

Alaska Energy Authority
(A Component Unit of the State of Alaska)

Federal Single Audit Report
Year Ended June 30, 2025

(With Independent Auditor's Reports Thereon)

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



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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*

The Board of Directors
Alaska Energy Authority
Anchorage, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Alaska Energy Authority (the Authority), a component unit of the State of Alaska, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 31, 2025.

Our report includes a reference to other auditors who audited the financial statements of the Power Cost Equalization Endowment Fund (PCE Fund), as described in our report on the Authority's financial statements. The financial statements of the PCE Fund were not audited in accordance with *Government Auditing Standards*, and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the PCE Fund or that are reported separately by those auditors who audited the financial statements of the PCE Fund.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

October 31, 2025



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 (the Authority) 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 the Authority's major federal programs for the year ended June 30, 2025. The 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, the 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, 2025.

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; 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 the 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 the 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 the 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 the 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 the 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 the 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 the 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 the 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

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.



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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Alaska Energy Authority is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Alaska Energy Authority's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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, business-type activities, and each major fund of the Authority as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon, dated October 31, 2025, 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.

BDO USA, P.C.

December 23, 2025

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

<i>Federal Grantor/Program or Cluster Title/Pass-Through Grantor/Grant Name</i>	<i>Federal Assistance Listing Number</i>	<i>Code</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Total Federal Expenditures</i>	<i>Provided to Subrecipients</i>
Department of Defense					
Community Investment					
DO Defense FAIN-HQ00052210045 CIP2019-22-01 (100F)	12.600	31201		\$ 7,227	\$ -
Department of Transportation					
Highway Planning and Construction (Federal-Aid Highway Program)					
Pass-through State of Alaska					
Department of Transportation	20.205	33096	HFHWY00290	96,978	-
RSA DOT NEVI Planning HFHWY00290 T09018					
Department of Agriculture					
Wood Utilization Assistance:					
USDA 2019-DG-11100106-811	10.674	31095		102,770	10,878
USDA Forest Svc 22-DG-11100106-805	10.674	31100		52,832	-
Total ALN 10.674				155,602	10,878
Assistance to High Energy Cost Rural Communities					
USDA HEC AK0031-E84 Napaskiak	10.859	31099		2,329,958	2,329,958
Total Department of Agriculture				2,485,560	2,340,836
Environmental Protection Agency					
Diesel Emissions Reduction Act State Grants:					
FFY19-20EPADS-01J63901	66.040	33091		70,712	65,367
FFY21 EPADS-01J94201	66.040	33093		548,303	533,467
DS-02J80301 AlasDERAState Prog FY23-24	66.040	33098		3,661	-
Total ALN 66.040				622,676	598,834
Greenhouse Gas Reduction Fund: Solar for All					
5H-84090601 Solar For All EPA-R-HQ-SFA-23-01	66.959	33099		393,103	-
Total Environmental Protection Agency				1,015,779	598,834
Department of Energy					
Research and Development Program Cluster					
Conservation Research and Development					
DE-EE0010625 Alaska ElectVehicle Supply	81.086	31104		118,042	52,841
Energy Efficiency and Conservation Block Grant Program					
DE-SE0000229 EECBG FormulaGrant IJJA PL117-58	81.128	31103		122,677	115,164
Grid Infrastructure Deployment and Resilience					
DE-GD0000935 Bipar Infra Law BIL	81.254	31109		615,255	-
State Energy Program:					
DOE FY22 SEP DE-EE0009472	81.041	31097		5,238	-
DOE FY23 SEP IJJA DE-EE0010056	81.041	31098		292,436	-
DE-SE0000020 IRAS50121 HE EFF REB PROG	81.041	31105		309,767	-
DE-SE0000076 IRA S 50122	81.041	31106		394,258	-
DE-SE0000752 IRA STATE BASED HEECT GRANT (TREC)	81.041	31110		2,650	-
DE-SE0001080 SEP Formula-Alaska	81.041	31108		412,417	-
Total ALN 81.041				1,416,766	-
Total Department of Energy				2,272,740	168,005
Denali Commission					
Denali Commission Program - Direct:					
DC 01474 Chlkytsk BF	90.100	31371		981	-
DC 01485 START Communities Tech Assist	90.100	31372		61,382	57,674
DC 01492 Beaver BF Refurbishmnt	90.100	31376		164,275	-
DC 01516 RPS Maint & Improvements	90.100	31378		107,244	-
DC 01523 Misc Small Maint & Improv Prjs	90.100	31379		21,537	-
DC 01548 RPSUMaint & Improvent Prg	90.100	31380		439,291	341,265

Alaska Energy Authority
(A Component Unit of the State of Alaska)
Schedule of Expenditures of Federal Awards, Continued
Year Ended June 30, 2025

<i>Federal Grantor/Program or Cluster Title/Pass-Through Grantor/Grant Name</i>	<i>Federal Assistance Listing Number</i>	<i>Code</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Total Federal Expenditures</i>	<i>Provided to Subrecipients</i>
Denali Commission, Continued					
Denali Commission Program - Direct, Continued:					
DC 01544 Itinerant Utility Training	90.100	31384		\$ 79,862	\$ -
DC 01548 RPSUMaint&Improvent Prg	90.100	31385		237,407	147,621
DC 01551 Venetie RPSU	90.100	31388		10,195	10,195
DC 01557 BargeHeaders&Fill Lines	90.100	31389		6,251	-
DC 01575 RPSU Nelson Lgn	90.100	31394		495,072	469,702
DC 01592 Scammon Bay BF	90.100	31397		2,986,306	2,927,156
DC 01600 VEEP-Statewide	90.100	31398		319,733	313,245
DC 01628 Craig High Sch Biomass	90.100	31401		158,071	145,783
DC 01618 Fivemile Creek Hydro	90.100	31402		18,398	16,848
DC 01645 O&M Manual Conversion&Training	90.100	31404		19,873	-
DC 01646 Bulk Fuel Inv&Assess	90.100	31405		80,334	-
DC 01576 RPSU Rampart Constr	90.100	31406		27,683	27,683
DC 01704 Chalkyitsik RPSU CDR	90.100	31409		147,143	138,575
DC 01705 MKEC Failure Mit Analysis & Plan	90.100	31410		166,183	156,637
DC 01731 Shungnak BFU	90.100	31411		475,649	473,795
DC1771 Dist Sys Inv & Asses Stw	90.100	31412		63,807	-
DC 01735 Ruby Powerhouse Lvlg	90.100	31413		29,009	24,856
DC 01761 Tuluksak BFU M&I Fed	90.100	31414		23,265	13,620
DC 01767 AVTEC Powerplant Lab Upgr	90.100	31415		217,459	-
DC 01784 Power Plant Operator Training	90.100	31416		188,740	-
DC 01825 Kwethluk EmerGen Repairs	90.100	31418		230,232	193,962
DC 01830 Kipnuk Dist Upgrades	90.100	31419		51,088	24,865
DC 01832 Rampart Elec Dist and Heat Rec	90.100	31420		550,176	535,665
DC 01868 Bulk Fuel Aggregation Study	90.100	31421		131,912	-
DC 01871 Shageluk Emer BulkFuel Tank Reloc	90.100	31422		40,000	-
DC 1890 Napaskiak Dist Upgrades	90.100	31423		33,552	-
DC 1911-00 BF Fac Info&Analy	90.100	31425		10,000	-
DC 1937-00 Shageluk BFU	90.100	31427		2,339	-
DC 1946-00 Tuluksak RPSU	90.100	31429		10,147	767
DC 1942-00 Manokotak RPSU & Heat Recovery	90.100	31430		2,272	-
DC 1950-00 BF Maint and Imp	90.100	31431		12,700	-
DC 1949-00 Maint & Imp. of RPS	90.100	31432		5,281	-
Total Denali Commission				7,624,849	6,019,914
Total Expenditures of Federal Awards				13,503,133	9,127,589

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards

Alaska Energy Authority
(A Component Unit of the State of Alaska)

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025**

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, 2025. 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 Alaska Energy Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Alaska Energy Authority. The Authority's schedule of expenditures includes presentation of the internal codes it assigns to each grant. The codes have been presented in the schedule to assist internal users in identifying individual grants.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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

Alaska Energy Authority has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

Alaska Energy Authority
(A Component Unit of the State of Alaska)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP.

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? X yes _____ (none reported)

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X yes _____ no

Identification of major federal programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

90.100

Denali Commission Program

10.859

Assistance to High Energy Cost Rural Communities

81.254

Grid Infrastructure Deployment and Resilience

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Alaska Energy Authority
(A Component Unit of the State of Alaska)

Schedule of Findings and Questioned Costs - Continued
Year Ended June 30, 2025

Section II Federal Award Findings and Questioned Costs

Finding 2025-001 Review of Progress/Performance Reports - Reporting - Significant Deficiency in Internal Control over Compliance

Agencies - U.S Department of Agriculture

Assistance Listing Numbers (ALN) - 10.859

Program Name - Assistance to High Energy Cost Rural Communities

Award Year / Award Number - FY 2025, 2024, 2023, 2022 / Award #AK0031-E84

Criteria or Specific Requirement - 2 CFR 200.303, Internal Controls, requires that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition - The Authority did not have controls in place for review of progress reports for this program. During our testing of reports, we noted that 2 of the 5 reports sampled did not have evidence of a formal review before submission.

Cause - The Authority did not have controls in place to ensure that progress reports were reviewed by personnel independent of the preparers prior to submission to the federal agency.

Effect or Potential Effect - Reports may contain inaccuracies, be incomplete, or fail to comply with the requirements outlined in 2 CFR 200.329 and the federal award.

Questioned Costs - None.

Context - We tested a sample of 5 reports and found 2 exceptions as noted in the condition. This is a condition identified per review of the Authority's compliance with specified requirements not using a statistically valid sample.

Identification as a Repeat Finding - Not a repeating finding.

Recommendation - The Authority should establish procedures requiring all reports be reviewed and approved by personnel independent of the preparer prior to submission to federal agencies.

Views of Responsible Officials - Management concurs with the finding. The Authority will establish procedures to ensure that all reports are reviewed by personnel independent of the preparer prior to submission.

Alaska Energy Authority
(A Component Unit of the State of Alaska)

Corrective Action Plan
Year Ended June 30, 2025

Management Contract Information:

Tim Sandstrom, Chief Operating Officer

Phone: (907) 771-3082

Email: tjsandstrom@akenergyauthority.org

Finding 2025-001: Review of Progress/Performance Reports - Reporting Significant Deficiency in
Internal Control over Compliance

Alaska Energy Authority will implement procedures to ensure that all compliance reports are reviewed by a personnel independent of the preparer(s).

Point of Contact:

Pam Ellis, Controller

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Anticipated Completion Date: 1/15/2026