

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

Federal Single Audit Report
Year Ended June 30, 2019

(With Independent Auditor's Reports Thereon)

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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

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 Alaska Energy Authority, a component unit of the State of Alaska, as of and for the year ended June 30, 2019, 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 25, 2019.

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) 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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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
October 25, 2019



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3601 C Street, Suite 600
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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

Board of Directors
Alaska Energy Authority
Anchorage, Alaska

Report on Compliance for Each Major Federal Program

We have audited Alaska Energy Authority's compliance with the types of compliance requirements described 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, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alaska Energy Authority'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 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). Those standards and the Uniform Guidance 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 Alaska Energy Authority'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 Alaska Energy Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Alaska Energy Authority 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, 2019.

Report on Internal Control Over Compliance

Management of Alaska Energy Authority 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 Alaska Energy Authority'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 Uniform Guidance, 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 Alaska Energy Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of Alaska Energy Authority as of and for the year ended June 30, 2019 and have issued our report thereon dated October 25, 2019 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

BDO USA, LLP

Anchorage, Alaska
October 25, 2019

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

**Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2019**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Provided to Subre- cipients</i>	<i>Total Federal Expen- ditures</i>
Department of Agriculture				
Wood Utilization Assistance - direct	10.674		\$ 40,057	\$ 173,014
Rural Energy for America Program - direct	10.868		-	78,747
Rural Business Development Grants - direct	10.351		-	36,008
Biomass System Performance Grant - direct	10.UNKNOWN		-	3,597
Total Department of Agriculture			<u>40,057</u>	<u>291,366</u>
Environmental Protection Agency				
State Clean Diesel Grant Program - direct	66.040		<u>105,738</u>	<u>136,963</u>
Department of Energy				
State Energy Program - direct	81.041		-	305,337
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance				
Passed through Washington State University	81.117	FY17	-	3,952
Direct	81.117		2,605	28,865
State Energy Program Special Projects - direct	81.119		-	19,415
Electricity Delivery and Energy Reliability, Research, Development and Analysis - direct	81.122		<u>2,162</u>	<u>2,162</u>
Total Department of Energy			<u>4,767</u>	<u>359,731</u>
Denali Commission Program				
Direct:				
Emerging Energy Technology Grant Fund	90.100		-	11,830
Shishmaref Bulk Fuel Upgrade	90.100		-	1,939
Tatitlek Bulk Fuel Upgrade	90.100		472	34,753
Koliganek Rural Power System Upgrade	90.100		3,053	3,053
Emerging Energy Tech Fund Data Collection	90.100		-	25,376
Perryville Rural Power System Upgrade	90.100		8,764	38,775
Clark's Point Remote Power System Upgrade	90.100		797,436	863,879
Chalkytsik Bulk Fuel Facility Refurbishment	90.100		-	3,785
START Communities Technical Assistance	90.100		-	79,174
Kipnuk Bulk Fuel Upgrade	90.100		86,863	89,754
Beaver Bulk Fuel Facility Refurbishment	90.100		-	2,736
Bulk Fuel Operator Training	90.100		-	163,732
Mertarvik Energy Planning & Design	90.100		-	90,239
Circuit Rider Program	90.100		-	207,955
Remote Power System Maintenance & Improvement Program	90.100		48,681	137,122
Miscellaneous Small Maintenance & Improvement Projects	90.100		-	158
Port Heiden Rural Power System Upgrade	90.100		343,660	381,308
Power Plant Operator Training	90.100		-	134,917
Togiak-Twin Hills Intertie	90.100		391,877	403,379
Itinerant Utility Training	90.100		-	17,214
Remote Power System Maintenance & Improvement Program - Statewide	90.100		7,310	15,905
Remote Power Systems Inventory and Assessment - Statewide	90.100		-	1,138
Remote Power System Upgrade - Akhiok, Alaska	90.100		-	5,228
Total Denali Commission Program			<u>1,688,116</u>	<u>2,713,349</u>
Total Expenditures of Federal Awards			<u>\$ 1,838,678</u>	<u>\$ 3,501,409</u>

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

Alaska Energy Authority
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**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Alaska Energy Authority under programs of the federal government for the year ended June 30, 2019. The information in this Schedule 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.

Note 2. Summary of Significant Accounting policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditure are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Alaska Energy Authority has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Alaska Energy Authority
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Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report 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?

___yes

X (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)?

___yes

X no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
90.100	Denali Commission Program	Denali Commission

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

\$ 750,000

Auditee qualified as low-risk auditee?

___yes

X no

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

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.