



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2022

Alaska Energy Authority

(A Component Unit of the State of Alaska)

Compliance Section

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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***

To the Board of Directors
Alaska Energy Authority
Anchorage, Alaska

We have audited, 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, the financial statements of the governmental activities, the business-type activities and each major fund of Alaska Energy Authority, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alaska Energy Authority's internal control over financial reporting (internal control) as a basis for designing 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 Alaska Energy Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Alaska Energy Authority'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 a 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alaska Energy Authority'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 financial statements. 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
December 22, 2022



**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 the Uniform Guidance**

To the Board of Directors
Alaska Energy Authority
Anchorage, Alaska

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Alaska Energy Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Alaska Energy Authority's major federal programs for the year ended June 30, 2022. Alaska Energy Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Alaska Energy Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Alaska Energy Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Alaska Energy Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Alaska Energy Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Alaska Energy Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Alaska Energy Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Alaska Energy Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Alaska Energy Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Alaska Energy Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Alaska Energy Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Alaska Energy Authority's basic financial statements. We issued our report thereon dated December 22, 2022, 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 the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
December 22, 2022

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures	Amounts Passed-Through to Subrecipients
<u>Department of Agriculture</u>				
Direct Award				
Wood Utilization Assistance	10.674		\$ 35,420	\$ 17,338
Wood Utilization Assistance	10.674		122,799	67,000
Wood Utilization Assistance	10.674		17,435	-
Total Department of Agriculture			<u>175,654</u>	<u>84,338</u>
<u>Department of Treasury</u>				
Direct Award				
COVID-19 Electric Utility Grants	21.027		2,982,141	-
COVID-19 Electric Utility Grants	21.027		99,496	-
Total Department of Treasury			<u>3,081,637</u>	<u>-</u>
<u>Environmental Protection Agency</u>				
Direct Award				
State Clean Diesel Grant Program	66.040		18,996	12,870
State Clean Diesel Grant Program	66.040		372,349	320,647
State Clean Diesel Grant Program	66.040		8,045	306
Total Environmental Protection Agency			<u>399,390</u>	<u>333,823</u>
<u>Department of Energy</u>				
Direct Award				
State Energy Program	81.041		2,517	2,179
State Energy Program	81.041		204,603	20,000
State Energy Program	81.041		475,374	40,000
Passed through Washington State University				
Energy Efficiency and Renewable Energy, Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117		1,263	-
Direct Award				
State Energy Program Special Projects	81.119		48,700	-
Electricity Delivery and Energy Reliability, Research, Development, and Analysis	81.122		11,754	11,754
Total Department of Energy			<u>\$ 744,211</u>	<u>\$ 73,933</u>

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures	Amounts Passed-Through to Subrecipients
<u>Denali Commission Program</u>				
Direct Award				
Tatitlek Bulk Fuel Upgrade	90.100		\$ 108,762	\$ 108,845
Chalkytsik Bulk Fuel Facility Design	90.100		90,251	85,350
START Communities Technical Assistance	90.100		42,109	22,920
Beaver Bulk Fuel Facility Design	90.100		224,657	219,290
Bulk Fuel Operator Training	90.100		226,888	-
Circuit Rider Program	90.100		286,252	-
Gen Set Maintenance and Improvement Program	90.100		48,465	(4,639)
Miscellaneous Small Maintenance and Improvement Project	90.100		492,841	245,452
Power Plant Operator Training	90.100		133,785	-
Twin Hills RPSU #350294 Conceptual Design Report	90.100		1,305	-
Itinerant Utility Training	90.100		51,347	-
RPSU Maintenance and Improvement Program - Statewide	90.100		937,098	720,207
RPSU Inventory and Assessment	90.100		946	-
RPSU Akhiok, Alaska	90.100		17,681	17,681
RPSU Venetie, Alaska	90.100		51,255	21,293
Barge Headers and Fill Lines	90.100		250,170	49,550
Bulk Fuel Storage Facility Upgrade - Nunapitchuk, Alaska	90.100		734,207	712,169
RPSU Napaskiak, Alaska	90.100		77,042	59,049
RPSU Nikolai, Alaska	90.100		150,303	123,671
RPSU Nelson Lagoon, Alaska	90.100		24,814	7,930
RPSU Rampart, Alaska	90.100		287,607	256,370
Bulk Fuel Storage Upgrade - Scammon Bay, Alaska	90.100		21,067	-
Village Energy Efficient Program - Statewide	90.100		200,077	149,513
Bulk Fuel Upgrade - Ekwok, Alaska	90.100		92,649	82,500
Engineering Library	90.100		6,684	-
Craig High School Biomass Project	90.100		601	-
Port Heiden Phase I Electrical Distribution Upgrades	90.100		108,041	74,430
Bulk Fuel Inventory and Assessment	90.100		7,826	-
Remote Power System Upgrade - Rampart	90.100		9,130	6,182
RPSU Nikolai, Alaska	90.100		1,224,069	1,214,295
DOE Littoral Power Systems Hydrokinetic Project	90.100		1,282	-
Total Denali Commission Program			5,909,211	4,172,056
Total Federal Financial Assistance			\$ 10,310,103	\$ 4,664,150

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Alaska Energy Authority (the Authority) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting, except for subrecipient expenditures which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Authority has elected to use the 10% de minimis cost rate.

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	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 Uniform Guidance 2 CFR 200.516:	No
Identification of major programs:	

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Denali Commission Program	90.100
COVID-19 Electric Utility Relief Program	21.027
Dollar threshold used to distinguish between Type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No