



	Approved	Denied
Date Action Taken:	11/8/10	
Other:		
Verified by:	<i>[Signature]</i>	

WASILLA CITY COUNCIL ACTION MEMORANDUM

AM No. 10-30

TITLE: ACCEPTANCE OF THE CITY OF WASILLA'S FISCAL YEAR 2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR PUBLIC RECORD.

Agenda of: November 8, 2010
Originator: Finance Director

Date: October 27, 2010

Route to:	Department	Signature/Date
X	Finance Director	<i>[Signature]</i> 10/27/10
X	Deputy Administrator	<i>[Signature]</i>
X	City Clerk	<i>[Signature]</i>

REVIEWED BY MAYOR VERNE E. RUPRIGHT: *[Signature]*

FISCAL IMPACT: yes no Funds Available yes no

Attachments: Fiscal Year 2010 Financial Statements

SUMMARY STATEMENT: Pursuant to WMC 5.04.060, a certified public accounting firm, licensed to perform financial audits in the State of Alaska, shall examine the City's financial records and its financial statements. The accountant shall present the results of this examination to the Council and the Council shall then if in agreement, accept the City's financial statements for public record.

Mikunda, Cottrell & Co. has examined the City's Fiscal Year 2010 (FY2010) Financial Records and its Financial Statements. The Clerk will distribute the results of this examination and the Accountant's opinion on the Financial Statements (Comprehensive Annual Financial Report) to the Council Members.

Mr. John Bost, CPA (Audit Partner) will present the results of the examination at the November 8, 2010, Wasilla City Council Meeting. If the Council is in agreement with the results of the examination, the City Council shall accept the City's Financial Statements for public record per City of Wasilla Municipal Code 5.04.060.

STAFF RECOMMENDATION: Acceptance of the City Of Wasilla's Fiscal Year 2010 Comprehensive Annual Financial Report for Public Record.

City of Wasilla

Report to the City Council

November 1, 2010





**Mikunda, Cottrell &
Co.**
3601 C Street, Suite 600
Anchorage, AK 99503
Phone (907)278-8878
Fax (907) 278-5779

November 1, 2010

Honorable Mayor and City Council
City of Wasilla, Alaska

Honorable Mayor and City Council:

We are pleased to present this report related to our audit of the financial statements of City of Wasilla for the year ended June 30, 2010. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for City of Wasilla's financial reporting process.

This report is intended solely for the information and use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to City of Wasilla.

Mikunda, Cottrell & Co.

Mikunda, Cottrell, & Co.

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Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
Auditor's Responsibility Under Professional Standards	Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated June 22, 2010.
Accounting Practices	Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The City did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.
	Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
	Alternative Treatments Discussed with Management We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

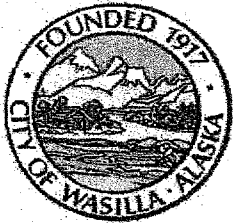
Area	Comments
Management's Judgments and Accounting Estimates	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates".
Financial Statement Disclosures	To our knowledge, all necessary disclosures have been included in the footnotes to the financial statements.
Audit Adjustments	There were no significant audit adjustments made to the original trial balances presented to us to begin our audit.
Uncorrected Misstatements	There are no uncorrected misstatements to our knowledge.
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.
Significant Deficiencies and Material Weaknesses	We did not identify any significant deficiencies or material weaknesses during the audit.
Certain Written Communications Between Management and Our Firm	Copies of certain written communications between our firm and the management of the City are attached as Exhibit A.

City of Wasilla
Summary of Accounting Estimates
Year Ended June 30, 2010

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the City's June 30, 2010 financial statements:

<u>Area</u>	<u>Accounting Policy</u>	<u>Estimation Process</u>	<u>Comments</u>
Bad debt expense and allowance for doubtful accounts	To estimate the amount of uncollectible accounts receivable at year end.	Based on historical records and actual review of individual accounts at year end.	We concur with Management's policy.
Depreciable lives of capital assets	To depreciate the cost of capital assets over their estimated useful lives.	Based on management's estimates using their knowledge of the specific assets, usage, etc.	We concur with Management's policy.

**Exhibit A - Certain Written Communications Between
Management and Our Firm**



CITY OF WASILLA

290 East Herning Avenue

Wasilla, Alaska 99654-7091

Phone (907) 373-9080 Fax (907) 373-9085

November 1, 2010

Mikunda, Cottrell & Co.
3601 "C" Street, Suite 600
Anchorage, AK 99503

In connection with your audit of the basic financial statements of the City of Wasilla as of and for the year ended June 30, 2010, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief as of November 1, 2010 the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. There are no organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards that are component units.
3. We have identified for you all of our funds, governmental functions, and identifiable business-type activities.
4. We have properly classified all funds and activities.
5. We have properly determined and reported the major governmental and enterprise funds based on the required quantitative criteria.
6. We are responsible for compliance with laws and regulations applicable to the City of Wasilla, including adopting, approving, and amending budgets.
7. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.

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Anchorage, AK 99503

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8. We have made available to you:
 - a. All financial records and related data of all funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
 - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
 - 1) Statutory, regulatory or contractual provisions or requirements.
 - 2) Financial reporting practices that could have a material effect on the financial statements.
9. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management or employees who have significant roles in the internal control.
 - b. Others where the fraud could have a material effect on the financial statements.
10. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting the City of Wasilla received in communications from employees, former employees, analysts, regulators, short sellers, or others.
12. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data.
13. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
14. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
15. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Related party transactions, including those with the component units for which the City is accountable as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and inter-fund transactions, including inter-fund accounts and advances receivable and payable, sale and purchase transactions, inter-fund transfers, long-term

loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.

- b. Guarantees, whether written or oral, under which the City is contingently liable.
- c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
- d. Line of credit or similar arrangements.
- e. Agreements to repurchase assets previously sold.
- f. Security agreements in effect under the Uniform Commercial Code.
- g. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
- h. The fair value of investments.
- i. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
- j. Any liabilities which are subordinated in any way to any other actual or possible liabilities.
- k. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
- l. Debt issue provisions.
- m. All leases and material amounts of rental obligations under long-term leases.
- n. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
- o. Authorized but unissued bonds and/or notes.
- p. Risk financing activities.
- q. Deposits and investment securities category of custodial credit risk.

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16. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables to their estimated net collectable amounts.
 - b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
 - c. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.
 - d. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2010 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2010.
 - e. For pension obligations, post-retirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through June 30, 2010.
 - f. For any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
 - g. For any material loss to be sustained as a result of purchase commitments.
 - h. For environmental clean up obligations.
17. There are no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.

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Anchorage, AK 99503

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18. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
19. We have satisfactory title to all owned assets.
20. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
21. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
22. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
23. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
24. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
25. Required supplementary information is properly measured and presented.
26. We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit and will post all adjustments accordingly. These audit adjustments have been provided to us in a separate communication. We are also responsible for overseeing the preparation and completion of the basic financial statements and related notes. We have reviewed, approved, and are responsible for the depreciation schedules. We have provided the method, rate, and salvage value for the preparation of the schedules.

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm:

1. We are responsible for:
 - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City of Wasilla.
 - b. Establishing and maintaining effective internal control over financial reporting.
2. We have identified and disclosed to you:
 - a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.

- b. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor repository or noncompliance.
3. We have taken timely and appropriate steps to remedy fraud, illegal acts, and violations of provisions of contracts or grant agreements, or abuse that has been reported.
4. We have a process to track the status of audit findings and recommendations.
5. We have reviewed, approved, and take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.
6. We have reviewed, approved, and take full responsibility for all accrual adjustments and an acknowledgement of the auditor's role in the preparation of the adjustments.

In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and your audit of state awards conducted in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, we confirm:

7. We are responsible for complying, and have complied, with the requirements of Circular A-133 and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.
8. We have prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and the schedule of state financial assistance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and have included expenditures made during the period being audited for all awards provided by federal and state agencies in the form of grants, cost-reimbursable contracts and other assistance.
9. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that the City is managing federal and state awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal and state programs.
10. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of the City's federal and state programs and have complied, in all material respects, with those requirements.
11. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
12. We have provided you with our interpretations of any compliance requirements that have varying interpretations.

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Anchorage, AK 99503

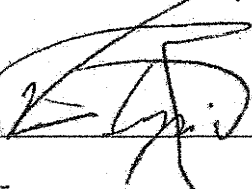
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13. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal and state agencies or pass-through entities related to federal and state programs.
14. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal and state awards, including those resulting from other audits or program reviews.
15. We have charged costs to federal and state awards in accordance with applicable cost principles.
16. We have made available to you all documentation related to the compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
17. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
18. The copies of federal and state program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal and state agency or pass-through entity, as applicable.
19. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
20. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent of the date as of which compliance is audited.

No events or transactions have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.

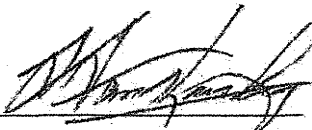
During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Name



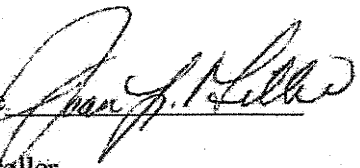
Mayor

Name



Finance Director

Name



Controller