665,865	6,038,625	372,760	5,383,984
Licenses and permits:				
Business licenses	15,000	17,775	2,775	14,555
Other licenses and permits	11,100	7,211	(3,889)	9,891
Total licenses and permits	26,100	24,986	(1,114)	24,446
Federal government:				
National forest receipts	852,525	817,781	(34,744)	947,250
USFS dispatch services	6,725	6,750	25	6,750
Library grants	-	1,225	1,225	8,836
Travel reimbursement grant	-	-	-	433
Total federal government	859,250	825,756	(33,494)	963,269
State of Alaska:				
Raw fish tax	2,200,000	1,661,223	(538,777)	1,432,356
Liquor licenses	12,000	11,650	(350)	12,300
Cooperative tax refunds	150,000	234,085	84,085	151,624
Shared fisheries tax	40,000	32,608	(7,392)	31,222
Revenue sharing	205,610	205,993	383	206,187
PERS relief	463,948	669,632	205,684	295,667
Dispatch services	4,725	5,906	1,181	4,725
Library grants	6,750	6,650	(100)	4,604

City of Cordova, Alaska

General Fund

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

<i>Year Ended December 31,</i>	2014		2013	
	Final Budget	Actual	Variance with Budget	Actual
Revenues, continued				
State of Alaska, continued:				
Motor vehicle registration	\$ 75,600	\$ 63,543	\$ (12,057)	\$ 78,026
Driver license fees	17,000	11,518	(5,482)	10,678
Public safety contract - jail	240,080	243,043	2,963	216,903
Other	2,000	940	(1,060)	580
State debt reimbursement - school bonds	967,800	958,903	(8,897)	960,099
Total State of Alaska	4,385,513	4,105,694	(279,819)	3,404,971
Investment income (loss)	100,000	65,604	(34,396)	(24,822)
Charges for services:				
Administrative overhead charges	492,044	492,044	-	492,044
Leases	165,000	177,897	12,897	187,309
Bidarki Center	71,950	86,562	14,612	80,135
Pool	34,000	30,691	(3,309)	24,883
Fines and forfeitures	21,000	25,687	4,687	18,686
Dog impounds and licenses	2,100	950	(1,150)	1,441
Airline security services	80,000	69,960	(10,040)	94,251
Finger printing and case file fees	3,000	2,790	(210)	3,321
Total charges for services	869,094	886,581	17,487	902,070
Other revenues:				
In-kind from School and Medical Center	83,855	138,848	54,993	136,817
Material and equipment sales	5,500	69,538	64,038	709
Cemetery lot sales	1,000	5,150	4,150	700
Miscellaneous	26,900	151,842	124,942	(4,020)
Donations	-	150,000	150,000	-
Fisherman's Memorial Park	1,000	350	(650)	1,050
Total other revenues	118,255	515,728	397,473	135,256
Total Revenues	12,024,077	12,462,974	438,897	10,789,174

City of Cordova, Alaska

General Fund

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

<i>Year Ended December 31,</i>	2014			2013	
	Final Budget	Actual	Variance with Budget	Actual	
Expenditures					
General government:					
City council:					
Materials and supplies	\$ 2,000	\$ 1,599	\$ 401	\$ 1,827	
Purchased services	20,825	7,893	12,932	12,862	
Total city council	22,825	9,492	13,333	14,689	
City clerk:					
Salaries and benefits	222,323	243,150	(20,827)	221,717	
Materials and supplies	1,500	1,581	(81)	1,653	
Purchased services	28,750	23,684	5,066	48,729	
Total city clerk	252,573	268,415	(15,842)	272,099	
Management:					
Salaries and benefits	297,120	331,462	(34,342)	306,108	
Materials and supplies	10,000	4,991	5,009	569	
Purchased services	57,950	35,761	22,189	35,104	
Capital outlay	1,000	-	1,000	538	
Total management	366,070	372,214	(6,144)	342,319	
Finance:					
Salaries and benefits	397,716	368,066	29,650	408,181	
Materials and supplies	4,000	3,050	950	3,461	
Purchased services	9,400	1,641	7,759	6,306	
Capital outlay	500	150	350	800	
Total finance	411,616	372,907	38,709	418,748	
Planning and zoning:					
Salaries and benefits	223,006	214,787	8,219	208,244	
Materials and supplies	3,000	3,262	(262)	5,601	
Purchased services	71,100	19,411	51,689	20,663	
Total planning and zoning	297,106	237,460	59,646	234,508	

City of Cordova, Alaska

General Fund

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

<i>Year Ended December 31,</i>	2014			2013	
	Final Budget	Actual	Variance with Budget	Actual	
Expenditures, continued					
General government, continued:					
Nondepartmental services:					
Materials and supplies	\$ 17,500	\$ 15,198	\$ 2,302	\$ 16,765	
Purchased services	428,500	491,829	(63,329)	500,795	
Total nondepartmental services	446,000	507,027	(61,027)	517,560	
Total general government	1,796,190	1,767,515	28,675	1,799,923	
Public safety:					
Police department:					
Salaries and benefits	795,036	975,812	(180,776)	797,874	
Materials and supplies	12,000	13,119	(1,119)	13,539	
Purchased services	39,500	39,021	479	42,671	
Repairs and vehicle expense	37,000	43,264	(6,264)	39,849	
Capital outlay	10,500	17,469	(6,969)	5,499	
Total police department	894,036	1,088,685	(194,649)	899,432	
Jail operations:					
Salaries and benefits	222,025	263,431	(41,406)	218,175	
Materials and supplies	9,500	8,639	861	7,577	
Purchased services	2,600	1,075	1,525	2,986	
Repairs and vehicle expense	3,000	2,432	568	2,485	
Total jail operations	237,125	275,577	(38,452)	231,223	
Fire department:					
Salaries and benefits	221,903	198,080	23,823	168,701	
Materials and supplies	30,025	33,182	(3,157)	31,614	
Purchased services	72,953	62,735	10,218	72,062	
Repairs and vehicle expense	34,900	33,756	1,144	39,372	
Capital outlay	7,000	6,246	754	6,052	
Total fire department	366,781	333,999	32,782	317,801	

City of Cordova, Alaska

General Fund

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

<i>Year Ended December 31,</i>	2014			2013	
	Final Budget	Actual	Variance with Budget	Actual	
Expenditures, continued					
Public safety, continued:					
Department of Motor Vehicles:					
Salaries and benefits	\$ 59,153	\$ 61,398	\$ (2,245)	\$ 60,554	
Materials and supplies	1,050	639	411	547	
Purchased services	14,700	15,557	(857)	14,904	
Capital outlay	1,000	2,009	(1,009)	908	
Total Department of Motor Vehicles	75,903	79,603	(3,700)	76,913	
Total public safety	1,573,845	1,777,864	(204,019)	1,525,369	
Information and recreation:					
Library:					
Salaries and benefits	655,032	689,385	(34,353)	544,151	
Materials and supplies	106,500	85,416	21,084	14,565	
Purchased services	165,370	146,335	19,035	29,380	
Repairs and vehicle expense	2,500	4,227	(1,727)	2,283	
Total library	929,402	925,363	4,039	590,379	
Ski hill:					
Repairs	5,000	5,327	(327)	61	
Purchased services	69,500	54,015	15,485	66,411	
Total ski hill	74,500	59,342	15,158	66,472	
Bidarki Center:					
Salaries and benefits	349,437	352,441	(3,004)	322,527	
Materials and supplies	5,500	5,512	(12)	5,393	
Purchased services	58,475	49,953	8,522	53,982	
Repairs and vehicle expense	5,000	6,204	(1,204)	6,945	
Capital outlay	12,000	13,601	(1,601)	11,237	
Total Bidarki Center	430,412	427,711	2,701	400,084	

City of Cordova, Alaska

General Fund

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

<i>Year Ended December 31,</i>	2014		Variance	2013
	Final Budget	Actual	with Budget	Actual
Expenditures, continued				
Information and recreation, continued:				
Pool:				
Salaries and benefits	\$ 117,151	\$ 151,695	\$ (34,544)	\$ 131,220
Materials and supplies	19,400	30,516	(11,116)	26,891
Purchased services	116,400	107,207	9,193	140,117
Repairs and vehicle expense	10,500	19,417	(8,917)	16,955
Capital outlay	5,000	5,154	(154)	5,388
Total pool	268,451	313,989	(45,538)	320,571
Total information and recreation	1,702,765	1,726,405	(23,640)	1,377,506
Public works:				
Public works administration:				
Salaries and benefits	155,718	106,847	48,871	128,039
Materials and supplies	1,200	351	849	1,640
Purchased services	4,700	3,125	1,575	4,608
Repairs and vehicle expense	4,700	561	4,139	3,708
Total public works administration	166,318	110,884	55,434	137,995
Building maintenance:				
Salaries and benefits	230,762	139,144	91,618	220,608
Materials and supplies	7,700	7,506	194	11,087
Purchased services	182,000	166,553	15,447	214,770
Repairs and vehicle expense	18,200	13,040	5,160	18,624
Capital outlay	2,000	4,401	(2,401)	5,290
Total building maintenance	440,662	330,644	110,018	470,379
Street maintenance:				
Salaries and benefits	496,343	545,746	(49,403)	437,162
Materials and supplies	67,500	82,277	(14,777)	17,016
Purchased services	86,850	83,939	2,911	86,052
Repairs and vehicle expense	54,000	75,398	(21,398)	41,270
Total street maintenance	704,693	787,360	(82,667)	581,500

City of Cordova, Alaska

General Fund

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

<i>Year Ended December 31,</i>	2014			2013	
	Final Budget	Actual	Variance with Budget	Actual	
Expenditures, continued					
Public works, continued:					
Snow removal:					
Salaries and benefits	\$ 41,510	\$ 11,831	\$ 29,679	\$	12,671
Materials and supplies	30,000	32,583	(2,583)		33,663
Purchased services	15,000	10,598	4,402		25,637
Total snow removal	86,510	55,012	31,498		71,971
Equipment maintenance:					
Salaries and benefits	202,615	167,499	35,116		199,628
Materials and supplies	27,500	22,355	5,145		21,167
Purchased services	7,700	3,964	3,736		5,269
Repairs and vehicle expense	105,000	105,148	(148)		117,033
Total equipment maintenance	342,815	298,966	43,849		343,097
Parks maintenance:					
Salaries and benefits	73,075	80,478	(7,403)		55,162
Materials and supplies	500	284	216		121
Purchased services	21,000	26,412	(5,412)		24,450
Repairs and vehicle expense	8,000	12,169	(4,169)		9,633
Capital outlay	14,000	13,370	630		14,653
Total parks maintenance	116,575	132,713	(16,138)		104,019
Cemetery maintenance:					
Salaries and benefits	7,747	6,039	1,708		6,719
Materials and supplies	3,500	2,065	1,435		27
Total cemetery maintenance	11,247	8,104	3,143		6,746
Total public works	1,868,820	1,723,683	145,137		1,715,707
Debt service:					
General obligation bond principal	819,000	819,000	-		786,000
General obligation bond interest	809,512	809,511	1		842,261
Total debt service	1,628,512	1,628,511	1		1,628,261

City of Cordova, Alaska

General Fund

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

<i>Year Ended December 31,</i>	2014			2013
	Final Budget	Actual	Variance with Budget	Actual
Expenditures, continued				
Contributions:				
Cordova City School District	\$ 1,731,568	\$ 1,731,568	\$ -	\$ 1,680,410
Cordova Community Medical Center	-	-	-	292,002
Family Resource Center	20,000	20,000	-	20,000
Prince William Sound Community College	10,000	10,000	-	-
Cordova Chamber of Commerce	89,547	89,547	-	79,547
Total contributions	1,851,115	1,851,115	-	2,071,959
Total Expenditures	10,421,247	10,475,093	(53,846)	10,118,725
Excess of revenues over expenditures	1,602,830	1,987,881	385,051	670,449
Other Financing Uses				
Transfers out:				
General Reserve Special Revenue Fund	-	-	-	(743,130)
Cordova Community Medical Center	(755,134)	(406,251)	348,883	(267,796)
Capital Project Funds:				
Street Improvements	-	-	-	(50,000)
Equipment Replacement	-	-	-	(33,000)
General Capital Projects	(382,000)	(577,000)	(195,000)	(152,462)
Total Other Financing	(1,137,134)	(983,251)	153,883	(1,246,388)
Net change in fund balance	<u>\$ 465,696</u>	1,004,630	<u>\$ 538,934</u>	(575,939)
Fund Balance, beginning		<u>4,849,087</u>		<u>5,425,026</u>
Fund Balance, ending		<u>\$ 5,853,717</u>		<u>\$ 4,849,087</u>

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Nonmajor Governmental Funds

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

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.

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.

Hospital Repair

This funds accounts for major repairs to the Cordova Community Medical Center.

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

<i>December 31, 2014</i>	Special Revenue Fund		Capital Project Funds								Totals
	E-911	Ambulance	Equipment Replacement	General Capital Projects	School Building	School Capital Project	Street Improvements	Hospital Repair	Shipyard Fill	Sawmill Avenue Project	
Assets											
Cash and investments	\$ 64,396	\$ 166,010	\$ 59,457	\$ 144,083	\$ 9,669	\$ 111,763	\$ 138,164	\$ -	\$ -	\$ -	\$ 693,542
Grants receivable	-	-	-	9,743	-	-	-	25,578	-	-	35,321
Other receivable	-	14,579	-	5,293	-	-	-	-	-	-	19,872
Total Assets	\$ 64,396	\$ 180,589	\$ 59,457	\$ 159,119	\$ 9,669	\$ 111,763	\$ 138,164	\$ 25,578	\$ -	\$ -	\$ 748,735
Liabilities, Deferred Inflows and Fund Balances											
Liabilities											
Accounts payable	\$ -	\$ 368	\$ 3,801	\$ 814	\$ -	\$ -	\$ -	\$ 4,071	\$ -	\$ -	\$ 9,054
Due to other funds	-	-	-	-	-	-	-	50,434	14,482	1,930	66,846
Total Liabilities	-	368	3,801	814	-	-	-	54,505	14,482	1,930	75,900
Deferred Inflows											
Deferred ambulance revenue	-	10,089	-	-	-	-	-	-	-	-	10,089
Fund Balances											
Restricted:											
Enhanced 911 services	64,396	-	-	-	-	-	-	-	-	-	64,396
Assigned:											
School construction	-	-	-	-	-	111,763	-	-	-	-	111,763
Capital projects	-	-	55,656	158,305	9,669	-	138,164	-	-	-	361,794
Public safety	-	170,132	-	-	-	-	-	-	-	-	170,132
Unassigned (deficit)	-	-	-	-	-	-	-	(28,927)	(14,482)	(1,930)	(45,339)
Total Fund Balances (Deficits)	64,396	170,132	55,656	158,305	9,669	111,763	138,164	(28,927)	(14,482)	(1,930)	662,746
Total Liabilities, Deferred Inflows and Fund Balances	\$ 64,396	\$ 180,589	\$ 59,457	\$ 159,119	\$ 9,669	\$ 111,763	\$ 138,164	\$ 25,578	\$ -	\$ -	\$ 748,735

City of Cordova, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances (Deficits)

<i>Year Ended December 31, 2014</i>	Special Revenue Fund		Capital Project Funds									Totals
	E-911	Ambulance	Equipment Replacement	General Capital Projects	School Building	School Capital Project	Street Improvements	Hospital Repair	Shipyard Fill	Sawmill Avenue Project		
Revenues												
Federal government	\$ -	\$ -	\$ -	\$ 233,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233,957
State of Alaska	-	-	-	5,161	-	-	-	118,735	-	-	-	123,896
Other revenues	-	41,317	653	20,000	-	-	-	-	-	-	-	61,970
Total Revenues	-	41,317	653	259,118	-	-	-	118,735	-	-	-	419,823
Expenditures												
Public safety	-	3,366	-	159,706	-	-	-	-	-	-	-	163,072
Public works	-	-	9,595	-	-	-	-	-	-	-	-	9,595
Capital outlay	-	-	-	540,211	-	-	-	118,735	-	-	-	658,946
Total Expenditures	-	3,366	9,595	699,917	-	-	-	118,735	-	-	-	831,613
Excess of revenues over (under) expenditures	-	37,951	(8,942)	(440,799)	-	-	-	-	-	-	-	(411,790)
Other Financing Sources												
Transfers in	-	-	-	577,000	-	-	-	-	-	-	-	577,000
Net change in fund balances (deficits)	-	37,951	(8,942)	136,201	-	-	-	-	-	-	-	165,210
Fund Balances (Deficits), beginning	64,396	132,181	64,598	22,104	9,669	111,763	138,164	(28,927)	(14,482)	(1,930)	-	497,536
Fund Balances (Deficits), ending	\$ 64,396	\$ 170,132	\$ 55,656	\$ 158,305	\$ 9,669	\$ 111,763	\$ 138,164	\$ (28,927)	\$ (14,482)	\$ (1,930)	-	\$ 662,746

City of Cordova, Alaska
General Capital Projects Fund
Schedule of Expenditures by Project

Year Ended December 31, 2014

Dea Church property purchase	\$ 139,965
Bidarki fitness equipment	61,908
Mt. Eccles Elementary School emergency generator	167,082
Fire Department defibrilators	25,499
Double drum roller	18,890
Infrared paver	71,162
Safe Routes to School CIP	24,938
CCMC - CT room design CIP	38,009
Non-capital public safety projects	152,464
<hr/>	
Total Expenditures	\$ 699,917

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.

Cordova Community Medical Center

This fund accounts for the operations of the Cordova Community Medical Center which provides acute inpatient and outpatient, as well as long-term care and other community health care services, in the Cordova area.

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

<i>December 31,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 972,983	\$ 629,624
Accounts receivable	286,405	269,727
Allowance for doubtful accounts	(169,224)	(137,309)
Prepaid insurance	29,074	26,124
Total Current Assets	1,119,238	788,166
Property, Plant and Equipment		
Land	4,395,992	4,395,992
Buildings	274,983	274,983
Machinery and equipment	2,820,046	2,789,954
Improvements	18,865,654	18,865,654
Total property, plant and equipment	26,356,675	26,326,583
Accumulated depreciation	(12,128,008)	(11,367,578)
Net Property, Plant and Equipment	14,228,667	14,959,005
Total Assets	\$ 15,347,905	\$ 15,747,171
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 14,339	\$ 14,950
Accrued payroll and related liabilities	9,956	7,844
Accrued vacation and sick leave	51,858	36,871
Unearned revenue	441,299	359,932
Total Current Liabilities	517,452	419,597
Net Position		
Net investment in capital assets	14,228,667	14,959,005
Unrestricted	601,786	368,569
Total Net Position	14,830,453	15,327,574
Total Liabilities and Net Position	\$ 15,347,905	\$ 15,747,171

City of Cordova, Alaska

Port Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended December 31,</i>	2014	2013
Operating Revenues		
User charges:		
Slip fees	\$ 938,492	\$ 762,460
Wharfage and dockage	98,828	118,358
Total user charges	1,037,320	880,818
Rents, leases and storage fees	49,264	73,103
Travel lift fees	135,290	119,495
Penalties and interest	13,953	19,535
Other revenues	80,818	59,458
Total Operating Revenues	1,316,645	1,152,409
Operating Expenses		
Salaries and benefits	574,055	456,917
Materials and supplies	15,157	10,685
Purchased services	223,054	236,808
Vehicle expense	31,654	29,933
Insurance	57,060	47,065
Repairs and maintenance	65,380	29,010
Depreciation	760,430	724,092
Allocated administrative and billing expenses	141,394	142,013
Total Operating Expenses	1,868,184	1,676,523
Loss from operations	(551,539)	(524,114)
Nonoperating Revenues		
Investment income	1,221	1,877
State of Alaska PERS relief	83,125	39,811
Total Nonoperating Revenues	84,346	41,688
Loss before contributions and transfers	(467,193)	(482,426)
Capital contributions	-	174,271
Transfers out	(29,928)	(29,928)
Change in net position	(497,121)	(338,083)
Net Position, beginning	15,327,574	15,665,657
Net Position, ending	\$ 14,830,453	\$ 15,327,574

City of Cordova, Alaska
Port Enterprise Fund
Statement of Cash Flows

<i>Year Ended December 31,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,413,249	\$ 1,204,333
Payments for interfund services used	(141,394)	(142,013)
Payments to suppliers	(395,866)	(519,476)
Payments to employees	(473,831)	(441,669)
Net cash flows from operating activities	402,158	101,175
Cash Flows for Noncapital Financing Activities		
Transfers out	(29,928)	(29,928)
Cash Flows from (for) Capital and Related Financing Activities		
Additions to property, plant and equipment	(30,092)	(208,168)
Decrease in due to other funds	-	(176,122)
Capital contributions received	-	940,790
Net cash flows from (for) capital and related financing activities	(30,092)	556,500
Cash Flows from Investing Activities		
Investment income received	1,221	1,877
Net increase in cash and investments	343,359	629,624
Cash and Investments, beginning	629,624	-
Cash and Investments, ending	\$ 972,983	\$ 629,624

City of Cordova, Alaska
Port Enterprise Fund
Statement of Cash Flows, continued

<i>Year Ended December 31,</i>	2014	2013
Reconciliation of Loss from Operations to Net		
Cash Flows from Operating Activities		
Loss from operations	\$ (551,539)	\$ (524,114)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	760,430	724,092
Noncash expense - PERS relief	83,125	39,811
Increase in allowance for doubtful accounts	31,915	53,030
(Increase) decrease in assets:		
Accounts receivable	(16,678)	(7,884)
Prepaid insurance	(2,950)	(12,935)
Increase (decrease) in liabilities:		
Accounts payable	(611)	(153,040)
Accrued payroll and related liabilities	2,112	1,548
Accrued vacation and sick leave	14,987	(26,111)
Unearned revenue	81,367	6,778
Net Cash Flows from Operating Activities	\$ 402,158	\$ 101,175

City of Cordova, Alaska

Port Enterprise Fund

Combining Schedule of Revenues, Expenses and Changes in Net Position

<i>Year Ended December 31, 2014</i>	Port Operating	Port Capital Projects	Port Depreciation Reserves	Eliminations	Total
Operating Revenues - user charges	\$ 1,316,645	\$ -	\$ -	\$ -	\$ 1,316,645
Operating Expenses					
Salaries and benefits	574,055	-	-	-	574,055
Materials and supplies	15,157	-	-	-	15,157
Purchased services	223,054	-	-	-	223,054
Vehicle expense	31,654	-	-	-	31,654
Insurance	57,060	-	-	-	57,060
Repairs and maintenance	65,380	-	-	-	65,380
Depreciation	760,430	-	-	-	760,430
Allocated administrative and billing expenses	141,394	-	-	-	141,394
Capital outlay	-	30,092	-	(30,092)	-
Total Operating Expenses	1,868,184	30,092	-	(30,092)	1,868,184
Income (loss) from operations	(551,539)	(30,092)	-	30,092	(551,539)
Nonoperating Revenues					
Investment income	1,221	-	-	-	1,221
State of Alaska PERS relief	83,125	-	-	-	83,125
Total Nonoperating Revenues	84,346	-	-	-	84,346
Loss before transfers	(467,193)	(30,092)	-	30,092	(467,193)
Transfers out	(29,928)	-	-	-	(29,928)
Eliminating transfers	(349,912)	230,912	119,000	-	-
Net transfers	(379,840)	230,912	119,000	-	(29,928)
Change in net position	(847,033)	200,820	119,000	30,092	(497,121)
Capitalize CIP fund	30,092	-	-	(30,092)	-
Net Position, beginning	15,134,280	(199,004)	392,298	-	15,327,574
Net Position, ending	\$ 14,317,339	\$ 1,816	\$ 511,298	\$ -	\$ 14,830,453

City of Cordova, Alaska
Port Enterprise Fund
Schedule of Port Capital Projects

<i>Year Ended December 31, 2014</i>	Truck Purchase
Funding Source - Port Enterprise Fund	\$ 30,092
Expenditures - capital outlay	\$ 30,092

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

<i>December 31,</i>	2014	2013
Assets		
Current Assets		
Accounts receivable	\$ 15,752	\$ 27,308
Allowance for doubtful accounts	(8,441)	(5,277)
Grants and loans receivable	1,224,440	737,617
Prepaid insurance	26,167	16,500
Total Current Assets	1,257,918	776,148
Property, Plant and Equipment		
Land	881,531	881,531
Construction in progress	564,009	-
Buildings	33,591	33,591
Machinery and equipment	353,514	350,516
Improvements	14,803,759	14,803,759
Total property, plant and equipment	16,636,404	16,069,397
Accumulated depreciation	(8,143,986)	(7,719,388)
Net Property, Plant and Equipment	8,492,418	8,350,009
Total Assets	\$ 9,750,336	\$ 9,126,157
Liabilities and Net Position		
Current Liabilities		
Accounts payable	18,279	\$ 225,700
Accrued payroll and related liabilities	4,291	3,314
Accrued vacation and sick leave	16,844	9,975
Due to other funds	1,198,863	466,284
Customer deposits	43,239	37,945
Accrued interest payable	5,696	6,646
Current portion of loan payable to ADEC	69,044	69,044
Total Current Liabilities	1,356,256	818,908
Loan payable to ADEC, net of current portion	543,146	469,538
Total Liabilities	1,899,402	1,288,446
Net Position		
Net investment in capital assets	7,880,228	7,811,427
Unrestricted (deficit)	(29,294)	26,284
Total Net Position	7,850,934	7,837,711
Total Liabilities and Net Position	\$ 9,750,336	\$ 9,126,157

City of Cordova, Alaska
Water Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended December 31,</i>	2014	2013
Operating Revenues - user charges	\$ 654,509	\$ 788,935
Operating Expenses		
Salaries and benefits	267,967	238,224
Materials and supplies	33,145	51,055
Purchased services	106,263	119,084
Vehicle expense	6,845	8,094
Insurance	23,589	31,914
Repairs and maintenance	41,463	29,824
Depreciation	434,819	402,885
Allocated administrative and billing expenses	110,291	110,291
Total Operating Expenses	1,024,382	991,371
Loss from operations	(369,873)	(202,436)
Nonoperating Revenues (Expenses)		
State of Alaska PERS relief	33,964	15,170
In-kind contributions to School and Medical Center	(11,855)	(9,282)
Interest expense	(6,300)	(7,336)
Net Nonoperating Revenues (Expenses)	15,809	(1,448)
Loss before contributions and transfers	(354,064)	(203,884)
Capital contributions	344,851	573,814
Transfers in	23,600	9,600
Transfers out	(1,164)	(3,737)
Change in net position	13,223	375,793
Net Position, beginning	7,837,711	7,461,918
Net Position, ending	\$ 7,850,934	\$ 7,837,711

City of Cordova, Alaska
Water Enterprise Fund
Statement of Cash Flows

<i>Year Ended December 31,</i>	2014	2013
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 662,668	\$ 776,450
Payments for interfund services used	(110,291)	(110,291)
Payments to suppliers	(428,393)	(50,170)
Payments to employees	(226,157)	(224,380)
Net cash flows from (for) operating activities	(102,173)	391,609
Cash Flows from Noncapital Financing Activities		
Transfers in	23,600	9,600
Transfers out	(1,164)	(3,737)
Net cash flows from noncapital financing activities	22,436	5,863
Cash Flows from (for) Capital and Related Financing Activities		
Additions to property, plant and equipment	(577,228)	(633,045)
Increase in due to other funds	732,579	299,967
Capital contributions received	-	12,935
Principal and interest paid on ADEC loans	(75,614)	(77,329)
Net cash flows from (for) capital and related financing activities	79,737	(397,472)
Net increase in cash and investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -
Reconciliation of Loss from Operations to Net Cash Flows from (for) Operating Activities		
Loss from operations	\$ (369,873)	\$ (202,436)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	434,819	402,885
Noncash expense - PERS relief	33,964	15,170
Increase (decrease) in allowance for doubtful accounts	3,164	(7,858)
In-kind contributions	(11,855)	(9,282)
(Increase) decrease in assets:		
Accounts receivable	11,556	1,171
Prepaid insurance	(9,667)	(866)
Increase (decrease) in liabilities:		
Accounts payable	(207,421)	190,667
Accrued payroll and related liabilities	977	481
Accrued vacation and sick leave	6,869	(1,807)
Customer deposits	5,294	3,484
Net Cash Flows from (for) Operating Activities	\$ (102,173)	\$ 391,609

City of Cordova, Alaska
Water Enterprise Fund
Combining Schedule of Revenues, Expenses and Changes in Net Position

<i>Year Ended December 31, 2014</i>	Water Operating	Water Capital Projects	Water Compliance	Water Depreciation Reserves	Eliminations	Total
Operating Revenues - user charges	\$ 654,509	\$ -	\$ -	\$ -	\$ -	\$ 654,509
Operating Expenses						
Salaries and benefits	267,967	-	-	-	-	267,967
Materials and supplies	33,145	-	-	-	-	33,145
Purchased services	106,263	-	-	-	-	106,263
Vehicle expense	6,845	-	-	-	-	6,845
Insurance	23,589	-	-	-	-	23,589
Repairs and maintenance	41,463	-	-	-	-	41,463
Depreciation	434,819	-	-	-	-	434,819
Allocated administrative and billing expenses	110,291	-	-	-	-	110,291
Capital outlay	-	13,219	564,010	-	(577,229)	-
Total Operating Expenses	1,024,382	13,219	564,010	-	(577,229)	1,024,382
Income (loss) from operations	(369,873)	(13,219)	(564,010)	-	577,229	(947,102)
Nonoperating Revenues (Expenses)						
State funding	-	-	(116,811)	-	116,811	-
State of Alaska PERS relief	33,964	-	-	-	-	33,964
In-kind contributions to School and Medical Center	(11,855)	-	-	-	-	(11,855)
Interest expense	(6,300)	-	-	-	-	(6,300)
Net Nonoperating Revenues (Expenses)	15,809	-	(116,811)	-	116,811	15,809
Loss before contributions and transfers	(354,064)	(13,219)	(680,821)	-	694,040	(354,064)
Capital contributions	-	-	461,662	-	(116,811)	344,851
Transfers in	9,600	14,000	-	-	-	23,600
Transfers out	(1,164)	-	-	-	-	(1,164)
Eliminating transfers	(472,604)	112,599	292,005	68,000	-	-
Net transfers	(464,168)	126,599	292,005	68,000	-	22,436
Change in net position	(818,232)	113,380	72,846	68,000	577,229	13,223
Capitalize CIP fund	13,219	-	-	-	(13,219)	-
Net Position, beginning	7,819,701	(113,380)	(72,846)	204,236	-	7,837,711
Net Position, ending	\$ 7,014,688	\$ -	\$ -	272,236	\$ 564,010	\$ 7,850,934

City of Cordova, Alaska
 Water Enterprise Fund
 Schedule of Water Capital Projects

<i>Year Ended December 31, 2014</i>	LT2 Water Quality Project	Truck Purchase
<hr/>		
Funding Sources		
State of Alaska	\$ 344,851	\$ -
Water Enterprise Fund	219,158	13,219
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Total Funding Sources	\$ 564,009	\$ 13,219
<hr/>		
Expenditures - capital outlay	\$ 564,009	\$ 13,219
<hr/>		

City of Cordova, Alaska

Sewer Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 369,556	\$ 261,336
Accounts receivable	89,811	83,314
Allowance for doubtful accounts	(22,961)	(17,722)
Prepaid insurance	26,168	16,530
Deposits	6,500	6,500
Total Current Assets	469,074	349,958
Property, Plant and Equipment		
Land	32,560	32,560
Construction in progress	15,400	15,400
Buildings	93,071	93,071
Machinery and equipment	727,206	723,057
Improvements	17,652,750	17,652,750
Total property, plant and equipment	18,520,987	18,516,838
Accumulated depreciation	(9,502,474)	(9,103,667)
Net Property, Plant and Equipment	9,018,513	9,413,171
Total Assets	\$ 9,487,587	\$ 9,763,129
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 8,808	\$ 21,706
Accrued payroll and related liabilities	4,291	3,314
Accrued vacation and sick leave	16,844	9,975
Accrued interest payable	57,688	41,501
Total Current Liabilities	87,631	76,496
Loan payable to ADEC	1,079,130	1,079,130
Total Liabilities	1,166,761	1,155,626
Net Position		
Net investment in capital assets	7,939,383	8,334,041
Unrestricted	381,443	273,462
Total Net Position	8,320,826	8,607,503
Total Liabilities and Net Position	\$ 9,487,587	\$ 9,763,129

City of Cordova, Alaska
Sewer Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended December 31,</i>	2014	2013
Operating Revenues - user charges	\$ 751,995	\$ 709,843
Operating Expenses		
Salaries and benefits	264,843	241,184
Materials and supplies	27,559	34,482
Purchased services	134,098	172,992
Vehicle expense	18,701	13,271
Insurance	23,619	34,664
Repairs and maintenance	31,161	57,292
Depreciation	407,877	406,014
Allocated administrative and billing expenses	109,775	109,775
Total Operating Expenses	1,017,633	1,069,674
Loss from operations	(265,638)	(359,831)
Nonoperating Revenues (Expenses)		
State of Alaska PERS relief	33,964	15,170
In-kind contributions to School and Medical Center	(27,652)	(19,204)
Interest expense	(16,187)	(16,187)
Net Nonoperating Revenues (Expenses)	(9,875)	(20,221)
Loss before transfers	(275,513)	(380,052)
Transfers out	(11,164)	(19,612)
Change in net position	(286,677)	(399,664)
Net Position, beginning	8,607,503	9,007,167
Net Position, ending	\$ 8,320,826	\$ 8,607,503

City of Cordova, Alaska

Sewer Enterprise Fund
Statement of Cash Flows

<i>Year Ended December 31,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 723,085	\$ 703,862
Payments for interfund services used	(109,775)	(109,775)
Payments to suppliers	(257,674)	(318,188)
Payments to employees	(223,033)	(227,340)
Net cash flows from operating activities	132,603	48,559
Cash Flows for Noncapital Financing Activities - transfers out	(11,164)	(19,612)
Cash Flows for Capital and Related Financing Activities		
Additions to property, plant and equipment	(13,219)	(7,145)
Net increase in cash and investments	108,220	21,802
Cash and Investments, beginning	261,336	239,534
Cash and Investments, ending	\$ 369,556	\$ 261,336
Reconciliation of Loss from Operations to Net Cash Flows from Operating Activities		
Loss from operations	\$ (265,638)	\$ (359,831)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	407,877	406,014
Noncash expense - PERS relief	33,964	15,170
Increase in allowance for doubtful accounts	5,239	13,948
In-kind contributions	(27,652)	(19,204)
(Increase) decrease in assets:		
Accounts receivable	(6,497)	(725)
Prepaid insurance	(9,638)	(867)
Deposits	-	(6,500)
Increase (decrease) in liabilities:		
Accounts payable	(12,898)	1,880
Accrued payroll and related liabilities	977	481
Accrued vacation and sick leave	6,869	(1,807)
Net Cash Flows from Operating Activities	\$ 132,603	\$ 48,559

City of Cordova, Alaska
Sewer Enterprise Fund
Combining Schedule of Revenues, Expenses and Changes in Net Position

<i>Year Ended December 31, 2014</i>	Sewer Operating	Sewer Capital Projects	Sewer Depreciation Reserves	Eliminations	Total
Operating Revenues - user charges	\$ 751,995	\$ -	\$ -	\$ -	\$ 751,995
Operating Expenses					
Salaries and benefits	264,843	-	-	-	264,843
Materials and supplies	27,559	-	-	-	27,559
Purchased services	134,098	-	-	-	134,098
Vehicle expense	18,701	-	-	-	18,701
Insurance	23,619	-	-	-	23,619
Repairs and maintenance	31,161	-	-	-	31,161
Depreciation	407,877	-	-	-	407,877
Allocated administrative and billing expenses	109,775	-	-	-	109,775
Capital outlay	-	13,219	-	(13,219)	-
Total Operating Expenses	1,017,633	13,219	-	(13,219)	1,017,633
Income (loss) from operations	(265,638)	(13,219)	-	13,219	(265,638)
Nonoperating Revenues (Expenses)					
State of Alaska PERS relief	33,964	-	-	-	33,964
In-kind contributions to School and Medical Center	(27,652)	-	-	-	(27,652)
Interest expense	(16,187)	-	-	-	(16,187)
Net Nonoperating Revenues (Expenses)	(9,875)	-	-	-	(9,875)
Loss before transfers	(275,513)	(13,219)	-	13,219	(275,513)
Transfers out	(11,164)	-	-	-	(11,164)
Eliminating transfers	(222,036)	136,036	86,000	-	-
Net transfers	(233,200)	136,036	86,000	-	(11,164)
Change in net position	(508,713)	122,817	86,000	13,219	(286,677)
Capitalize CIP fund	13,219	-	-	(13,219)	-
Net Position, beginning	8,628,677	(122,817)	101,643	-	8,607,503
Net Position, ending	\$ 8,133,183	\$ -	\$ 187,643	\$ -	\$ 8,320,826

City of Cordova, Alaska
Sewer Enterprise Fund
Schedule of Sewer Capital Projects

<i>Year Ended December 31, 2014</i>	Truck
Funding Source - Sewer Enterprise Fund	\$ 13,219
Expenditures - capital outlay	\$ 13,219

City of Cordova, Alaska
Refuse Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2014	2013
Assets and Deferred Outflows		
Current Assets		
Cash and investments	\$ -	\$ 68,785
Receivables:		
Accounts	78,435	71,635
Grants	196,000	-
Accrued interest	-	1,219
Allowance for doubtful accounts	(8,134)	(4,960)
Prepaid insurance	29,074	16,500
Total Current Assets	295,375	153,179
Restricted Assets - landfill closure cash	686,746	636,746
Property, Plant and Equipment		
Land and land improvements	256,250	504,954
Buildings	1,336,253	427,113
Machinery and equipment	3,010,810	3,010,810
Landfill	462,756	462,756
Total property, plant and equipment	5,066,069	4,405,633
Accumulated depreciation	(2,672,514)	(2,572,700)
Net Property, Plant and Equipment	2,393,555	1,832,933
Total Assets	3,375,676	2,622,858
Deferred Outflows		
Deferred loss on bonds	4,333	5,199
Total Assets and Deferred Outflows	\$ 3,380,009	\$ 2,628,057
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 6,719	\$ 18,003
Accrued payroll and related liabilities	7,876	6,162
Accrued vacation and sick leave	22,648	14,246
Accrued interest payable	2,263	2,650
Due to other funds	276,929	-
Current portion of bonds payable	33,000	31,000
Total Current Liabilities	349,435	72,061
Bonds payable, net of current portion	148,000	181,000
Landfill closure costs	702,831	634,780
Total Liabilities	1,200,266	887,841
Net Position		
Net investment in capital assets	2,216,888	1,626,132
Unrestricted (deficit)	(37,145)	114,084
Total Net Position	2,179,743	1,740,216
Total Liabilities and Net Position	\$ 3,380,009	\$ 2,628,057

City of Cordova, Alaska
Refuse Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended December 31,</i>	2014	2013
Operating Revenues - user charges	\$ 938,919	\$ 892,385
Operating Expenses		
Salaries and benefits	536,830	456,903
Materials and supplies	17,075	26,315
Purchased services	63,482	42,620
Vehicle expense	48,929	66,478
Insurance	20,761	32,133
Repairs and maintenance	26,259	29,057
Depreciation	99,814	96,527
Allocated administrative and billing expenses	130,585	130,585
Landfill closure and monitoring expense	68,051	-
Total Operating Expenses	1,011,786	880,618
Income (loss) from operations	(72,867)	11,767
Nonoperating Revenues (Expenses)		
Investment income (loss)	(1,219)	1,167
State of Alaska PERS relief	71,157	23,811
In-kind contributions to School and Medical Center	(27,585)	(24,539)
Interest expense	(11,079)	(12,554)
Net Nonoperating Revenues (Expenses)	31,274	(12,115)
Loss before contributions and transfers	(41,593)	(348)
Capital contributions	497,448	-
Transfers out	(16,328)	(5,374)
Change in net position	439,527	(5,722)
Net Position, beginning	1,740,216	1,745,938
Net Position, ending	\$ 2,179,743	\$ 1,740,216

City of Cordova, Alaska

Refuse Enterprise Fund

Statement of Cash Flows

<i>Year Ended December 31,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 907,708	\$ 854,353
Payment for interfund services used	(130,585)	(130,585)
Payments to suppliers	(200,364)	(206,141)
Payments to employees	(455,557)	(441,945)
Net cash flows from operating activities	121,202	75,682
Cash Flows for Noncapital Financing Activities		
Transfers out	(16,328)	(5,374)
Cash Flows for Capital and Related Financing Activities		
Additions to property, plant, and equipment	(660,436)	(305,245)
Increase in due to other funds	276,929	-
Capital contributions received	301,448	-
Principal and interest paid on general obligation bonds	(41,600)	(41,051)
Net cash flows for capital and related financing activities	(123,659)	(346,296)
Cash Flows from (for) Investing Activities		
Investment income received	-	(52)
Net decrease in cash and investments	(18,785)	(276,040)
Cash and Investments, beginning	705,531	981,571
Cash and Investments, ending	\$ 686,746	\$ 705,531
Reconciliation of Cash and Investments to Statement of Net Position		
Cash and investments	\$ -	\$ 68,785
Restricted assets	686,746	636,746
Total Cash and Investments	\$ 686,746	\$ 705,531
Reconciliation of Income (Loss) from Operations to Net Cash Flows from Operating Activities		
Income (loss) from operations	\$ (72,867)	\$ 11,767
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:		
Depreciation	99,814	96,527
Noncash expense - PERS relief	71,157	23,811
Increase (decrease) in allowance for doubtful accounts	3,174	(7,026)
In-kind contributions to School and Medical Center	(27,585)	(24,539)
(Increase) decrease in assets:		
Accounts receivable	(6,800)	(6,467)
Prepaid insurance	(12,574)	(867)
Increase (decrease) in liabilities:		
Accounts payable	(11,284)	(8,671)
Accrued payroll and related liabilities	1,714	(928)
Accrued vacation and sick leave	8,402	(7,925)
Landfill closure costs payable	68,051	-
Net Cash Flows from Operating Activities	\$ 121,202	\$ 75,682

City of Cordova, Alaska
Refuse Enterprise Fund
Combining Schedule of Revenues, Expenses and Changes in Net Position

<i>Year Ended December 31, 2014</i>	Refuse Operating	Refuse Capital Projects	Refuse Depreciation Reserves	Landfill Closure	Eliminations	Total
Operating Revenues - user charges	\$ 938,919	\$ -	\$ -	\$ -	\$ -	\$ 938,919
Operating Expenses						
Salaries and benefits	536,830	-	-	-	-	536,830
Materials and supplies	17,075	-	-	-	-	17,075
Purchased services	63,482	-	-	-	-	63,482
Vehicle expense	48,929	-	-	-	-	48,929
Insurance	20,761	-	-	-	-	20,761
Repairs and maintenance	26,259	-	-	-	-	26,259
Depreciation	99,814	-	-	-	-	99,814
Allocated administrative and billing expenses	130,585	-	-	-	-	130,585
Landfill closure and monitoring expense	-	-	-	68,051	-	68,051
Capital outlay	-	660,436	-	-	(660,436)	-
Total Operating Expenses	943,735	660,436	-	68,051	(660,436)	1,011,786
Income (loss) from operations	(4,816)	(660,436)	-	(68,051)	660,436	(72,867)
Nonoperating Revenues (Expenses)						
Investment income (loss)	(1,219)	-	-	-	-	(1,219)
State of Alaska PERS relief	71,157	-	-	-	-	71,157
In-kind contributions to School and Medical Center	(27,585)	-	-	-	-	(27,585)
Interest expense	(11,079)	-	-	-	-	(11,079)
Net Nonoperating Revenues (Expenses)	31,274	-	-	-	-	31,274
Income (loss) before contributions and transfers	26,458	(660,436)	-	(68,051)	660,436	(41,593)
Capital contributions	-	497,448	-	-	-	497,448
Transfers out	(16,328)	-	-	-	-	(16,328)
Eliminating transfers	(172,000)	213,000	(91,000)	50,000	-	-
Net transfers	(188,328)	710,448	(91,000)	50,000	-	481,120
Change in net position	(161,870)	50,012	(91,000)	(18,051)	660,436	439,527
Capitalize CIP fund	660,436	-	-	-	(660,436)	-
Net Position, beginning	1,160,917	23,133	91,444	464,722	-	1,740,216
Net Position, ending	\$ 1,659,483	\$ 73,145	\$ 444	\$ 446,671	\$ -	\$ 2,179,743

City of Cordova, Alaska
Refuse Enterprise Fund
Schedule of Refuse Capital Projects

<i>Year Ended December 31, 2014</i>	Phase 1 Program Upgrade
<hr/>	
Funding Sources	
State of Alaska	\$ 497,448
Refuse Enterprise Fund	162,988
<hr/>	
Total Funding Sources	\$ 660,436
<hr/>	
Expenditures - capital outlay	\$ 660,436
<hr/>	

City of Cordova, Alaska
Odiak Park Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2014	2013
Assets		
Current Assets		
Cash and investments	\$ 79,486	\$ 52,807
Prepaid insurance	2,700	2,700
Total Current Assets	82,186	55,507
Property, Plant and Equipment		
Buildings	79,362	79,362
Improvements	10,718	10,718
Total property, plant and equipment	90,080	90,080
Accumulated depreciation	(53,222)	(51,185)
Net Property, Plant and Equipment	36,858	38,895
Total Assets	\$ 119,044	\$ 94,402
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 5,221	\$ 179
Accrued payroll and related liabilities	422	320
Total Current Liabilities	5,643	499
Net Position		
Net investment in capital assets	36,858	38,895
Unrestricted	76,543	55,008
Total Net Position	113,401	93,903
Total Liabilities and Net Position	\$ 119,044	\$ 94,402

City of Cordova, Alaska
Odiak Park Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended December 31,</i>	2014	2013
Operating Revenues		
Park fees	\$ 70,940	\$ 39,613
Operating Expenses		
Salaries and benefits	19,842	10,560
Materials and supplies	625	283
Purchased services	12,953	14,427
Insurance	5,400	5,500
Repairs and maintenance	6,585	810
Depreciation	2,037	2,037
Total Operating Expenses	47,442	33,617
Income from operations	23,498	5,996
Transfers out	(4,000)	(4,000)
Change in net position	19,498	1,996
Net Position, beginning	93,903	91,907
Net Position, ending	\$ 113,401	\$ 93,903

City of Cordova, Alaska
Odiak Park Enterprise Fund
Statement of Cash Flows

<i>Year Ended December 31,</i>	2014	2013
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 70,940	\$ 39,613
Payments to suppliers	(20,521)	(20,915)
Payments to employees	(19,740)	(10,240)
Net cash flows from operating activities	30,679	8,458
Cash Flows for Noncapital Financing Activities - transfers out		
	(4,000)	(4,000)
Net increase in cash and investments	26,679	4,458
Cash and Investments, beginning	52,807	48,349
Cash and Investments, ending	\$ 79,486	\$ 52,807
Reconciliation of Income from Operations to Net		
Cash Flows from Operating Activities		
Income from operations	\$ 23,498	\$ 5,996
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation	2,037	2,037
(Increase) decrease in assets - prepaid insurance	-	100
Increase (decrease) in liabilities:		
Accounts payable	5,042	5
Accrued payroll and related liabilities	102	320
Net Cash Flows from Operating Activities	\$ 30,679	\$ 8,458

City of Cordova, Alaska
Cordova Community Medical Center Enterprise Fund
Statement of Net Position

December 31, 2014

Assets

Current Assets

Cash and investments	\$ 314,246
Receivables:	
Patient accounts	1,777,135
Other	223,451
Grants	13,312
Allowance for doubtful accounts	(880,815)
Prepaid expenses	27,010
Inventory	134,897

Total Current Assets 1,609,236

Property, Plant and Equipment

Land	122,010
Construction in progress	1,047,268
Building and improvements	10,537,712
Equipment	1,541,087

Total property, plant and equipment 13,248,077

Accumulated depreciation (9,271,869)

Net Property, Plant and Equipment 3,976,208

Total Assets \$ 5,585,444

Liabilities and Net Position

Current Liabilities

Accounts payable	\$ 685,913
Accrued payroll and related liabilities	488,745
Payable to third party payors	336,000
Current portion of loan payable	7,105

Total Current Liabilities 1,517,763

Loan payable 10,496

Interfund advances 1,274,611

Total Liabilities 2,802,870

Net Position

Net investment in capital assets 3,958,607

Restricted 11,903

Unrestricted (deficit) (1,187,936)

Total Net Position 2,782,574

Total Liabilities and Net Position \$ 5,585,444

City of Cordova, Alaska

Cordova Community Medical Center Enterprise Fund Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2014

Operating Revenues	
Net patient service revenue	\$ 6,859,797
Rural Health Care Program - Universal Service Fund assistance	278,066
Other	42,010
Total Operating Revenues	7,179,873
Operating Expenses	
Salaries and benefits	5,707,521
Materials and supplies	523,843
Purchased services	1,943,799
Facility	347,048
Insurance	193,228
Other expenses	149,112
Training and travel	70,485
Small equipment	1,979
Repairs and maintenance	48,114
Depreciation	263,088
Total Operating Expenses	9,248,217
Loss from operations	(2,068,344)
Nonoperating Revenues (Expenses)	
State of Alaska PERS relief	916,804
Other grant revenue (net)	4,776
Donations	11,903
Interest expense	(9,250)
Investment income	167
Net Nonoperating Revenues (Expenses)	924,400
Loss before capital contributions and transfers	(1,143,944)
Capital contributions	168,477
Transfers in	406,251
Change in net position	(569,216)
Net Position, beginning	3,351,790
Net Position, ending	\$ 2,782,574

City of Cordova, Alaska
Cordova Community Medical Center Enterprise Fund
Statement of Cash Flows

Year Ended December 31, 2014

Cash Flows for Operating Activities	
Cash received from patient services	\$ 7,392,548
Cash paid to other sources	(117,642)
Net cash from Sound Alternatives and grant programs	118
Payments to suppliers	(2,719,038)
Payments to employees	(4,753,621)
Net cash flows for operating activities	(197,635)
Cash Flows from Noncapital Financing Activities	
Transfers in	406,251
Contribution proceeds restricted for specific purposes	11,903
Net cash flows from noncapital financing activities	418,154
Cash Flows for Capital and Related Financing Activities	
Principal and interest paid on long-term debt	(15,653)
Additions to property, plant and equipment	(2,646)
Net cash flows for capital and related financing activities	(18,299)
Cash Flows from Investing Activities - Investment income received	167
Net increase in cash and investments	202,387
Cash and Investments, beginning	111,859
Cash and Investments, ending	\$ 314,246
Reconciliation of Loss from Operations to Net Cash Flows for Operating Activities	
Loss from operations	\$ (2,068,344)
Adjustments to reconcile loss from operations to net cash flows for operating activities:	
Depreciation	263,088
Noncash expense - PERS relief	916,804
Decrease in allowance for doubtful accounts	(69,124)
Other nonoperating grants	4,776
(Increase) decrease in assets:	
Patient accounts receivable	1,008,126
Other receivables	(159,652)
Grant programs' receivables	(4,658)
Inventory	(6,438)
Prepaid expenses	37,761
Increase (decrease) in liabilities:	
Accounts payable	111,546
Payable to third party payors	(268,616)
Accrued payroll and related liabilities	37,096
Net Cash Flows for Operating Activities	\$ (197,635)
Noncash Capital and Related Financing Activity	
Contributed capital assets	\$ 168,477

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

Name of Award	Grant Number	Federal Domestic Assistance Number	Total Grant Award	January 1, 2014 Receivable (Unearned)	Adjustments	Federal Share of Expend- itures	Federal Receipts	December 31, 2014 Receivable (Unearned)
Department of Agriculture								
Passed through State of Alaska Department of Commerce, Community and Economic Development - National Forest Receipts	891363	10.665	\$ 817,781	\$ -	\$ -	\$ 817,781	\$ 817,781	\$ -
Department of Interior								
Passed through State of Alaska Department of Commerce, Community and Economic Development - Payment in Lieu of Taxes	840304	15.226	422,221	-	-	422,221	422,221	-
Department of Transportation								
Passed through State of Alaska Department of Transportation & Public Facilities - Highway Planning and Construction	LU20-11-0003	20.205	390,287	3,040	-	24,938	24,938	3,040
Institute of Museum and Library Services								
Passed through State of Alaska Department of Education and Early Development: Grants to States - Continuing Education Grant	FY2013	45.310	1,000	(110)	-	110	-	-
Grants to States - Interlibrary Cooperation Grant	ILC-14-735-118A	45.310	7,480	5,551	-	1,115	1,115	5,551
Total Institute of Museum and Library Services				5,441	-	1,225	1,115	5,551
Environmental Protection Agency								
Passed through State of Alaska Department of Environmental and Conservation: Wastewater Treatment Plant Facility Plan - Loan portion	261141	66.458	270,375	55,270	(15,771)	98,611	-	138,110
Wastewater Treatment Plant Facility Plan - Subsidy portion	261141	66.458	811,125	165,811	55,376	406,286	-	627,473
Total Environmental Protection Agency				221,081	39,605	504,897	-	765,583
Department of Homeland Security								
Emergency Management Planning Grant	EMW-2013-EP-00048	97.042	18,000	9,000	-	9,000	18,000	-
Emergency Management Planning Grant	EMW-2014-EP-00054	97.042	18,000	-	-	9,000	18,000	(9,000)
Total CFDA 97.042				9,000	-	18,000	36,000	(9,000)
Passed through State of Alaska Department of Military and Veteran Affairs:								
Homeland Security Grant Program	12SHSP-GR34077	97.067	204,054	1,211	-	105,748	106,959	-
Homeland Security Grant Program	11SHSP-GR34076	97.067	97,000	-	-	63,802	63,802	-
Homeland Security Grant Program	13SHSP-GR34078	97.067	97,584	-	-	21,064	21,064	-
Total CFDA 97.067				1,211	-	190,614	191,825	-
Total Department of Homeland Security				10,211	-	208,614	227,825	(9,000)
Total Federal Awards				\$ 239,773	\$ 39,605	\$ 1,979,676	\$ 1,493,880	\$ 765,174

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

Name of Award		Total Grant Award	January 1, 2014 Receivable (Unearned)	Adjustments	State Share of Expenditures	State Receipts	December 31, 2014 Receivable (Unearned)
Department of Commerce, Community and Economic Development							
*Cordova Center Construction and Equipment	11-EV-001	\$ 7,000,000	\$ -	\$ -	\$ 1,282,759	\$ 12,992	\$ 1,269,767
*Cordova Center Construction	15-DC-040	4,000,000	-	-	1,640,295	1,640,295	-
*Cordova Center Construction Completion	14-DC-043	1,000,000	-	-	994,780	79,838	914,942
*Revenue Sharing	2014	205,993	-	-	205,993	205,993	-
Shared Fisheries Business Tax	2014	32,608	-	-	32,608	32,608	-
*Hospital Roof Emergency Repairs & Replacement	12-DC-801	2,000,000	(2,614)	-	118,735	90,543	25,578
Total Department of Commerce, Community, and Economic Development			<u>(2,614)</u>	<u>-</u>	<u>4,275,170</u>	<u>2,062,269</u>	<u>2,210,287</u>
Department of Environmental Conservation							
LT2 Compliance UV Treatment Facility	26169	3,775,000	515,856	(116,811)	-	-	399,045
2006 Water System Improvements	26168	13,616	681	-	-	681	-
*Mile 17 Landfill Construction	26168	1,960,000	-	-	497,448	301,448	196,000
Total Department of Environmental Conservation			<u>516,537</u>	<u>(116,811)</u>	<u>497,448</u>	<u>302,129</u>	<u>595,045</u>
Department of Administration							
*PERS Relief Funding	N/A	891,844	-	-	891,844	891,844	-
Department of Revenue							
Liquor Licenses	N/A	11,650	-	-	11,650	11,650	-
*Raw Fish Tax	N/A	1,661,223	-	-	1,661,223	1,661,223	-
*Electric and Telephone Cooperative	N/A	234,085	-	-	234,085	234,085	-
Total Department of Revenue			<u>-</u>	<u>-</u>	<u>1,906,958</u>	<u>1,906,958</u>	<u>-</u>
Department of Education and Early Development							
Public Library Assistance	PLA-14-725-15	6,600	(1,996)	-	1,996	-	-
Public Library Assistance	PLA-15-725-15	6,650	-	-	4,654	6,650	(1,996)
*Debt Reimbursement	2014	958,903	-	-	958,903	958,903	-
Total Department of Education and Early Development			<u>(1,996)</u>	<u>-</u>	<u>965,553</u>	<u>965,553</u>	<u>(1,996)</u>
Department of Military and Veteran Affairs							
Prince William Sound Winter Storm	AK 12-238	300,645	300,645	-	-	300,645	-
Total State Financial Assistance			<u>\$ 812,572</u>	<u>\$ (116,811)</u>	<u>\$ 8,536,973</u>	<u>\$ 6,429,398</u>	<u>\$ 2,803,336</u>

* Major program

City of Cordova, Alaska

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

1. Basis of Presentation

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

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

2. Adjustments to Schedules

Amounts reported on the schedules as 2014 expenditures are actual costs incurred in 2014. Amounts reported in the adjustments column reflect revisions to amounts previously reported on the state and or federal schedules. These revisions represent reallocation of costs between the funding sources on a single project or costs removed from the project altogether. See finding 2014-002 for additional information.

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Single Audit Reports



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

Honorable Mayor and City Council
City of 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, 2014, 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 July 30, 2015. 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 and 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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.

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 2014-001 and 2014-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charges 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-002.

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

BDO USA, LLP

Anchorage, Alaska
July 30, 2015



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

Honorable Mayor and City Council
City of 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, 2014. 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.

City of Cordova's basic financial statements include the operations of the Cordova City School District, which received \$542,064 in federal awards which is not included in the schedule for the year ended December 31, 2014. Our audit, described below, did not include the operations of Cordova City School District because it was subjected to a separate audit in accordance with OMB Circular A-133.

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.

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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *OMB Circular A-133* and which is described in the accompanying schedule of findings and questioned costs as item 2014-002. Our opinion on each major federal 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a material weakness.

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.

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

BDO USA, LLP

Anchorage, Alaska
July 30, 2015



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

Honorable Mayor and City Council
City of 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, 2014. City of Cordova's major state programs are identified in the accompanying schedule of state financial assistance.

City of Cordova's basic financial statements include the operations of the Cordova City School District, which received \$4,747,792 in state awards which is not included in the schedule for the year ended December 31, 2014. Our audit, described below, did not include the operations of Cordova City School District because it was subjected to a separate audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

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.

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, 2014.

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 2014-002. 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a material weakness.

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.

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.

BDO USA, LLP

Anchorage, Alaska
July 30, 2015

City of Cordova, Alaska

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes

 no

Significant deficiency(ies) identified?

 yes

 X (none reported)

Noncompliance material to financial statements noted?

 X yes

 no

Federal Financial Assistance

Internal control over major programs:

Material weakness(es) identified?

 X yes

 no

Significant deficiency(ies) identified?

 yes

 X (none reported)

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 X yes

 no

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
10.665	Schools and Roads - Grants to States
	Capitalization Grants for Clean Water State
66.458	Revolving Funds
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?

 X yes

 no

Significant deficiency(ies) identified?

 yes

 X (none reported)

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

Unmodified

Dollar threshold used to distinguish a state major program?

\$ 100,000

City of Cordova, Alaska

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

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

Finding 2014-001	Year End Financial Reporting - Material Weakness
<i>Criteria</i>	Internal controls should be established to ensure proper and accurate financial reporting in accordance with generally accepted accounting principles (GAAP).
<i>Condition</i>	Certain general ledger accounts, including the schedule of federal awards and the schedule of state financial assistance were not fully reconciled at year end. Journal entries and supporting documentation were not always reviewed.
<i>Context</i>	During the final audit work, auditor noted that certain accounts, such as investments, capital assets, accounts payable, accrued liabilities, debt, grant revenue, accounts and grant receivables, accrued liabilities, deferred revenue, interfund transfers PERS on behalf payments, expenditures, landfill closure costs, and depreciation required significant adjustments to conform to GAAP. The schedule of federal awards and the schedule of state financial assistance were incomplete and did not contain all financial assistance received.
<i>Effect</i>	Several material adjustments were required to complete the year end financial statements in accordance with GAAP.
<i>Cause</i>	At year end certain accounts were not fully closed prior to the audit.
<i>Recommendation</i>	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.
<i>Views of responsible officials and planned corrective actions</i>	See the corrective action plan.
Finding 2014-002	Accuracy and Timeliness of Assistance Reimbursement Requests & preparation of the State and Federal Financial Assistance Schedules Material Weakness in Internal Control Over Compliance, and Other Matters
<i>Criteria</i>	State and federal single audit rules require that the City undergo a single audit in any year in which state or federal financial assistance expended exceeds \$500,000. The determination of assistance is based on expenditures incurred in that year. In order to make this determination, management must reconcile expenditures in the general ledger to expenditures reported to the granting agencies and agencies and prepare a complete and accurate Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance.

City of Cordova, Alaska

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

Finding 2014-002 Accuracy and Timeliness of Assistance Reimbursement Requests & preparation of the State and Federal Financial Assistance Schedules
Material Weakness in Internal Control Over Compliance, and Other Matters, continued

Condition Management did not timely identify or request reimbursement under state and federal assistance programs. Because the requests were not submitted in a timely manner, and because yearend cutoff procedures were not performed, the allocation between individual grants and the allocation within grants between state and federal funding sources was difficult to determine. Therefore, the required schedules were not timely/accurately prepared. In addition certain grant reimbursement requests were not submitted as originally reported in the prior state and federal schedules, resulting in adjustments to the 2014 state and federal schedules. Certain other grant reimbursement requests were not modified, but were not filed within the timeframe specified in the grant award.

Context Management tracks costs by project, but the costs are not necessarily tracked by funding source until the grant reimbursement request is submitted. In 2013 no reimbursement requests were submitted for the LT2 Compliance UV Treatment Facility project (Grant 26169 and Capitalization Grants for Clean Water State Revolving Funds Loan 261141). The first reimbursement request for the grant was not submitted until September 2014.

In addition, because the loan agreement associated with this project contains federal and state funds, as well as a subsidy, the City cannot accurately determine the allocation of state versus federal funding for reporting purposes until the cash is disbursed by the state. In situations where the City has not yet requested the money, amounts reported on the 2013 state and federal schedules were estimated amounts. To the extent any costs are deemed disallowed by the granting agency, the general ledger may be misstated.

Additionally, because the grant and loan programs are expenditure driven, the proper amount of expenditures recorded further affect other general ledger accounts such as Grants/Loans Receivable, Grant Revenue, Capital Contributions, and Loans Payable.

Other grants for which reports were submitted late or were not reported in the correct time intervals included: 26169, 12-DC-801, 15-DC-040, 14-DC-043 and 11-EV-001 .

City of Cordova, Alaska

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

Section III - Federal Award Findings and Questioned Costs
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Finding 2014-002	Accuracy and Timeliness of Assistance Reimbursement Requests & preparation of the State and Federal Financial Assistance Schedules Material Weakness in Internal Control Over Compliance, and Other Matters
<i>Agency</i>	Environmental Protection Agency Passed through State of Alaska Department of Environmental Conservation
<i>Program</i>	Capitalization Grants for Clean Water State Revolving Funds CFDA 66.458 ADEC Loan Number: 261141
<i>Award Year</i>	2013 See Finding 2014-002 at Section II - Government Auditing Standards
<i>Questioned Costs</i>	None identified
<i>Views of responsible officials and planned corrective actions</i>	See the corrective action plan.

Section IV - State Award Findings and Questioned Costs

Finding 2014-002	Accuracy and Timeliness of Assistance Reimbursement Requests & preparation of the State and Federal Financial Assistance Schedules Material Weakness in Internal Control Over Compliance, and Other Matters
<i>Agency</i>	Department of Environmental Conservation Department of Commerce, Community, and Economic Development
<i>Program</i>	Municipal Grants Program - 26169 - LT2 Compliance UV Treatment Facility, 26165 - Mile 17 Landfill Construction Grants to Municipalities Program - 12-DC-801 - Hospital Roof Emergency Repairs and Replacement, 15-DC-040 - Community Center Construction Completion, 14-DC-043 - Community Center Construction Completion, 11-EV-001 - Cordova Center Project - EVOS
<i>Award Year</i>	26169 - FY 13, 26165 - FY 99, 12-DC-801, 15-DC-040 - 2014, 14-DC-043 - 2014, 11-EV-001 - 2012 See Finding 2014-002 at Section II - Government Auditing Standards
<i>Questioned Costs</i>	None identified
<i>Views of responsible officials and planned corrective actions</i>	See the corrective action plan.

City of Cordova, Alaska

Summary Schedule of Prior Audit Findings Year Ended December 31, 2014

Financial Statement Findings

Finding 2013-001 **Year End Financial Reporting - Material Weakness in Internal Control Over Financial Reporting**

Condition Certain general ledger accounts, including the schedule of federal awards and the schedule of state financial assistance were not fully reconciled at year end. Journal entries and supporting documentation were not always reviewed.

Status This issue was not resolved in FY14. See Finding 2014-001.

Finding 2013-002 **Proper Timeliness of Assistance Reimbursement Requests - Material Weakness in Internal Control Over Financial Reporting**

Condition Management did not timely identify or request reimbursement under state and federal assistance programs. Because the requests were not submitted in a timely manner, and because year end cutoff procedures were not performed, the allocation between state funding, federal funding, and City funding was difficult to determine. Therefore, the required schedules were not timely/accurately prepared.

Status This issue was not resolved in FY14. See Finding 2014-002.

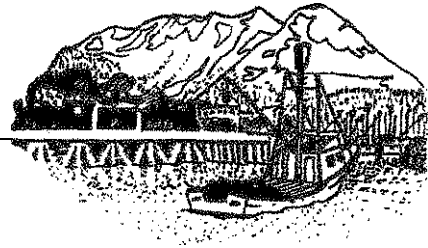
State Award Findings

Finding 2013-003 **Proper Timeliness of Assistance Reimbursement Requests - Material Weakness in Internal Control Over Compliance and Reporting**

Condition Management did not timely identify or request reimbursement under state and federal assistance programs. Because the requests were not submitted in a timely manner, and because year end cutoff procedures were not performed, the allocation between state funding, federal funding, and City funding was difficult to determine. Therefore, the required schedules were not timely/accurately prepared.

Status This issue was not resolved in FY14. See Finding 2014-002.

CITY OF CORDOVA



Name of Contact Person:
Jon K. Stavig
Finance Director
(907) 424-6200

Financial Statement Findings

Finding 2014-001 **Year End Financial Reporting - Material Weakness**

Corrective Action We concur with the finding. Again, while acknowledgement of progress is appreciated we completely agree that additional time and training is required to make necessary GAAP conforming journal entries and adjustments. As outlined above, with the concurrence of Council we hope to be postured to seek third party assistance in financial reporting pre-audit preparation requirements.

Implementation Immediately

Finding 2014-002 **Accuracy and Timeliness of Assistance Reimbursement Requests & preparation of the State and Federal Financial Assistance Schedules**

Corrective Action We concur with the finding. Improvements were made in 2014 to stabilize crucial staff positions, but the principal challenge, anticipated and realized during was constructing the long term institutional memory and business processes necessary with financial reporting and control, especially with ADEC grants and loans. While we need to continue improving coordination with our granting partners, it must be recognized that state-level personnel turnover associated with significant organizational and budgetary downsizing, have and will most likely continue to affect this reporting element. Again, with Council's approval we will examine an outside professional organization or individual capable of assisting in the completion of State and Federal Assistance schedule and reconciliation process.

Implementation Immediately

Federal Award Findings

Finding 2014-002 **Accuracy and Timeliness of Assistance Reimbursement Requests & preparation of the State and Federal Financial Assistance Schedules**

Corrective Action See 2014-002 Above

State Award Findings

Finding 2014-002 **Accuracy and Timeliness of Assistance Reimbursement Requests & preparation of the State and Federal Financial Assistance Schedules**

Corrective Action See 2014-002 Above