

**CITY OF WAINWRIGHT, ALASKA**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2014**

**CITY OF WAINWRIGHT, ALASKA  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

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## Independent Auditor's Report

Honorable Mayor and City Council  
City of Wainwright, Alaska

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Wainwright, Alaska, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Wainwright, Alaska, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

As discussed in Note 4F to the financial statements, in 2014, the City discovered certain errors connected with the improper recording of prior period grant revenues. Opening fund balance and net position have been restated to correct for these errors. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 27 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit for the year ended June 30, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Wainwright's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, and the combining fund financial statements and schedules listed in the table of contents for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. 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 for the year ended June 30, 2014 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March, 24 2015, on our consideration of City of Wainwright's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wainwright's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
March 24, 2015

**CITY OF WAINWRIGHT, ALASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2014**

This discussion and analysis of the City of Wainwright's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the basic financial statements, and the accompanying notes to these financial statements.

**FINANCIAL HIGHLIGHTS**

Total assets of the City exceeded its liabilities at the close of the fiscal year by \$2,461,167 (net position). Of this amount, \$926,373 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. During the year, the City's net position increased by \$415,606 before depreciation. Total revenues for the year were \$1,289,493 compared with expenses of \$955,579. Depreciation expense for the year was \$81,692.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The Government-wide financial statements are designed to be similar to private-sector businesses in that all governmental activities are consolidated into one column, in effect, providing a broad overview of the City's finances. The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. depreciation).

The government-wide financial statements can be found on pages 9 and 10.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City provides financial statements for governmental funds, in which major individual governmental funds are reported in separate columns with an aggregate column for nonmajor funds.

**CITY OF WAINWRIGHT, ALASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**Governmental Funds** - These funds account for essentially the same functions as governmental activities in the government-wide financial statements. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term. The governmental funds financial statements can be found on pages 11 to 14.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are a required part of the basic financial statements and can be found on pages 15 to 25.

**Other Information**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 31 to 32.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table reflects the condensed Statement of Net Position for fiscal years ending June 30, 2014 and 2013.

	<b>Net Position</b>	
	2014	2013
Governmental Activities		
Current assets	\$ 1,174,856	\$ 1,143,710
Capital assets	1,534,794	1,227,888
Total assets	2,709,650	2,371,598
Liabilities		
Current liabilities	230,934	196,729
Non-current liabilities	17,549	13,241
Total Liabilities	248,483	209,970
Net investment in capital assets	1,534,794	1,227,888
Unrestricted net position	926,373	933,740
Net Position	\$ 2,461,167	\$ 2,161,628

**CITY OF WAINWRIGHT, ALASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

The tables below provide a summary of the changes in net position for the years ending June 30, 2014 and 2013

	2014	2013
<b>Change in Net Position</b>		
<u>Governmental Activities</u>		
Revenues		
Operating grants and contributions	\$ 829,988	\$ 1,054,676
Capital grants	388,598	248,236
Charges for services, rent, and fees	10,826	60,641
General revenues	60,081	875
Total Revenues	1,289,493	1,364,428
Program expenses		
General government	511,627	557,206
Public safety (search & rescue)	1,791	2,210
Public works	30,263	40,726
Health, welfare and sanitation	88,313	109,650
Culture and recreation	323,585	412,380
Total expenses	955,579	1,122,172
Change in net position	\$ 333,914	\$ 242,256

**ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The total increase in net position before depreciation for the years ending June 30, 2014 and 2013 is \$415,606 and \$323,746 respectively.

**ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

	2014	2013
<b>Change in fund balance before transfers</b>		
<u>Governmental Funds</u>		
General fund	\$ 30,430	\$ 116,806
NPRA	29	-
Non-major governmental funds	857	(4,068)
	\$ 31,316	\$ 112,738

**CITY OF WAINWRIGHT, ALASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2014**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City of Wainwright amended their fiscal year 2014 budget in May 2014.

The General Fund budget was amended to reflect increased funding from outside agencies and increased rent income due to a new senior center lease agreement.

The approved budget for the National Petroleum Reserve - Alaska program includes multi-year grants totaling \$1,330,880 of which only \$887,349 was expended in the year ended June 30, 2014.

**CAPITAL ASSETS**

The City's investment in capital assets as of June 30, 2014, totals \$1,534,794 (net of accumulated depreciation). These assets include land, buildings and improvements, and equipment. The majority of the City's capital assets are the buildings totaling \$589,041 net of accumulated depreciation.

**ECONOMIC FACTORS AND NEXT YEAR**

Net assets for the City are expected to remain relatively consistent during the coming year.

**REQUESTS FOR INFORMATION**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any information found in the report or requests for additional information should be directed to: City Manager, City of Wainwright, PO Box 9 Wainwright, AK 99782.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF WAINWRIGHT, ALASKA**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and equivalents	\$ 910,265
Receivables	15,554
Due from other governmental agencies	249,037
Capital assets	
Land	300,400
Cemetery fence	101,280
Buildings	1,906,893
Equipment and furniture	45,615
Work in progress	553,663
Less: accumulated depreciation	(1,373,057)
Total capital assets	1,534,794
Total assets	2,709,650
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	24,146
Unearned revenues	206,788
Noncurrent liabilities	
Due in more than one year	
Compensated absences	17,549
Total liabilities	248,483
<b>NET POSITION</b>	
Net investment in capital assets	1,534,794
Unrestricted	926,373
Total net position	\$ 2,461,167

See accompanying notes to basic financial statements

**CITY OF WAINWRIGHT, ALASKA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

FUNCTIONS/PROGRAMS	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
General government	\$ 511,627	\$ 8,670	\$ 531,115	\$ -	\$ 28,158
Public safety (search & rescue)	1,791	-	-	-	(1,791)
Public works	30,263	-	30,234	-	(29)
Health, welfare and sanitation	88,313	-	88,531	-	218
Culture and recreation	323,585	2,156	180,108	388,598	247,277
Total governmental activities	\$ 955,579	\$ 10,826	\$ 829,988	\$ 388,598	273,833
<b>GENERAL REVENUES</b>					
Contributions not restricted to specific programs					44,000
Unrestricted investment earnings					86
Other revenue					15,995
Total general revenues					60,081
Change in net position					333,914
Net position - beginning					2,161,628
Prior period adjustment					(34,375)
Net position - beginning, as restated					2,127,253
Net position - ending					\$ 2,461,167

See accompanying notes to basic financial statements

**CITY OF WAINWRIGHT, ALASKA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

	Special Revenue Fund		Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	NPRA	Autaaqtuq Fund		
<b>ASSETS</b>					
Cash and equivalents	\$ 910,265	\$ -	\$ -	\$ -	\$ 910,265
Due from other funds	37,113	-	155,898	32,876	225,887
Due from other governmental agencies	-	231,566	-	17,471	249,037
Other receivables	242	-	-	15,312	15,554
Total assets	\$ 947,620	\$ 231,566	\$ 155,898	\$ 65,659	\$ 1,400,743
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 1,338	\$ 6,848	\$ -	\$ 340	\$ 8,526
Due to other funds	-	196,526	-	29,361	225,887
Unearned revenues	-	19,212	155,898	31,678	206,788
Other accrued expenses	2,360	8,980	-	4,280	15,620
Total liabilities	3,698	231,566	155,898	65,659	456,821
Fund balances					
Unassigned	943,922	-	-	-	943,922
Total liabilities and fund balances	\$ 947,620	\$ 231,566	\$ 155,898	\$ 65,659	\$ 1,400,743

See accompanying notes to basic financial statements

**CITY OF WAINWRIGHT, ALASKA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO**  
**THE STATEMENT OF NET POSITION**  
**June 30, 2014**

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Total fund balances, governmental funds \$ 943,922

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 1,534,794

Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds payable ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (17,549)

Net assets of governmental activities in the Statement of Net Position \$ 2,461,167

See accompanying notes to basic financial statements

**CITY OF WAINWRIGHT, ALASKA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

	Special Revenue Fund		Capital Projects Fund		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	NPRA	Autaaqtuq Fund			
<b>REVENUES</b>						
Intergovernmental	\$ 176,332	\$ 887,378	\$ 496	\$ 154,380	\$ 1,218,586	
Contributions	44,000	-	-	-	44,000	
Other revenue	15,995	-	-	-	15,995	
Rental revenue	8,325	-	-	-	8,325	
Concession revenue	2,156	-	-	-	2,156	
Licenses and permits	325	-	-	-	325	
Investment earnings	86	-	-	-	86	
Charges for services	20	-	-	-	20	
Total revenues	247,239	887,378	496	154,380	1,289,493	
<b>EXPENDITURES</b>						
Current:						
General government	131,093	337,308	-	16,778	485,179	
Public safety (search & rescue)	1,791	-	-	-	1,791	
Public works	-	-	-	30,263	30,263	
Health and sanitation	-	-	-	88,313	88,313	
Culture and recreation	83,925	161,939	-	18,169	264,033	
Capital outlay	-	388,102	496	-	388,598	
Total expenditures	216,809	887,349	496	153,523	1,258,177	
Excess of revenues over expenditures	30,430	29	-	857	31,316	
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	886	-	-	29	915	
Transfers out	-	(29)	-	(886)	(915)	
Total other financing sources (uses)	886	(29)	-	(857)	-	
Net change in fund balances	31,316	-	-	-	31,316	
Fund balances - beginning	946,981	-	-	-	946,981	
Prior period adjustment	(34,375)	-	-	-	(34,375)	
Fund balances - ending	\$ 943,922	\$ -	\$ -	\$ -	\$ 943,922	

See accompanying notes to basic financial statements

**CITY OF WAINWRIGHT, ALASKA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT**  
**OF ACTIVITIES**

**For the Year Ended June 30, 2014**

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Net change in fund balances, total governmental funds	\$	31,316
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays \$388,598 exceeded depreciation \$81,692 in the current period.		306,906
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Compensated absence expense not reflected on Governmental funds		<u>(4,308)</u>
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Change in net position of governmental activities	\$	<u><u>333,914</u></u>
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See accompanying notes to basic financial statements

**CITY OF WAINWRIGHT, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial reporting entity
- B. Basis of presentation
- C. Measurement focus and basis of accounting
- D. Assets, liabilities, and equity
- E. Revenues, expenditures, and expenses

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

- A. Fund accounting requirements
- B. Revenue restrictions
- C. Budgets

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

- A. Cash and equivalents
- B. Due from other governmental agencies
- C. Capital assets
- D. Accounts payable and accrued expenses
- E. Noncurrent liabilities - compensated absences
- F. Interfund transactions and balances

**NOTE 4. OTHER NOTES**

- A. Risk management
- B. Related parties
- C. Commitments and contingencies
- D. Economic dependency
- E. Subsequent events
- F. Prior period adjustment

**CITY OF WAINWRIGHT, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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**NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.A. - FINANCIAL REPORTING ENTITY**

The City of Wainwright, Alaska was incorporated in 1962 as a second-class city and operates under a Mayor - Council form of government. The City's population is 572 based on the 2010 U. S. Census. It is located on the Chukchi Sea coast, 3 miles northeast of the Kuk River estuary.

The financial statements included in this report are for the City of Wainwright only. There are no other component units for which City of Wainwright is financially accountable, nor do any special financial relationships exist between the City of Wainwright and any other entity.

**1.B. - BASIS OF PRESENTATION**

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City has no business-type activities.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditure of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund* - The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

CITY OF WAINWRIGHT, ALASKA  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014

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**NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

**1.B. - BASIS OF PRESENTATION, (Continued)**

*Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

*Capital Project Funds* - The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

**Proprietary Fund - None**

**Fiduciary Funds -None**

**Major and Nonmajor Funds**

The funds are further classified as major or nonmajor as follows:

*Major:*

**General:** The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Special Revenue Fund:**

National Petroleum Reserve - Alaska Impact Mitigation Program (NPRA) - accounts for federal funding passed through the North Slope Borough and the State of Alaska for local government operations, youth activities, equipment acquisition and maintenance.

**Capital Project Fund:**

Autaaqtuq Fund - accounts for receipts and expenditures of funds from the North Slope Borough mayor's office for completion of the City park project.

*Nonmajor:*

**Special Revenue Funds:**

North Slope Borough (NSB) Homemaker Services Program for Elders in Need - accounts for receipts and expenditures of funds for homemaker services program for elders in need.

Village Voice - accounts for receipts and expenditures of funds for the support of the tribal administrator position.

Summer Cleanup - accounts for receipts and expenditures of funds provided by the North Slope Borough for summer cleanup projects.

Alak School - accounts for receipts and expenditures of funds provided by the North Slope Borough under a memorandum of understanding for after-school recreational staff.

**CITY OF WAINWRIGHT, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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**NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

**1.C. - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all liabilities, and deferred outflows and inflows of resources associated with the operation of the City are included in the Statement of Net Position. The Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

In the fund financial statements, the “current financial resources” measurement focus is used. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset used. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

**CITY OF WAINWRIGHT, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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**NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

**1.C. - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING, (Continued)**

Amounts reported as program revenues include charges to customers for goods or services, operating grants and contributions, and capital grants and contributions. General revenues include investment income and non-program specific grants. The City does not allocate indirect expenses to functions in the statement of activities.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**1.D. - ASSETS, LIABILITIES, AND EQUITY**

**Cash and Equivalents**

For the purpose of the Statement of Net Position "cash and equivalents" includes all cash on hand, cash in checking accounts, interest-bearing deposits and highly liquid investments with an original maturity of three months or less. The City maintains a single checking account as a central treasury.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables consist of service contracts and grants and other similar intergovernmental revenues. These intergovernmental receivables are deemed fully collectable therefore no allowance is recorded.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as receivables on service contracts and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

See Note 3.A. for details of receivables at year end.

**Interfund Receivables and Payables**

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.E. for details of interfund transactions, including receivables and payables at year end.

**CITY OF WAINWRIGHT, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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**NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

**1.D. - ASSETS, LIABILITIES, AND EQUITY, (Continued)**

**Capital Assets**

The accounting treatment of property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Depreciation of all exhaustible capital assets is recorded as an allocation expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings	10-30 Years
- Furniture and equipment	5-10 Years

*Government-wide Statements*

The City defines capital assets as assets tangible in nature, with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Compensated Absences**

The City allows employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g.) the employee has terminated employment.

**CITY OF WAINWRIGHT, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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**NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

**1.D. - ASSETS, LIABILITIES, AND EQUITY, (Continued)**

**Equity Classifications**

*Government-wide Statements* - Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The city has no restricted net position.
- c. Unrestricted net position - All other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

*Fund Statements* - Governmental fund equity is reported in five classifications of fund balance based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- a. Restricted fund balance. This classification reflects the constraints imposed on resources externally or by law through enabling legislation. The City has no restricted fund balance.
- b. Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council. The City has no committed fund balance.
- c. Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City has no assigned fund balance.
- d. Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.



**CITY OF WAINWRIGHT, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.B. - DUE FROM OTHER GOVERNMENTAL AGENCIES**

Due from other governmental agencies consists of the following at June 30, 2014:

NPRA		
11-NPRA-06		\$ 15,974
14-NPRA-08		193,267
14-NPRA-09		<u>22,325</u>
Total NPRA		231,566
NSB Homemaker		<u>17,471</u>
Total due from other governmental agencies		<u>\$ 249,037</u>

**3.C. - CAPITAL ASSETS**

The City's general fund and special revenue fund capital assets are limited to acquisitions occurring after June 30, 2003. Previously acquired governmental fund assets and infrastructure assets have not been recorded. Capital asset activity for the year ended June 30, 2014, is as follows:

	<b>Balance July 1, 2013</b>	<b>Net additions (deletions)</b>	<b>Balance June 30, 2014</b>
Capital assets, not being depreciated			
Land	\$ 300,400	\$ -	\$ 300,400
Work in progress	<u>165,065</u>	<u>388,598</u>	<u>553,663</u>
Total capital assets, not being depreciated	<u>465,465</u>	<u>388,598</u>	<u>854,063</u>
Capital assets, being depreciated			
Community Center	1,174,124	-	1,174,124
Senior Center	370,000	-	370,000
City Building	362,769	-	362,769
Cemetery fence	101,280	-	101,280
Furniture & equipment	<u>45,615</u>	<u>-</u>	<u>45,615</u>
Total capital assets, being depreciated	2,053,788	-	2,053,788
Accumulated depreciation	<u>(1,291,365)</u>	<u>(81,692)</u>	<u>(1,373,057)</u>
Total capital assets, being depreciated, net	<u>762,423</u>	<u>(81,692)</u>	<u>680,731</u>
Total capital assets	<u>\$ 1,227,888</u>	<u>\$ 306,906</u>	<u>\$ 1,534,794</u>

Depreciation expense is charged to functions as follows:

Governmental activities	
Culture and recreation	\$ 59,552
General government	<u>22,140</u>
Total depreciation expense	<u>\$ 81,692</u>

**CITY OF WAINWRIGHT, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 3. - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, (Continued)**

**3.D. - ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses consist of the following at June 30, 2014:

Accrued wages	\$ 13,333
Accrued payroll expenses	2,035
Accounts payable	8,526
Child support liability	252
Total accounts payable and accrued expenses	\$ 24,146

**3.E. - NONCURRENT LIABILITIES - COMPENSATED ABSENCES**

During the year ended June 30, 2014, the following changes occurred in liabilities payable from governmental funds:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amount Due In One Year
Compensated absences	\$ 13,241	\$ 30,650	\$ (26,342)	\$ 17,549	\$ 17,549

**3.F. - INTERFUND TRANSACTIONS AND BALANCES**

Interfund balances are recorded for cash held in the central treasury on behalf of other funds and quarterly interfund transfers not completed by year end. As of June 30, 2014, interfund balances consist of the following:

	Due From Other Funds	Due To Other Funds
<b>Governmental funds</b>		
General fund, net	\$ 37,113	\$ -
NPRA, net	-	196,526
Autaaqtuq Fund	155,898	-
Village Voice	17,876	-
Summer Cleanup	15,000	-
Alak School	-	14,385
NSB Homemaker	-	14,976
	\$ 225,887	\$ 225,887

Interfund loans are reported as either "due to or from other funds." Operating transfers between funds totaled \$915. Transfers of \$668, and \$218 from Village Voice Fund, and NSB Homemaker Fund respectively were made to the General Fund to cover fund expenditures not directly charged to the funds. The NPRA Fund transferred \$29 to the Summer Cleanup Fund to cover expenditures in excess of grant receipts. All interfund activity is eliminated in the government-wide financial statements.

**CITY OF WAINWRIGHT, ALASKA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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**NOTE 4. - OTHER NOTES**

**4.A. - RISK MANAGEMENT**

The City faces a number of risks of loss including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e. errors and omissions, (d) environmental damage, and (e) workers' compensation: i.e. employee injuries. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for worker's compensation, employer's liability, general liability, automobile liability, earthquake, flood, and all risk property.

**4.B. - RELATED PARTIES**

Due to the nature of small communities, members of the Council and employees are often related to one another. There were no related party transactions of a business nature during the year ended June 30, 2014.

**4.C. - COMMITMENTS AND CONTINGENCIES**

Amounts received or receivable from grantors are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, would become a liability of the General or other applicable fund. Management believes that any such adjustment would not be material to the basic financial statements.

**4.D. - ECONOMIC DEPENDENCY**

The City of Wainwright is dependent on community revenue sharing from the State of Alaska and on grants from, the National Petroleum Reserve - Alaska. The City's major revenue sources for the year ended June 30, 2014 are as follows:

<u>Funding source</u>	<u>Percent of Total Revenue</u>
NPRA grants	69%
Community revenue sharing	10%

**4.E - SUBSEQUENT EVENTS**

Subsequent events have been considered by management through March 24, 2015, the date of the independent auditor's report.

**4.F - PRIOR PERIOD ADJUSTMENT**

A 2010 Alaska Community Foundation, Village Voice Initiative Fund grant in the amount of \$31,250 and a 2012 Foraker Group matching grant were incorrectly recorded as expended in prior years' financial statements. This resulted in an understatement of unearned revenue and overstatement of revenue in the amount of \$34,375. A prior period adjustment was made to the June 30, 2013 beginning net position.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WAINWRIGHT, ALASKA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts - Original	Budgeted Amounts - Final	Actual Amounts, Budgetary Basis	Variance with Final Budget	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final				
<b>REVENUES</b>						
Intergovernmental	\$ 169,067	\$ 169,067	\$ 176,332	\$ 7,265	\$ -	\$ 176,332
Contributions	25,000	35,500	44,000	8,500	-	44,000
Other revenue	6,000	21,000	15,995	(5,005)	-	15,995
Rental revenue	80,000	80,000	8,325	(71,675)	-	8,325
Concession revenue	5,000	5,000	2,156	(2,844)	-	2,156
Licenses and permits	500	500	325	(175)	-	325
Investment earnings	200	200	86	(114)	-	86
Charges for services	100	100	20	(80)	-	20
Total revenues	<u>285,867</u>	<u>311,367</u>	<u>247,239</u>	<u>(64,128)</u>	<u>-</u>	<u>247,239</u>
<b>EXPENDITURES</b>						
Current:						
General government	168,896	168,896	135,611	33,285	(4,518)	131,093
Public safety (search & rescue)	5,000	5,000	1,791	3,209	-	1,791
Culture and recreation	99,000	109,000	83,392	25,608	533	83,925
Total expenditures	<u>272,896</u>	<u>282,896</u>	<u>220,794</u>	<u>62,102</u>	<u>(3,985)</u>	<u>216,809</u>
Excess of revenues over expenditures	12,971	28,471	26,445	(2,026)	3,985	30,430
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	886	886	-	886
Net change in fund balance	12,971	28,471	27,331	(1,140)	3,985	31,316
Fund balance - beginning	946,981	946,981	946,981	-	-	946,981
Prior period adjustment	-	-	(34,375)	-	-	(34,375)
Fund balance - ending	<u>\$ 959,952</u>	<u>\$ 975,452</u>	<u>\$ 939,937</u>	<u>\$ (1,140)</u>	<u>\$ 3,985</u>	<u>\$ 943,922</u>

Budget to GAAP differences

General government

Net difference in vacation payable at June 30, 2014 and 2013	\$ (4,308)
Net difference in wages payable at June 30, 2014 and 2013	(529)
Net difference in accounts payable at June 30, 2014 and 2013	319
	<u>(4,518)</u>

Cultural and recreation

Net difference in accounts payable at June 30, 2014 and 2013	<u>533</u>
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Total	<u>\$ (3,985)</u>
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See accompanying notes to budgetary comparison schedules

**CITY OF WAINWRIGHT, ALASKA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**NATIONAL PETROLEUM RESERVE - ALASKA**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts - Original</u>	<u>Budgeted Amounts - Final</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>
<b>REVENUES</b>						
Intergovernmental	\$ 1,319,754	\$ 1,330,880	\$ 897,406	\$ (433,474)	\$ (10,028)	\$ 887,378
<b>EXPENDITURES</b>						
Current:						
General government	463,954	462,268	339,652	122,616	(2,344)	337,308
Culture and recreation	438,843	451,655	169,623	282,032	(7,684)	161,939
Capital outlay	416,957	416,957	388,102	28,855	-	388,102
Total expenditures	<u>1,319,754</u>	<u>1,330,880</u>	<u>897,377</u>	<u>433,503</u>	<u>(10,028)</u>	<u>887,349</u>
Excess of revenues over expenditures	-	-	29	29	-	29
<b>OTHER FINANCING USES</b>						
Transfers out	-	-	(29)	(29)	-	(29)
Net change in fund balance	-	-	-	-	-	-
Fund balance - beginning	-	-	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Budget to GAAP differences

General government

Net difference in vacation payable at June 30, 2014 and 2013	\$ 3,645
Net difference in wages payable at June 30, 2014 and 2013	(3,170)
Net difference in accounts payable at June 30, 2014 and 2013	<u>(2,819)</u>
	<u>(2,344)</u>

Culture and recreation

Net difference in vacation payable at June 30, 2014 and 2013	(798)
Net difference in wages payable at June 30, 2014 and 2013	2,566
Net difference in accounts payable at June 30, 2014 and 2013	<u>(9,452)</u>
	<u>(7,684)</u>

Total	<u>\$ (10,028)</u>
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See accompanying notes to budgetary comparison schedules

**CITY OF WAINWRIGHT, ALASKA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**For the Year Ended June 30, 2014**

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**NOTE 1. -BUDGETARY BASIS**

The City's budgets are prepared on a cash basis. Budgetary comparisons presented are on this budgetary basis.

**NOTE 2. - BUDGETARY REPORTING**

The City of Wainwright did not separately budget for capital outlay. The budget for the 11-NPRA-17 City Park - Playground grant has been reclassified as the capital outlay budget.

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF WAINWRIGHT, ALASKA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2014**

	<u>Village Voice</u>	<u>Summer Cleanup</u>	<u>Alak School</u>	<u>NSB Homemaker</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>					
Cash and equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	17,876	15,000	-	-	32,876
Due from other governmental agencies	-	-	-	17,471	17,471
Other receivables	-	-	15,312	-	15,312
Total assets	<u>\$ 17,876</u>	<u>\$ 15,000</u>	<u>\$ 15,312</u>	<u>\$ 17,471</u>	<u>\$ 65,659</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	250	\$ -	\$ 90	\$ 340
Due to other funds	-	-	14,385	14,976	29,361
Unearned revenues	16,928	14,750	-	-	31,678
Other accrued expenses	948	-	927	2,405	4,280
Total liabilities	<u>17,876</u>	<u>15,000</u>	<u>15,312</u>	<u>17,471</u>	<u>65,659</u>
Fund balances:					
Unassigned	-	-	-	-	-
Total liabilities and fund balances	<u>\$ 17,876</u>	<u>\$ 15,000</u>	<u>\$ 15,312</u>	<u>\$ 17,471</u>	<u>\$ 65,659</u>

**CITY OF WAINWRIGHT, ALASKA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

	<u>Village Voice</u>	<u>Summer Cleanup</u>	<u>Alak School</u>	<u>NSB Homemaker</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>					
Intergovernmental	\$ 17,446	\$ 30,234	\$ 18,169	\$ 88,531	\$ 154,380
<b>EXPENDITURES</b>					
Current:					
General government	16,778	-	-	-	16,778
Public works	-	30,263	-	-	30,263
Health and sanitation	-	-	-	88,313	88,313
Culture and recreation	-	-	18,169	-	18,169
Total expenditures	<u>16,778</u>	<u>30,263</u>	<u>18,169</u>	<u>88,313</u>	<u>153,523</u>
Deficiency of revenues under expenditures	<u>668</u>	<u>(29)</u>	<u>-</u>	<u>218</u>	<u>857</u>
<b>OTHER FINANCING SOURCES(USES)</b>					
Transfers in	-	29	-	-	29
Transfers out	(668)	-	-	(218)	(886)
Total other financing sources (uses)	<u>(668)</u>	<u>29</u>	<u>-</u>	<u>(218)</u>	<u>(857)</u>
Net change in fund balances	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FEDERAL SINGLE AUDIT SECTION**

**CITY OF WAINWRIGHT, ALASKA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2014**

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Federal Grantor/Pass-through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of the Interior</b>			
Pass-through programs for:			
State of Alaska Dept. of Commerce, Community, and Economic Development			
Local Government Operations	13-NPRA-05	15.227	\$ 112,531
Local Government Operations	14-NPRA-08	15.227	224,777
Youth Program	11-NPRA-06	15.227	101,186
Youth Program	14-NPRA-09	15.227	60,753
Wainwright City Park	11-NPRA-17	15.227	388,102
<b>Total U.S. Department of the Interior</b>			<u>887,349</u>
<b>Total expenditures of federal awards</b>			<u><u>\$ 887,349</u></u>

See notes to schedule of expenditures of federal awards

**CITY OF WAINWRIGHT, ALASKA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2014**

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Wainwright, under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Wainwright, it is not intended to and does not present the financial position, or changes in net position of the City of Wainwright.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.



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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 Wainwright, 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, each major fund, and the aggregate remaining fund information of City of Wainwright, Alaska, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Wainwright's basic financial statements and have issued our report thereon dated March 24, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Wainwright'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 Wainwright's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Wainwright'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 City of Wainwright'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 the 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 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 Wainwright'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  
March 24, 2015



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

Honorable Mayor and City Council  
City of Wainwright, Alaska

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

We have audited City of Wainwright'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 Wainwright's major federal programs for the year ended June 30, 2014. City of Wainwright'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 Wainwright'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 Wainwright'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 Wainwright's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, City of Wainwright 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, 2014.

### **Report on Internal Control Over Compliance**

Management of City of Wainwright 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 Wainwright'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 Wainwright'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, as defined above. 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.

*BDO USA, LLP*

Anchorage, Alaska  
March 24, 2015

**City of Wainwright, Alaska**  
**Schedule of Findings and Questioned Costs**  
*Year Ended June 30, 2014*

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

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?	___ yes	<u>X</u> no
Significant deficiency identified?	___ yes	<u>X</u> (none reported)

Noncompliance material to financial statements noted? \_\_\_ yes X no

*Federal Financial Assistance*

Internal control over major programs:

Material weakness identified?	___ yes	<u>X</u> no
Significant deficiency identified?	___ yes	<u>X</u> (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? \_\_\_ yes X no

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
15.227	National Petroleum Reserve-Alaska	Department of the Interior

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

Auditee qualified as low-risk auditee? X yes \_\_\_ no

**Section II - Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards**

None noted.

**Section III - Federal Award Findings and Questioned Costs**

None noted.

**City of Wainwright, Alaska**  
**Corrective Action Plan**  
*Year Ended June 30, 2014*

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

**City of Wainwright, Alaska**  
**Schedule of Prior Audit Findings**  
*Year Ended June 30, 2014*

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There were no prior audit findings reported.