Federal Awards Reports in Accordance with the Uniform Guidance
June 30, 2023

Alaska Energy Authority

(A Component Unit of the State of Alaska)

Compliance Section

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, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Alaska Energy Authority's basic financial statements and have issued our report thereon dated October 27, 2023.

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 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.

Eide Bailly LLP

Boise, Idaho
October 27, 2023

**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 the Major Federal Program

Opinion on the 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 on Alaska Energy Authority's major federal program for the year ended June 30, 2023. Alaska Energy Authority's major federal program is 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 its major federal programs for the year ended June 30, 2023.

Basis for Opinion on the 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 the 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, 2023, and the related notes to the financial statements, which collectively comprise Alaska Energy Authority's basic financial statements. We issued our report thereon dated October 27, 2023, 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.

Eide Bailly LLP

Boise, Idaho
October 27, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity or Other Identifying Number	Expenditures	Amounts Passed-Through to Subrecipients
Department of Agriculture				
Direct Award				
Wood Utilization Assistance	10.674		$ (989)	$ -
Wood Utilization Assistance	10.674		56,283	-
Wood Utilization Assistance	10.674		33,433	-
Assistance to High Energy Cost Rural Communities	10.859	31099	255,956	255,956
Total Department of Agriculture			344,683	255,956
Department of Transportation				
Direct Award				
Highway Planning and Construction	20.205		405,376	-
Total Department of Transportation			405,376	-
Department of Treasury				
Direct Award				
Coronavirus State and Local Fiscal Recovery Funds	21.027	33094	258,812	258,812
Coronavirus State and Local Fiscal Recovery Funds	21.027		19,865	-
Total Department of Treasury			278,677	258,812
Environmental Protection Agency				
Direct Award				
Diesel Emissions Reduction Act (DERA) State Grants	66.040	33091	306,023	272,095
Diesel Emissions Reduction Act (DERA) State Grants	66.040	33093	12,040	6
Total Environmental Protection Agency			318,063	272,101
Department of Energy				
Direct Award				
State Energy Program	81.041		209,272	-
State Energy Program	81.041	31097	366,719	22,621
State Energy Program	81.041		25,167	-
Total Department of Energy			601,158	22,621
Denali Commission Program				
Direct Award				
Chalkytsik Bulk Fuel Facility Design	90.100	31371	212,657	206,090
START Communities Technical Assistance	90.100	31372	46,300	31,915
Beaver Bulk Fuel Facility Design	90.100	31374	204,650	198,718
Bulk Fuel Operator Training	90.100		227,242	-
Circuit Rider Program	90.100		204,293	-
Gen Set Maintenance and Improvement Program	90.100		31,089	-
Miscellaneous Small Maintenance and Improvement Project	90.100	31380	265,305	86,225
Power Plant Operator Training	90.100		169,759	-
Itinerant Utility Training	90.100		83,074	-
RPSU Maintenance and Improvement Program - Statewide	90.100	31385	846,253	697,546
RPSU Inventory and Assessment	90.100		(2,830)	-
RPSU Venetie, Alaska	90.100	31388	1,088,690	1,066,115
Barge Headers and Fill Lines	90.100	31389	451,140	313,107
Bulk Fuel Storage Facility Upgrade - Nunapitchuk, Alaska	90.100	31390	1,142,909	1,149,331
RPSU Napaskiak, Alaska	90.100	31392	157,165	157,112
RPSU Nelson Lagoon, Alaska	90.100	31394	42,927	10,633
RPSU Rampart, Alaska	90.100		4,766	-
Bulk Fuel Storage Upgrade - Scammon Bay, Alaska	90.100		661	-
Village Energy Efficient Program - Statewide	90.100	31398	65,566	57,574
Engineering Library	90.100		12,342	-
Craig High School Biomass Project	90.100		477	-
Port Heiden Phase I Electrical Distribution Upgrades	90.100	31403	1,262,607	1,230,916
Operation & Maintenance Manual Conversion & Training	90.100		42,677	-
Bulk Fuel Inventory and Assessment	90.100		299,701	-
Remote Power System Upgrade - Rampart	90.100	31406	795,364	754,399
RPSU Nikolai, Alaska	90.100	31407	159,075	95,700
DOE Littoral Power Systems Hydrokinetic Project	90.100		213	-
Shungnak BFU	90.100	31411	855,403	849,657
Dist System Invty & Asses Statewide	90.100		18,122	-
Ruby Powerhouse Leveling	90.100		927	-
Total Denali Commission Program			8,688,524	6,905,038
Total Federal Financial Assistance			**$ 10,636,481**	**$ 7,714,528**

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, 2023. 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 position, 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.

Note 4 - Adjustments Previously Reported Federal Expenditures

Certain grant expenditures reported for the Wood Utilization Assistance program (10.674) ($989) and the Denali Commission Program RSPU Inventory and Assessment (90.100) ($2,860) are negative due to corrections made to previously reported federal expenditure in prior fiscal year. These corrections decreased federal expenditures through adjustments made in the current fiscal year. In addition, a correction was made to AEA's previously reported federal expenditure in prior fiscal year related to the Bulk Fuel Storage Facility Upgrade-Nunapitchuk Alaska resulting in a difference between the $1,142,909 of expenditures and $1,149,331 of pass through to subrecipients being reported during fiscal year ended June 30, 2023.

Section I – 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:

Name of Federal Program	Federal Financial Assistance Listing
Denali Commission Program	90.100

Dollar threshold used to distinguish between Type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.