

AM No. 12-46: ACCEPTANCE OF THE CITY OF WASILLA'S FISCAL YEAR 2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR PUBLIC RECORD.

Agenda of: November 26, 2012

Date: October 30, 2012

Originator: Troy Tankersley, Finance Director

Route to:	Department	Signature	Date
X	Finance Director		10/30/12
X	Interim Deputy Administrator		10/31/12
X	City Clerk		11/2/12

REVIEWED BY MAYOR VERNE E. RUPRIGHT:

FISCAL IMPACT: yes no Funds Available Yes or No

- Attachments:** 1) Fiscal Year 2012 Comprehensive Annual Financial Report
 2) Fiscal Year 2012 Federal and State of Alaska Single Audit Reports and Supplementary Information

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.

KPMG, LLC, has examined the City's Fiscal Year 2012 (FY2012) 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. Daniel J. Rozema, CPA (Partner) will present the results of the examination at the November 26, 2012, 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: Accept the City of Wasilla's Fiscal Year 2012 Comprehensive Annual Financial Report and Federal and State of Alaska Single Audit Reports and Supplementary Information for Public Record.

Date:	11/26/12	Approved:	<input checked="" type="checkbox"/>	Denied:	<input type="checkbox"/>	Initials:	AS	Comments:	
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CITY OF WASILLA, ALASKA

Federal and State of Alaska Single Audit
Reports and Supplementary Information

June 30, 2012



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

**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 (the City) as of and for the year ended June 30, 2012, which collectively comprise the City of Wasilla, Alaska's basic financial statements, and have issued our report thereon dated November 16, 2012. 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.

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*.

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

November 16, 2012

CITY OF WASILLA, ALASKA
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2012

Federal grant title	Grant number	Catalog of federal domestic assistance number	Total grant award	Federal share of expenditures
U.S. Department of Transportation:				
Airport Improvement Program	3-02-0417-015-2009	20.106	\$ 475,000	45,363
Airport Improvement Program	3-02-0417-016-2010	20.106	1,248,726	61,479
Airport Improvement Program	3-02-0417-017-2011	20.106	770,850	586,843
Airport Improvement Program	3-02-0417-018-2011	20.106	1,126,547	1,126,547
Airport Improvement Program	3-02-0417-019-2011	20.106	190,000	186,332
Total CFDA 20.106			3,811,123	2,006,564
Federal Transit Program:				
Federal Transit - Capital Investment Grants	AK-03-0063-00	20.500	885,311	41,256
Total Federal Transit Cluster			885,311	41,256
Highway Safety Program:				
Alcohol Impaired Driving Countermeasures Incentive Grants I	410K8 12-01-04 (D)	20.601	6,936	5,497
Alcohol Impaired Driving Countermeasures Incentive Grants I	410K8 11-00-04	20.601	17,772	769
Total CFDA 20.601			24,708	6,266
State and Community Highway Safety	402PT 12-06-05	20.600	10,880	10,880
State and Community Highway Safety	402PT 11-06-00C	20.600	3,726	3,726
State and Community Highway Safety	402PT 12-06-01	20.600	11,620	9,138
State and Community Highway Safety	402PT 11-06-01	20.600	31,472	4,988
Total CFDA 20.602			57,698	28,732
Total Highway Safety Cluster			82,406	34,998
Alcohol Open Container Requirements - ASTEP DUI Enforcement	154AL 12-01-03	20.607	34,030	30,022
Alcohol Open Container Requirements - ASTEP DUI Enforcement	154AL 11-01-01	20.607	70,026	10,247
Total CFDA 20.607			104,056	40,269
Institute of Museums and Libraries:				
Pass through the State of Alaska - Department of Education and Early Development: Grants to States	ILC-12-787-122	45.310	3,600	3,600
U.S. Department of Justice:				
JAG Program				
Pass through the State of Alaska - Department of Public Safety:				
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program (JAG) - ARRA	2009-SB-B9-0912	16.804	57,250	35,233
Edward Byrne Memorial Justice Assistance Grant Program	2010-DJ-BX-1224	16.738	14,735	8,084
Total JAG Program Cluster			71,985	43,317
Public Safety Partnership and Community Policing Grants - ARRA	2011UMWX0004	16.710	315,384	17,256
Total federal assistance			\$ 5,273,865	2,187,260

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, 2012

(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 basic financial statements.



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

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 (the City) 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 the City of Wasilla, Alaska's major federal program for the year ended June 30, 2012. City of Wasilla, Alaska's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major federal program 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 the major federal program for the year ended June 30, 2012.

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 the City of Wasilla, Alaska as of and for the year ended June 30, 2012, and have issued our report thereon dated November 16, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise City of Wasilla, Alaska's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 16, 2012. 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 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements 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

November 16, 2012

CITY OF WASILLA, ALAKSA

Schedule of Findings and Questioned Costs – Federal

Year ended June 30, 2012

(1) Summary of Auditors' Results

Financial statements:

Type of auditors' 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?	_____ yes	<u> X </u>	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 auditors' 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:	<u>Name of Federal Program of Cluster</u>		
20.106	Airport Improvement Program		

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

No matters are reportable.

(3) Federal Award Findings and Questioned Cost Section

No matters are reportable.



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

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 state programs for the year ended June 30, 2012. 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, 2012.

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 the City of Wasilla, Alaska as of and for the year ended June 30, 2012, and have issued our report thereon dated November 16, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise City of Wasilla, Alaska's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 16, 2012. 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 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the basic financial statements 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

November 16, 2012

CITY OF WASILLA, ALASKA
Schedule of State Financial Assistance
Year ended June 30, 2012

Name of award	Grant number	Total grant award	Total state expended
Department of Education and Early Development:			
Interlibrary Cooperation Grant			
Alaska Library Association	ILC 12-708-110	\$ 587	587
Public Library Assistance			
Public Library Assistance Grant	PLA 12-787-83	6,500	6,500
Total Department of Education and Early Development		<u>7,087</u>	<u>7,087</u>
Department of Revenue:			
Shared Taxes – Liquor License			
State Liquor License	FY12	27,500	27,500
Shared Taxes – Aviation Fuel			
Aviation Fuel Tax	FY12	1,543	1,543
* Shared Taxes – Electric and Telephone Cooperatives			
Electric & Telephone Coop Tax	FY12	223,411	223,411
Shared Taxes – Fisheries Business Taxes			
Fisheries Business Tax	FY12	19	19
Total Department of Revenue		<u>252,473</u>	<u>252,473</u>
Department of Military and Veteran's Affairs:			
Emergency Management Assistance Program			
SECC Afterhours Answering Point	GF2012001	38,164	38,164
Department of Health and Social Services:			
Youth Courts/Community Panels			
Mat-Su Youth Court Grant	609-12-086	50,000	50,000
Department of Public Safety			
* Edward Byrne Memorial Justice Assistance Program Subgrants			
Multi Jurisdictional Task Force	JAG 12-023E	103,501	93,430
Department of Commerce, Community, and Economic Development:			
Capital Project Matching Grants Program			
Airport Train Station Improvements	10-DC-031	430,000	10,314
Airport Access Road	12-DC-433	3,100,000	60,260
Total Capital Project Matching Grants Program		<u>3,530,000</u>	<u>70,574</u>
Grants to Named Recipients			
Mat-Su Youth Court	12-DM-141	50,000	50,000
* Community Revenue Sharing Program			
FY12 Community/Revenue Sharing		647,091	647,091
* Grants to Municipalities			
Wasilla to Big Lake Trail	11-RR-020	1,890,050	11,880
Street & Road Improvements	12-RR-014	567,465	106,947
South Mack Drive Extension	08-DC-414	2,000,000	169,690
Swanson & Nelson Ave Improvements	11-DC-367	500,000	489,013
Improvements to Swanson Ave & Nelson Ave	11-RR-023	851,900	477,322
Downtown Water Station	12-RR-011	550,939	6,701
Airport Blvd Phase 1	09-DC-537	600,000	245,849
Sports Complex Emergency Generators & Kitchen	08-RR-030	260,000	90,321
Total Grants to Municipalities		<u>7,220,354</u>	<u>1,597,723</u>
Total Department of Commerce, Community, and Economic Development		<u>11,447,445</u>	<u>2,365,388</u>
Department of Transportation and Public Facilities:			
* Grant Program			
KGB Road and Fern Street Improvements	51896	450,000	163,045
LPV Survey	52580	12,500	1,194
Snow Removal Equipment	53665	20,286	15,443
Construction Apron D PH1	52596	32,861	1,618
Construction Apron D PH2	54245	27,822	29,646
Seaplane Base Study	54246	5,000	4,903
Total Department of Transportation and Public Facilities		<u>548,469</u>	<u>215,849</u>
Department of Administration:			
* PERS on behalf	FY12	780,889	780,889
Total State of Alaska direct funding		<u>\$ 13,228,028</u>	<u>3,803,280</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, 2012

(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 basic financial statements.

CITY OF WASILLA, ALASKA

Notes to Schedule of State Financial Assistance

Year ended June 30, 2012

(1) Summary of Auditors' Results

Financial statements:

Type of auditors' 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?	_____ yes	<u> X </u>	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 auditors' 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

No matters are reportable.

(3) State Award Findings and Questioned Cost Section

No matters are reportable.



cutting through complexity™

City of Wasilla Audit Results June 30, 2012

This presentation to the City of Wasilla Assembly is intended solely for the information and use of the City of Wasilla Assembly and management and is not intended to be and should not be used by anyone other than these specified parties. This presentation is not intended for general use, circulation or publication and should not be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance.

November 26, 2012

Daniel J. Rozema

Steven P. Stanchina

Agenda

1.0 Audit Status

2.0 Significant Findings From the Audit

- Areas of Interest
- Corrected and Uncorrected Misstatements
- Omissions and Other Errors in Financial Statement Presentation and Disclosure
- Significant Deficiencies and Material Weaknesses in Internal Control
- Other Matters

3.0 Independence

Appendix:

- A. Responsibilities
- B. KPMG's Audit Committee Institute
- C. Management Representation Letter

1.0
Audit Status

Audit Status

Significant Changes to our Audit Plan

There have been no significant changes to our audit plan

Pending Matters

- None



2.0
Significant Findings From
the Audit

Areas of Interest

Opinion on financial statements	Unqualified opinion on financial statements.
Opinion on Federal A-133 compliance and State Single Audit	Unqualified opinion on compliance for each major program.
Federal A-133 audit results	One major program audited. No findings or questioned costs
State single audit results	Six major programs audited. No findings or questioned costs

Corrected Misstatements – Fiscal 2012

Description of Adjustment	Debit	Credit	Effect of Misstatement on ICFR
To correct allocation of payroll costs between the water and sewer funds			
Cash & Investments - Sewer	49,314		Deficiency
Salaries & benefits – Water	49,314		
Cash & Investments - Water		49,314	
Salaries & benefits – Sewer		49,314	

Uncorrected Misstatements – Fiscal 2012

Description of Adjustment by major fund	Quantitative Change in Net Assets Effect
None	

Omissions and Other Errors in Financial Statement Presentation and Disclosure

Description	Corrected/ Uncorrected	Identified Internal Control Deficiency
None noted		

Significant Deficiencies and Material Weaknesses in Internal Control

Material Weaknesses

Description	Identified By	Status
None noted		

Significant Deficiencies

Description	Identified By	Status
None		

Other Matters

Other Information in Documents Containing Audited Financial Statements	We have reviewed the other information included in the CAFR and found it to be consistent with the basic financial statements
Significant Difficulties Encountered During the Audit	No matters to report
Disagreements with Management	No matters to report
Management's Consultation with Other Accountants	No matters to report
Significant Issues Discussed, or Subject to Correspondence, with Management	Management representation letter – See appendix C
Other Findings or Issues Relevant Regarding Oversight of the Financial Reporting Process	No matters to report
Communications with the Firm's National Office	No matters to report

3.0 Independence

Independence

Non-audit services or other relationships that may reasonably be brought to bear on independence include:

- None

In our professional judgment, we are independent with respect to the City, as that term is defined by the professional standards.

Appendix A

Responsibilities

Responsibilities

Management is responsible for:

- Adopting sound accounting policies
- Fairly presenting the financial statements in conformity with generally accepted accounting principles
- Establishing and maintaining effective ICFR
- Identifying and confirming that the City complies with laws and regulations applicable to its activities
- Making all financial records and related information available to the auditor
- Providing the auditor with a letter confirming certain representations made during the audit that includes, but are not limited to management's:
 - disclosure of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize, and report financial data; and
 - acknowledgement of their responsibility for the design and implementation of programs and controls to prevent and detect fraud

Responsibilities (continued)

The City Council is responsible for:

- Oversight of the financial reporting process and ICFR

Management and the City Council are responsible for:

- Establishing and maintaining internal controls to prevent, deter, and detect fraud
- Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards

The audit of the financial statements does not relieve management or the City Council of their responsibilities.

Responsibilities (continued)

KPMG is responsible for:

- Forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the City Council are presented fairly, in all material respects, in conformity with generally accepted accounting principles
- Planning and performing the audit to obtain reasonable – not absolute – assurance about whether the financial statements are free of material misstatement, whether caused by fraud or error. Because of the nature of audit evidence and the characteristics of fraud, we are able to obtain reasonable, but not absolute, assurance that material misstatements will be detected.
- Evaluating:
 - (a) whether the City's controls sufficiently address identified risks of material misstatement due to fraud; and
 - (b) controls intended to address the risk of management override of other controls
- Communicating to you in writing all significant deficiencies and material weaknesses in internal control identified in the audit and reporting to management all deficiencies noted during our audit that are of sufficient importance to merit management's attention
- Conducting our audit in accordance with professional standards
- Complying with the rules and regulations of the Code of Professional Conduct of the American Institute of Certified Public Accountants, and the ethical standards of relevant CPA societies and relevant state boards of accountancy
- Planning and performing our audit with an attitude of professional skepticism
- Communicating all required information, including significant matters, to management and the City Council

Appendix B

**KPMG's Audit Committee
Institute**

KPMG's Audit Committee Institute (ACI)

Communicating with Audit Committees Since 1999

Past Events

- 8th Annual Audit Committee Issues Conference
 - East Coast – January 31, 2012 (Miami, FL)
 - West Coast – February 7, 2012 (San Francisco, CA)

This conference brings together Audit Committee members from around the country to discuss challenges, practices, and priorities shaping Audit Committees and Board agendas.

- Audit Committee Quarterly Webcast Series – 2012
 - Dates TBA (11:00am-12:15pm EST)

A quarterly webcast providing updates and insights into issues affecting Audit Committee/Board oversight – from key accounting and regulatory changes to developments in risk oversight.

Recent Publications

- ACI's Ten To-Do's for Audit Committees in 2012 – released October 8, 2012
- ACI's Ten To-Do's for Audit Committees in 2012 – released December 20, 2011
- ACI's Where Does the Audit Committee Want to Spend More Agenda Time? – released November 14, 2011

Resources

- *Audit Committee Insights – U.S. and International editions (biweekly electronic publications):* www.kpmginsights.com
- ACI Website: www.auditcommitteeinstitute.com
- ACI mailbox: auditcommittee@kpmg.com
- ACI hotline: [1-877-KPMG-ACI](tel:1-877-KPMG-ACI)

Appendix C

Management Representation Letter



CITY OF WASILLA

290 East Herning Avenue
Wasilla, Alaska 99654-7091

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

November 16, 2012

KPMG LLP
701 W. 8th Ave
Suite 600
Anchorage, AK 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of the City of Wasilla, as of and for the year ended June 30, 2012, for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Wasilla (the City), and the respective changes in financial position, and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles. We are also providing this letter to confirm our understanding that the purpose of your testing of transactions and records relating to the City's federal and state programs (A-133 and State of Alaska single audits) was to obtain reasonable assurance that the City had complied, in all material respects, with the requirements of laws, regulations, contracts, and grants that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.
2. We have made available to you:

- a. All financial records and related data.
 - b. All minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. Except as disclosed to you in writing, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no:
- a. 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.
 - b. Unasserted claims or assessments that our lawyers has have advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, *Accounting for Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by SFAS No. 5.
 - d. Material transactions, for example, grants and other contractual arrangements, that have not been properly recorded in the accounting records underlying the financial statements.
 - e. Events that have occurred subsequent to the date of the statement of net assets and through the date of this letter that would require adjustment to or disclosure in the financial statements.
5. There were no uncorrected financial statement misstatements.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent, deter, and detect fraud. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets.

Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the financial statements not to be presented in conformity with U.S. generally accepted accounting principles.

7. We have no knowledge of any fraud or suspected fraud affecting the City involving:
- a. Management

- b. Employees who have significant roles in internal control over financial reporting, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, analysts, regulators, or others.
9. The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
10. We have no knowledge of any officer or council member of the City, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
11. The following have been properly recorded or disclosed in the financial statements:

- a. Related party transactions including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties.

The term "related party" refers to affiliates of the enterprise; entities for which investments in their equity securities would be required to be accounted for by the equity method by the enterprise; trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; principal owners of the enterprise; its management; members of the immediate families of principal owners of the enterprise and its management; and other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

- 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 and lines of credit or similar arrangements.
- d. Agreements to repurchase assets previously sold, including sales with recourse.
- e. Changes in accounting principle affecting consistency.

- f. The existence of and transactions with joint ventures and other related organizations.
12. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated. There are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
13. The City has complied, in all material respects, with applicable laws, regulations, contracts, and grants that could have a material effect on the financial statements in the event of noncompliance.
14. Management is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City. Management has identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.
15. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the City's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in Statement on Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in an Audit.
16. There have been no:
 - a. Instances of fraud involving others that could have a material effect on the adjustments.
 - b. Allegations, either written or oral, of misstatements or other misapplication of accounting principles in the City's adjustments that have not been disclosed to you in writing.
 - c. Allegations, either written or oral, of deficiencies in internal control that could have a material effect on the City's adjustments that have not been disclosed to you in writing.
 - d. False statements affecting the City's adjustments made to you, our internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audit.
17. There are no material transactions that have not been properly recorded in the accounting records underlying the adjustments.
18. The City's reporting entity includes all entities that are component units of the City. Such component units have been properly presented as either blended or discrete. Investments in joint ventures in which the City holds an equity interest have been properly recorded on

the statement of net assets. The financial statements disclose all other joint ventures and other related organizations.

19. The financial statements properly classify all funds and activities.
20. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.
21. The City has not elected to apply the option allowed in paragraph 7 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities*, to all proprietary funds.
22. Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.
23. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net assets ⁽⁴⁾ and have been appropriately reduced to their estimated net realizable value.
24. Deposits and investment securities are properly classified and reported.
25. The City is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. The amounts reported represent the City's best estimate of fair value of investments required to be reported under the Statement. The City also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.
26. The City has identified and properly reported all of its derivative instruments, if any, in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, including the requirements related to the determination of hedging derivative instruments and the application of hedge accounting.
27. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:
 - a. Extent, nature, and terms of financial instruments with off-balance-sheet risk;
 - b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and

- c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
28. We believe that all material expenditures or expenses that have been deferred to future periods will be recoverable.
29. The City has no:
 - a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.
 - b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.
 - c. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.
30. The City has complied with all tax and debt limits and with all debt related covenants.
31. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.
32. We believe that the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with pension and other post-employment benefits and to determine information related to the City's funding progress related to such benefits for financial reporting purposes are appropriate in the City's circumstances and that the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.
33. Provision has been made in the financial statements for the City's pollution remediation obligations. We believe that such estimate has been determined in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and is reasonable based on available information.
34. Components of net asset (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
35. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

36. The City has identified and properly accounted for all nonexchange transactions.
37. 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.
38. Special and extraordinary items are appropriately classified and reported.
39. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the City's current period financial statements and our assessment of internal control over financial reporting, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements and our assessment of internal control over financial reporting is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.
40. The City has presented all required supplementary information. This information has been measured and prepared within prescribed guidelines.
41. The City has complied with all applicable laws and regulations in adopting, approving and amending budgets.
42. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.
43. KPMG assisted management in drafting the financial statements and notes. In accordance with *Government Auditing Standards*, we confirm that we have reviewed, approved, and accept responsibility for the financial statements and notes.
44. We are responsible for establishing and maintaining effective internal control over compliance for federal and state programs that provides reasonable assurance that federal and state awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements.
45. We are responsible for understanding and complying with the requirements of laws and regulations and the provisions of contracts and grant agreements related to each of its federal and state programs.
46. We are responsible for taking corrective action on audit findings of the compliance audit.
47. We are responsible for the design and implementation of programs and controls to prevent and detect fraud in the administration of federal programs. We have no knowledge of any fraud or suspected fraud affecting the entity's federal and state programs involving:

- a. Management, including management involved in the administration of federal and state programs
 - b. Employees who have significant roles in internal control over the administration of federal and state programs
 - c. Others where the fraud could have a material effect on compliance with laws and regulations, and provisions of contract and grant agreements related to its federal and state programs.
48. We are responsible for the presentation of the SEFA in accordance with OMB Circular A-133 and the State of Alaska Single Audit Act and:
- a. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period.
 - b. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

Additionally, we confirm, to the best of our knowledge and belief, the following representations made to you during your A-133 and state audit:

49. We are responsible for complying, and have complied, with the requirements of OMB Circular A-133 and the State of Alaska Single Audit Act.
50. The City has prepared the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 and the State of Alaska Single Audit Act and :
- a. has included all expenditures made during the year ended June 30, 2012 for all awards provided by federal and state agencies in the form of grants, [American Recovery and Reinvestment Act] (ARRA), federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - b. Appropriately identified and separated all American Recovery and Reinvestment Act] (ARRA) awards, if any, within the SEFA.
51. The City has complied with requirements of laws and regulations, and the provisions of contracts and grant agreements related to each of its federal and state programs.
52. The City has disclosed to you any interpretations of any compliance requirements that have varying interpretations.
53. The City established and maintained effective internal control over compliance for federal and state programs that provides reasonable assurance that federal and state awards are

administered in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on a federal or state program.

54. We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over compliance that we have identified which could adversely affect the City's ability to administer a major federal or state program in accordance with the applicable requirements of laws, regulations, and the provisions of contracts and grant agreements. Under standards established by the American Institute of Certified Public Accountants, a deficiency in internal control over compliance 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 on a timely basis noncompliance with a type of compliance requirement of a federal or state program. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected on a timely basis. A "significant deficiency" is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement that, is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
55. 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 federal or state program.
56. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities related to major federal and state programs.
57. We have made available all documentation related to the compliance requirements, including information related to federal financial reports and claims for advances and reimbursements for major federal and state programs.
58. We have identified and disclosed to you all questioned costs and any known noncompliance with the requirements of federal and state awards, including the results of other audits or program reviews.
59. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the applicable compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
60. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

61. The City is in compliance with documentation requirements contained in OMB Circular A-87, "Cost Principles for State, Local and Tribal Governments" for all costs charged to federal and state awards, including both direct costs and indirect costs charged through cost allocation plans or indirect cost proposals. Costs charged to federal and state awards are considered allowable under the applicable cost principles contained in OMB Circular A-87.
62. Federal and state financial reports and claims for advances and reimbursements are supported by the accounting records from which the financial statements have been prepared.
63. The copies of federal and state financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal or state agency or pass-through entity, as applicable.
64. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and the State of Alaska Single Audit Act.
65. If applicable, we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
66. The City has reviewed Part I of the data collection form for accuracy.
67. The City has advised you of all contracts or other agreements with service organizations.
68. The City has disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
69. The City has 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 to the date as to which compliance is audited.
70. The City has prepared the Schedule of State Financial Assistance in accordance with the requirements of the State of Alaska Audit Guide and Compliance Supplement for State of Alaska Single Audits and has included all expenditures made during the year ended June 30, 2012 for all programs provided by the State of Alaska (excluding federal pass-through awards but including all State of Alaska awards passed through other entities) in the form of grants, contracts, provider agreements, cooperative agreements, all forms of state assistance provided to an entity, and all forms of state financial assistance provided through an entity to a third party. State financial assistance does not include: public assistance provided under Alaska Statute 47; goods or services purchased for the direct administration or operation of state government; moneys advanced to an entity under one or more state loan programs, power cost equalization payments made to an electric cooperative on behalf of its customers; amounts received under state loan programs; or

scholarships, loans or other tuition aid provided to students but paid to an educational institution on their behalf. For a third party, financial assistance does not include goods purchased from a third party for direct administration or operation of the entity that received financial assistance.

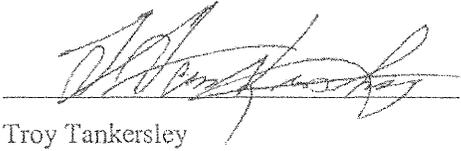
Very truly yours,

City of Wasilla



Verne E. Rupright

Mayor



Troy Tankersley

Finance Director



Joan Miller

Controller

Presented by

Daniel J. Rozema, Partner Audit

Steven P. Stanchina, Senior Manager Audit



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