



CITY OF WASILLA, ALASKA

State of Alaska Single Audit
Reports and Supplementary Information

Year Ended June 30, 2013



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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wasilla (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 23, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2013-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The



results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Wasilla's Response to the Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 23, 2013



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

Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of State Financial Assistance Required by 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:

Report on Compliance for Each Major State Program

We have audited the City of Wasilla's (City) 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 the City's major state programs for the year ended June 30, 2013. The City of Wasilla's major state programs are identified in the accompanying schedule of state financial assistance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.



Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of State Financial Assistance required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

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 as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 23, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by *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 basic financial statements themselves, and other additional procedures in accordance



with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

December 23, 2013

CITY OF WASILLA, ALASKA
Schedule of State Financial Assistance
Year ended June 30, 2013

Name of award	Grant number	Total grant award	Total state expended	Major program
Department of Education and Early Development:				
Public Library Assistance				
Public Library Assistance Grant	PLA 13-787-83	6,500	6,500	
Total Department of Education and Early Development		<u>6,500</u>	<u>6,500</u>	
Department of Revenue:				
Shared Taxes – Liquor License				
State Liquor License	FY13	29,700	29,700	
Shared Taxes – Aviation Fuel				
Aviation Fuel Tax	FY13	1,528	1,528	
Shared Taxes – Electric and Telephone Cooperatives				
Electric & Telephone Coop Tax	FY13	241,256	241,256	Yes
Total Department of Revenue		<u>272,484</u>	<u>272,484</u>	
Department of Military and Veteran’s Affairs:				
Emergency Management Assistance Program				
SECC Afterhours Answering Point	GF2013001	39,021	39,021	
Department of Health and Social Services:				
Youth Courts/Community Panels				
Mat-Su Youth Court Grant	609-13-086	51,700	51,700	
Department of Public Safety:				
State of Alaska Asset Forfeiture				
Edward Byrne Memorial Justice Assistance Program Subgrants	FY13	8,584	8,584	
Multi Jurisdictional Task Force	JAG 13-023E	82,801	82,801	Yes
Total Department of Public Safety		<u>91,385</u>	<u>91,385</u>	
Department of Commerce, Community, and Economic Development:				
Community Revenue Sharing Program				
FY13 Community/Revenue Sharing	FY13	693,410	693,410	Yes
Grants to Municipalities				
South Mack Drive Extension	08-DC-414	2,000,000	382,017	Yes
Improvements to Swanson Ave & Nelson Ave	11-RR-023	851,900	31,170	
Downtown Water Station	12-RR-011	550,939	91,799	
Airport Blvd Phase 1	09-DC-537	600,000	284,805	
Sports Complex Emergency Generators & Kitchen	08-RR-030	260,000	566	
Lake Lucille Improvements	11-DC-366	125,000	79,711	
Lake Lucille Boarwalk and Dock	13-DC-137	100,000	4,700	
Regional Transportation Planning	13-DC-208	150,000	17,833	
New Wasilla Public Library	13-DC-243	175,000	7,370	
Lake Lucille Dam Improvements	13-DC-381	500,000	315,191	
South Mack Drive Extension	09-DC-539	2,000,000	57,898	
Downtown Water Station	11-RR-024	113,613	24,850	
Emergency Generator and Kitchen	11-RR-021	19,974	11,571	
Sports Complex Kitchen	08-DC-390	630,000	2,530	
Airport Access Road	12-DC-433	3,100,000	1,414,832	
Mat-Su Youth Court	13-DC-067	75,000	75,000	
Wastewater Utility Improvements	13-RR-005	500,000	31,214	
Total Grants to Municipalities		<u>11,751,426</u>	<u>2,833,057</u>	
Total Department of Commerce, Community, and Economic Development		<u>12,444,836</u>	<u>3,526,467</u>	
Department of Transportation and Public Facilities:				
Grant Program				
KGB Road and Fern Street Improvements	51896	450,000	71,358	
LPV Survey	52580	12,500	362	
Construction Apron D Phase 2	54245	27,822	1,242	
Seaplane Base Study	54246	5,000	81	
Total Department of Transportation and Public Facilities		<u>495,322</u>	<u>73,043</u>	
Department of Administration:				
PERS on behalf	FY13	986,905	986,905	Yes
UNUM on behalf	FY13	1,592	1,592	
Total Department of Administration		<u>988,497</u>	<u>988,497</u>	
Total State of Alaska direct funding		<u>\$ 14,389,745</u>	<u>5,049,097</u>	

See accompanying notes to schedule of state financial assistance.

CITY OF WASILLA, ALASKA

Notes to Schedule of State Financial Assistance

Year ended June 30, 2013

(1) Basis of Presentation

The accompanying schedule of state financial assistance (the Schedule) includes the State of Alaska award activity of the City of Wasilla (City) under programs of the State of Alaska for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position of the City as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows of the City.

(2) Summary of Significant Accounting Policies

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(1) Summary of Auditors' Results

Financial statements:

Type of auditors' report issued	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>X</u>	yes	_____ 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>Unmodified</u>		
Dollar threshold used to distinguish major programs:	\$	<u>75,000</u>	

(2) Financial Statement Findings Section

Finding: 2013-001 Controls over certain donated infrastructure

Criteria: City of Wasilla should have sufficient controls in place to prevent, or detect and correct, errors in the financial reporting process, including the proper accounting for certain donated infrastructure. A significant part of the water and sewer infrastructure was built by developers and subsequently donated to the City of Wasilla. A mechanism should be in place to ensure that donated infrastructure is completely and accurately recorded in the books and reflected in the financial statements.

Condition found: Controls over the City of Wasilla's donated infrastructure were found not to have been placed in operation. Donated water and sewer main lines had not been recorded on the City of Wasilla's books and financial statements since 1984.

Cause: Controls over the City of Wasilla's donated infrastructure were found not to have been placed in operation.

Effect: Donated water and sewer main lines had not been recorded on the City of Wasilla's books and financial statements since 1984.

Recommendation: The City of Wasilla should design and place in operation a process whereby donated infrastructure is identified, reviewed for accuracy, and recorded in the accounting records.

View of Responsible Officials: Management is aware of its responsibility to record donated capital and the proper valuation of such assets. Management will implement controls to detect donated assets through additional education of personnel throughout the City, inquiry with department directors during the annual fixed asset inventory process, and review of project files and main line extension deposits to ensure completeness and accuracy of its donated assets in the financial statements.

CITY OF WASILLA, ALASKA

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(3) State Award Findings and Questioned Cost Section

No matters are reportable.