



## City of Kenai, Alaska

Federal and State Single Audit Reports  
Year Ended June 30, 2013

## City of Kenai, Alaska

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Federal and State Single Audit Reports  
Year Ended June 30, 2013

# City of Kenai, Alaska

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3601 C Street, Suite 600  
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## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Honorable Mayor and City Council  
City of Kenai, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kenai, Alaska as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Kenai's basic financial statements, and have issued our report thereon dated December 1, 2013.

### ***Internal Control Over Financial Reporting***

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether City of Kenai'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*.

### *Purpose of this Report*

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

*BDO USA, LLP*

Anchorage, Alaska  
December 1, 2013



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## **Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by *OMB Circular A-133***

Honorable Mayor and City Council  
City of Kenai, Alaska

### **Report on Compliance for Each Major Federal Program**

We have audited City of Kenai's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Kenai's major federal programs for the year ended June 30, 2013. City of Kenai's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Kenai's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Kenai's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### ***Opinion on Each Major Federal Program***

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

## Report on Internal Control Over Compliance

Management of City of Kenai is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Kenai's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Kenai'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Kenai as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Kenai's basic financial statements. We issued our report thereon dated December 1, 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 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 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 Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*BDO USA, LLP*

Anchorage, Alaska  
December 1, 2013



## City of Kenai, Alaska

### Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grant Title	Grant Number	Catalog of Federal Domestic Assistance Number	Federal Share of Expend- itures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through the State of Alaska Department of Health and Social Services:			
Nutrition, Transportation, and Support	607-13-110	93.044	\$ 30,525
Nutrition, Transportation, and Support	607-13-110	93.045	91,575
Passed through the State of Alaska Department of Administration - NSIP-Kenai Senior Services	607-13-PA-108	93.053	<u>10,950</u>
Total Department of Health and Human Services			<u>133,050</u>
<b>DEPARTMENT OF THE INTERIOR</b>			
Passed through the State of Alaska Department of Natural Resources:			
Planning Preservation: Holy Assumption Orthodox Church	11554	15.904	7,517
Historic Preservation Training	12575	15.904	<u>2,934</u>
Total Department of the Interior			<u>10,451</u>
<b>DEPARTMENT OF JUSTICE</b>			
MJTF Participating Agency	13-023A	16.579	93,502
Bulletproof Vest Partnership	-	16.607	407
Passed through the State of Alaska Department of Public Safety -			
Violence Against Women Exam Reimbursement	KPD1208-0147	16.588	5,094
Marijuana Eradication	FY13	16.FY13	1,305
Passed through the Municipality of Anchorage -			
Internet Crimes Against Children	-	16.543	<u>3,260</u>
Total Department of Justice			<u>103,568</u>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Conduct Airport Master Plan	3-02-0142-045-2010	20.106	125,640
Obstruction Removal	3-02-0142-050-2013	20.106	55,277
Snow Removal Equipment - Phase 2	3-02-0142-048-2011	20.106	768,843
Wildlife Hazard Assessment	3-02-0142-047-2011	20.106	<u>77,304</u>
Total CFDA 20.106			<u>1,027,064</u>
Passed through the State of Alaska Department of Transportation and Public Facilities:			
AK Highway Safety Grant - Seat Belt Enforcement	402PT13-06-00(A)-6	20.600	1,443
AK Highway Safety Grant - DUI	154AL13-01-00-(B)-5	20.600	<u>512</u>
Total CFDA 20.600			<u>1,955</u>
Total Department of Transportation			<u>1,029,019</u>

## City of Kenai, Alaska

### Schedule of Expenditures of Federal Awards, continued

Year Ended June 30, 2013

Federal Grant Title	Grant Number	Catalog of Federal Domestic Assistance Number	Federal Share of Expend- itures
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>			
Passed through the State of Alaska Department of Education and Early Development - Continuing Education Grant	CED-13-747-129	45.310	<u>\$ 1,500</u>
<b>DEPARTMENT OF COMMERCE</b>			
Passed through the State of Alaska Department of Education and Early Development - Alaska OWL Project	OWL 1374701	11.557	<u>5,906</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through the State of Alaska Department of Military and Veteran Affairs: Disaster Relief (75% federal share)	DR-5054	97.036	<u>4,377</u>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed through the State of Alaska Department of Environmental Conservation: Kenai River Monitoring, Waste Mgt. and Education	13-B03	66.472	<u>69,932</u>
<b>NATIONAL OCEANIC AND ATMOSPHERIC ASSOCIATION</b>			
Passed through the State of Alaska Department of Fish and Game: Kenai River Personal Use Fishery North Shore Fishery Support Improvements	COOP-11-083	11.438	<u>18,499</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,376,302</u>

**Note 1: Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of City of Kenai, Alaska and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.



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

Honorable Mayor and City Council  
City of Kenai, Alaska

### **Report on Compliance for Each Major State Program**

We have audited City of Kenai'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 Kenai's major state programs for the year ended June 30, 2013. City of Kenai'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 City of Kenai's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Kenai's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### ***Opinion on Each Major State Program***

In our opinion, City of Kenai 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 City of Kenai is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Kenai's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program, and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Kenai'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 City of Kenai as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Kenai's basic financial statements. We issued our report thereon dated December 1, 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 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 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 State Financial Assistance is fairly stated in all material respects, in relation to the basic financial statements as a whole.

*BDO USA, LLP*

Anchorage, Alaska  
December 1, 2013

**City of Kenai, Alaska**  
**Schedule of State Financial Assistance**  
*Year Ended June 30, 2013*

State Grant Title	Grant Number	Total Grant Award	State Share of Expenditures
<b>DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT</b>			
*Road and Infrastructure Improvements	13-DC-573	\$ 4,000,000	\$ 627,191
*Capital Improvements - Industrial Park	12-RR-022	761,650	300,995
Public Road, Water and Sewer Improvements	07-DC-231	322,000	61,727
*Wildwood Drive Reconstruction	08-RR-026	592,541	122,684
*City Streets Paving Improvements	12-DC-376	1,000,000	201,897
*State Personal Use Fishery Improvements	13-DC-200	150,000	126,716
*Kenai Spur Road Bike Path Repairs	12-RR-025	100,000	99,951
*Public Improvements	09-DC-214	1,000,000	486,484
*Revenue Sharing	-	627,466	<u>627,466</u>
Total Department of Commerce, Community and Economic Development			<u>2,655,111</u>
<b>DEPARTMENT OF ADMINISTRATION</b>			
*State PERS Relief	-	1,076,923	<u>1,076,923</u>
<b>DEPARTMENT OF ENVIRONMENTAL CONSERVATION</b>			
*Water Treatment Facility	47550	3,642,000	<u>457,073</u>
<b>DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT</b>			
Public Library Assistance	PLA-13-747-38	6,500	<u>6,500</u>
<b>DEPARTMENT OF HEALTH AND SOCIAL SERVICES</b>			
Nutrition, Transportation, and Support	607-13-110	47,484	<u>47,484</u>
<b>DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES</b>			
Airport Master Plan	53571	13,990	3,306
Wildlife Hazard Assessment	54268	3,106	2,034
Snow Removal Equipment - Phase 2	54274	20,772	20,233
Airport Obstruction Tree Removal	-	15,384	1,842
Total Department of Transportation and Public Facilities			<u>27,415</u>

**City of Kenai, Alaska**

**Schedule of State Financial Assistance, continued**

*Year Ended June 30, 2013*

State Grant Title	Grant Number	Total Grant Award	State Share of Expenditures
<b>DEPARTMENT OF REVENUE</b>			
Liquor Licenses	-	\$ 18,100	\$ 18,100
Electric and Telephone Shared Revenues	-	32,608	32,608
*Raw Fish Tax	-	296,136	296,136
Aviation Fuel Tax	-	11,179	11,179
Total Department of Revenue			<u>358,023</u>
Total State Financial Assistance			<u>\$4,628,529</u>

\* Major program

**Note 1: Basis of Presentation**

The Schedule of State Financial Assistance includes the State grant activity of City of Kenai, Alaska and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

# City of Kenai, Alaska

## Schedule of Findings and Questioned Costs Year Ended June 30, 2013

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

***Federal Financial Assistance***

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
20.106	Airport Improvement Program	Department of Transportation

Dollar threshold used to distinguish between a type A and type B program: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

***State Financial Assistance***

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> none reported

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

Dollar threshold used to distinguish a state major program: \$75,000



# City of Kenai, Alaska

## Schedule of Findings and Questioned Costs *Year Ended June 30, 2013*

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<b>Section II - Financial Statement Findings Required to be Reported in Accordance with <i>Government Auditing Standards</i></b>
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None noted.

<b>Section III - Federal Award Findings and Questioned Costs</b>
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None noted.

<b>Section IV - State Award Findings and Questioned Costs</b>
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None noted.

# City of Kenai, Alaska

## Summary Schedule of Prior Audit Findings *Year Ended June 30, 2013*

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<b>Federal Award Findings and Questioned Costs</b>
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There were no prior year audit findings.

<b>State Award Findings and Questioned Costs</b>
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There were no prior year audit findings.

# City of Kenai, Alaska

## Corrective Action Plan *Year Ended June 30, 2013*

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There are no current year findings; therefore no corrective action plan is required.