



Federal and State of Alaska Single Audit  
Reports and Supplementary Information

Fiscal Year Ended

June 30, 2011





KPMG LLP  
Suite 600  
701 West Eighth Avenue  
Anchorage, AK 99501

**Independent Auditors' 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***

The Honorable Mayor, Members of the City Council,  
and Citizens of the City of Wasilla:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wasilla, Alaska as of and for the year ended June 30, 2011, which collectively comprise the City of Wasilla, Alaska's basic financial statements and have issued our report thereon dated December 7, 2011. Our report was modified to include a reference to a change in accounting principle. 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.

**Internal Control over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Wasilla, Alaska's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Wasilla, Alaska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Wasilla, Alaska's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and that is described in the accompanying schedule of findings and questioned cost as item 2011-1. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



### **Compliance and Other Matters**

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

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Honorable Mayor and members of the city council, others within the City, and federal and State of Alaska awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

December 19, 2011

**CITY OF WASILLA, ALASKA**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2011

<u>Federal grant title</u>	<u>Grant number</u>	<u>Catalog of federal domestic assistance number</u>	<u>Total grant award</u>	<u>Federal share of expenditures</u>
U.S. Department of Transportation:				
Airport Improvement Program	3-02-0417-015-2009	20.106	\$ 475,000	240,112
Airport Improvement Program	3-02-0417-016-2010	20.106	1,248,726	954,669
Airport Improvement Program	3-02-0417-017-2011	20.106	770,850	192,989
Total CFDA 20.106			<u>2,494,576</u>	<u>1,387,770</u>
Federal Transit Program	AK-03-0063-00	20.500	885,311	140,504
Pass through the State of Alaska – Department of Transportation				
Wasilla Intermodal Facility	AK-03-0039	20.500	185,563	185,563
Total CFDA 20.500			<u>1,070,874</u>	<u>326,067</u>
Wasilla Intermodal Facility	AK-90-X043	20.507	43,429	43,428
Total Federal Transit Cluster			<u>1,114,303</u>	<u>369,495</u>
State Traffic Safety Information System Improvement	410 K8 FR 10-03-03	20.601	27,258	653
State Traffic Safety Information System Improvement	410K8 11-00-04	20.601	17,772	3,926
Total CFDA 20.601			<u>45,030</u>	<u>4,579</u>
State Traffic Safety Information System Improvement	408 K9 10-01-010	20.610	1,557	1,557
State Traffic Safety Information System Improvement	408 K9 11-01-01(A)	20.610	304	304
Total CFDA 20.610			<u>1,861</u>	<u>1,861</u>
POL Operation Glow	402SA 10-17-05	20.600	10,656	10,656
ASTEP CIOT Overtime Enforcement	402PT 10-06-09	20.602	45,600	9,881
ASTEP CIOT Overtime Enforcement	402PT 11-06-01	20.602	44,772	22,704
Total CFDA 20.602			<u>90,372</u>	<u>32,585</u>
ASTEP DUI Enforcement	154AL 10-01-01	20.607	69,952	12,160
ASTEP DUI Enforcement	154AL 11-01-01	20.607	70,026	34,390
Pass through the State of Alaska – Bureau of Highway Patrol				
Bureau of Highway Patrol	FY10 BHP	20.607	134,900	32,373
Total CFDA 20.607			<u>274,878</u>	<u>78,923</u>
U.S. Environmental Protection Agency:				
Garden Terrace Water Main Extension Phase II	XP-96065701-0	66.202	867,300	(13,821)
Pass through the State of Alaska – Department of Public Safety				
Federal Asset Forfeiture	FY11 Asset Forfeit	16.UNK	33,631	22,033
Pass through the State of Alaska – Department of Environmental Conservation				
ARRA Garden Terrace Water Main Extension Phase 2	905,141	66.468	575,000	3,504
Institute of Museums and Libraries:				
Pass through the State of Alaska – Department of Education and Early Development				
Grants to States	ILC-10-787-201	45.310	5,407	5,407
U.S. Department of Justice:				
Pass through the State of Alaska – Department of Health and Social Services				
Edward Byron Memorial Assistance Grant Program	JAG 11-023E	16.738	107,239	94,079
Edward Byron Memorial Assistance Grant Program	2009-DJ-BX-0967	16.804	13,927	3,643
Department of Natural Resources:				
Pass through State of Alaska – Department of Natural Resources				
Tree Inventory	FY10	10.664	2,000	2,000
Total department of natural resources			<u>2,000</u>	<u>2,000</u>
Total federal assistance			<u>\$ 5,636,180</u>	<u>2,002,714</u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF WASILLA, ALASKA**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Wasilla, Alaska (City). Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule. The City's reporting entity is defined in note 1 to the City's basic financial statements.

**(2) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified-accrual basis of accounting, which is described in note 1 to the City's financial statements.



KPMG LLP  
Suite 600  
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**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

The Honorable Mayor, Members of the City Council,  
and Citizens of the City of Wasilla:

**Compliance**

We have audited City of Wasilla, Alaska's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Wasilla, Alaska's major federal programs for the year ended June 30, 2011. City of Wasilla, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Wasilla, Alaska's management. Our responsibility is to express an opinion on City of Wasilla, Alaska's compliance based on our audit.

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 Wasilla, Alaska'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. Our audit does not provide a legal determination of City of Wasilla, Alaska's compliance with those requirements.

In our opinion, City of Wasilla, Alaska complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control over Compliance**

Management of the City of Wasilla, Alaska is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Wasilla, Alaska's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Wasilla, Alaska's internal control over compliance.



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

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

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of City of Wasilla, Alaska as of and for the year ended June 30, 2011, and have issued our report thereon dated December 7, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Wasilla, Alaska's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Honorable Mayor and members of the city council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*KPMG LLP*

December 19, 2011, except as to the paragraph relating to the schedule of expenditures of Federal awards, which is as of December 7, 2011

**CITY OF WASILLA, ALAKSA**

Schedule of Findings and Questioned Costs – Federal

Year ended June 30, 2011

**(1) Summary of Auditor’s Results**

Financial statements:

Type of auditor’s report issued	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	yes	<u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>X</u>	yes	_____ none reported
Noncompliance material to financial statements noted?	_____	yes	<u>X</u> no

Federal awards:

Internal control over major programs:			
Material weakness(es) identified?	_____	yes	<u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes	<u>X</u> none reported

Type of auditor’s report issued on compliance for major programs

Unqualified

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

_____	yes	<u>X</u>	no
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Identification of major programs:  
CFDA Numbers:

Name of Federal Program of Cluster

20.106

Airport Improvement Program

20.500 & 20.507

Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low–risk auditee?

<u>X</u>	yes	_____	no
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**(2) Financial Statement Findings Section**

***2011-1 Accounting for Donated Infrastructure and Land***

*Criteria*

Infrastructure and land donated to the City by developers should be recorded in the City’s general ledger at estimated fair value at the date of the donation.

*Condition*

The City determined that infrastructure and land had been donated to the City through the platting process in previous years but had not been recorded in the City’s capital asset records.

*Cause*

Personnel throughout the City were not aware of the requirement to record these types of donations, nor were controls in place to identify such information.



**CITY OF WASILLA, ALAKSA**

Schedule of Findings and Questioned Costs – Federal

Year ended June 30, 2011

*Effect*

Capital assets were misstated in previous years.

*Recommendation*

Procedures be developed to capture information related to infrastructure and land donated to the City and that the donations be recorded at estimated fair value at the date of the donation.

*Views of Responsible Officials*

Management is aware of its responsibility to record donated capital and the proper valuation of such assets as outlined in GASB Statement 34. Department directors are required to inventory fixed assets on an annual basis and this process will now include inquiry of donated assets, of any nature, during the fiscal year. Specific to donated roads, the City's controls now include routing copies of platting information to finance when the City assigns street names and numbers to public domain areas.

**(3) Federal Award Findings and Questioned Cost Section**

No matters are reportable.



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Suite 600  
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**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with the State of Alaska Audit Guide and Compliance Supplement for State Single Audits**

The Honorable Mayor, Members of the City Council,  
and Citizens of the City of Wasilla:

**Compliance**

We have audited City of Wasilla, Alaska'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 Wasilla, Alaska's major federal programs for the year ended June 30, 2011. City of Wasilla, Alaska's major state programs are identified in the accompanying schedule of state financial assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of City of Wasilla, Alaska's management. Our responsibility is to express an opinion on City of Wasilla, Alaska's compliance based on our audit.

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 *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 Wasilla, Alaska'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. Our audit does not provide a legal determination of City of Wasilla, Alaska's compliance with those requirements.

In our opinion, City of Wasilla, Alaska complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011.

**Internal Control over Compliance**

Management of City of Wasilla, Alaska is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered City of Wasilla, Alaska's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Wasilla, Alaska's internal control over compliance.

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

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

#### **Schedule of State Financial Assistance**

We have audited the financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of City of Wasilla, Alaska as of and for the year ended June 30, 2011, and have issued our report thereon dated December 7, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Wasilla, Alaska's basic financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Honorable Mayor and members of the city council, others within the entity, state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

December 19, 2011, except as to the paragraph relating to the schedule of expenditures of Federal awards, which is as of December 7, 2011

**CITY OF WASILLA, ALASKA**  
Schedule of State Financial Assistance  
Year ended June 30, 2011

Name of award	Grant number	Total grant award	Total state expended
Department of Education and Early Development:			
Direct:			
Public Library Assistance Grant	PLA 11-787-85	\$ 6,300	6,300
Total Department of Education and Early Development		<u>6,300</u>	<u>6,300</u>
Department of Revenue:			
Direct:			
* Electric & Telephone Coop Tax	FY11	229,968	229,968
Aviation Fuel Tax	FY11	1,508	1,508
State Liquor License	FY11	25,850	25,850
Fisheries Business Tax	FY11	25	25
Total Department of Revenue		<u>257,351</u>	<u>257,351</u>
Department of Military and Veteran's Affairs:			
Direct:			
SECC Afterhours Answering Point	GF2011001	38,011	38,011
Total Department of Military and Veteran's Affairs:		<u>38,011</u>	<u>38,011</u>
Department of Health and Social Services:			
Direct:			
Youth Court/Community Panels	609-11-086	51,000	50,999
Total Department of Health and Social Services		<u>51,000</u>	<u>50,999</u>
Department of Environmental Conservation:			
Direct:			
Garden Terrace Water Main Extension Phase 2	90,519	2,361,000	13,820
Total Department of Environmental Conservation		<u>2,361,000</u>	<u>13,820</u>
Department of Commerce, Community and Economic Development:			
Direct:			
* Wasilla to Big Lake Trail	11-RR-020	1,890,050	19,800
* Traffic Signals	08-DC-391	300,000	4,923
* South Mack Drive Extension	08-DC-414	2,000,000	593,513
* Lucille Street Rehab and Improvements	10-RR-028	1,500,000	68,057
* Improvements to Swanson Ave & Nelson Ave	11-RR-023	851,900	96,420
* Downtown Water Station	11-RR-024	113,613	88,762
* Airport Blvd Phase 1	09-DC-537	600,000	62,447
* Airport Train Station Improvements	10-DC-031	430,000	85,828
* Sports Complex Portable Floor	07-DC-279	75,000	25,913
* FY 11 Community\ Revenue Sharing		459,348	459,348
ARR Total Department of Commerce, Community and Economic Development		<u>8,219,911</u>	<u>1,505,011</u>
Department of Transportation and Public Facilities:			
Direct:			
* KGB Road and Fern Street Improvements	51,896	450,000	139,713
* LPV Survey	52,580	12,500	6,319
* Snow Removal Equipment	53,665	20,286	5,079
* Construction Apron	52,596	32,861	25,123
Total Department of Transportation and Public Facilities		<u>515,647</u>	<u>176,234</u>
Department of Administration:			
Direct:			
* PERS on-behalf	FY11	522,839	522,839
Total State of Alaska direct funding		<u>\$ 11,972,059</u>	<u>2,570,565</u>

\* Denotes a major program for state compliance audit purposes.

See accompanying notes to schedule of state financial assistance.

**CITY OF WASILLA, ALASKA**

Notes to Schedule of State Financial Assistance

Year ended June 30, 2011

**(1) General**

The accompanying Schedule of State Financial Assistance presents the activity of all state financial assistance programs of the City of Wasilla, Alaska (City). The City's reporting entity is defined in note 1 to the City's basic financial statements.

**(2) Basis of Accounting**

The accompanying Schedule of State Financial Assistance is presented using the modified-accrual basis of accounting, which is described in note 1 to the City's financial statements.

**CITY OF WASILLA, ALASKA**

Schedule of Findings and Questioned Costs – State of Alaska

Year ended June 30, 2011

**(1) Summary of Auditor’s Results**

Financial Statements:

Type of auditor’s report issued	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	yes	<u>    X    </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>    X    </u>	yes	_____ none reported
Noncompliance material to financial statements noted?	_____	yes	<u>    X    </u> no
Internal control over major programs:			
Material weakness(es) identified?	_____	yes	<u>    X    </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes	<u>    X    </u> none reported
Type of auditor’s report issued on compliance for major programs	<u>Unqualified</u>		
Dollar threshold used to distinguish major programs:	\$	<u>    75,000    </u>	

**(2) Financial Statement Findings Section**

***2011-1 Accounting for Donated Infrastructure and Land***

*Criteria*

Infrastructure and land donated to the City by developers should be recorded in the City’s general ledger at estimated fair value at the date of the donation.

*Condition*

The City determined that infrastructure and land had been donated to the City through the platting process in previous years but had not been recorded in the City’s capital asset records.

*Cause*

Personnel throughout the City were not aware of the requirement to record these types of donations, nor were controls in place to identify such information.

*Effect*

Capital assets were misstated in previous years

*Recommendation*

Procedures be developed to capture information related to infrastructure and land donated to the City through the platting process and that the donations be recorded at estimated fair value at the date of the donation.

**CITY OF WASILLA, ALASKA**

Schedule of Findings and Questioned Costs – State of Alaska

Year ended June 30, 2011

*Views of Responsible Officials*

Management is aware of its responsibility to record donated capital and the proper valuation of such assets as outlined in GASB Statement 34. Department directors are required to inventory fixed assets on an annual basis and this process will now include inquiry of donated assets, of any nature, during the fiscal year. Specific to donated roads, the City's controls now include routing copies of platting information to finance when the City assigns street names and numbers to public domain areas.

**(3) State Award Findings and Questioned Cost Section**

No matters are reportable.