



**ALASKA ENERGY AUTHORITY**  
(A Component Unit of the State of Alaska)

Audit in Accordance with OMB Circular A-133

Year ended June 30, 2009

(With Independent Auditors' Report Thereon)

**ALASKA ENERGY AUTHORITY**  
(A Component Unit of the State of Alaska)

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**KPMG LLP**  
Suite 600  
701 West Eighth Avenue  
Anchorage, AK 99501

## **Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

The Board of Directors  
Alaska Energy Authority  
(A Component Unit of the State of Alaska):

### **Compliance**

We have audited the compliance of the Alaska Energy Authority, a Component Unit of the State of Alaska, (Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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 the 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. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### **Internal Control over Compliance**

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the Authority's internal control over compliance.



A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2009, and have issued our report thereon dated October 23, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

October 23, 2009

**ALASKA ENERGY AUTHORITY**  
(A Component Unit of the State of Alaska)  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2009

Federal grantor/pass-through grantor grantor program title	Catalog of federal domestic assistance number	Award amount	Federal expenditures
U.S. Department of Energy:			
Direct:			
Alaska Wood Biomass	81.079	180,722	3,152
Alaska Wind Energy	81.087	2,772,940	41,706
Geothermal Outreach	81.117	122,000	26,358
Nome Diesel Generator Upgrade	81.122	950,000	9,991
Chenega Bay Power System Upgrade	81.122	379,000	215,741
Total direct		4,404,662	296,948
Passed through the State of Alaska:			
State Energy Program – Energy Conservation	81.041	125,000	125,000
Passed through Washington State University			
Washington State Univ-SEP Northwest CHP Application Center	81.041	35,000	5,006
Total U.S. Department of Energy		4,564,662	426,954
Denali Commission:			
Direct:			
Bulk Fuel Consolidation Upgrades and Power Generation	90.100	104,315,408	137,376
Bulk Fuel Consolidation Upgrades and Power Generation – 2005 and beyond	90.100	42,304,866	2,697,801
Bulk Fuel Consolidation Upgrades	90.100	3,991,328	639,141
Kwethluk Barge Landing Design	90.100	201,415	30,705
Bulk Fuel Consolidation and Power Generation Upgrades	90.100	21,485,255	9,205,688
Alternative Energy Proposal Review and Project Management	90.100	3,090,000	227,370
Kwethluk Barge Landing and Road Extension Design	90.100	143,415	35,177
2008 Rural Energy Conference	90.100	36,585	33,719
St. George High Penet Wind Diesel	90.100	1,000,000	—
Angoon Power System Upgrade	90.100	840,000	556,120
Kwethluk Power System Upgrade	90.100	3,100,000	422,444
Ouzinkie Power System Upgrade	90.100	200,000	169,231
DC Project Administration	90.100	350,520	31,473
Pelican Hydro Upgrade	90.100	2,274,000	274,301
Napakiak Power System Upgrade	90.100	850,000	527,432
Tuluksak Bulk Fuel Tank Farm Upgrade	90.100	120,000	24,489
Repair & Replacement	90.100	225,000	48,007
Napakiak Bulk Fuel Farm Upgrade	90.100	150,000	137,702
Ekwook Bulk Fuel Design & Upgrade	90.100	150,000	51,506
Chitina Power System Upgrade	90.100	940,000	358,952
Takotna Power System Upgrade	90.100	950,000	2,724
Napakiak Intertie	90.100	2,850,000	145,092
Ruby Power System Upgrade	90.100	120,000	1
Remote Monitoring & Metering	90.100	153,000	27,002
Nikolai Power System Upgrade	90.100	150,000	186
Village End Use Efficiency Measures	90.100	180,000	16,810
Anchorage School District End Use Efficiency Measures	90.100	147,840	132,172
Total direct		190,318,632	15,932,621
Passed through the State of Alaska:			
Bulk Fuel Tank, Utility, Power Plant, Hydro Power Plant Operator Training	90.100	273,308	273,009
Total Denali Commission		190,591,940	16,205,630
U.S. Department of Interior:			
Passed through the State of Alaska:			
Remote Monitoring	15.615	24,674	24,674
U.S. Environmental Protection Agency:			
EPA AK Fish Oil Biodiesel	66.034	200,000	12,454
EPA – TIPS Feasibility	66.202	1,450,800	468,763
Total direct		1,650,800	481,217
Passed through the State of Alaska:			
Organic Rankine	66.040	55,000	18,467
Total U.S. Environmental Protection Agency		1,705,800	499,684
U.S. Department of Agriculture:			
RUS Napakiak Transmission Line	10.859	2,915,228	2,590,986
RUS Elfin Cove Power System Upgrade	10.859	1,178,490	103,919
RUS Levelock Power System Upgrade	10.859	2,637,831	1,139,472
Total direct		6,731,549	3,834,377
Passed through the State of Alaska:			
University of Alaska Modular Fish Oil	10.001	10,391	125
Total U.S. Department of Agriculture		6,741,940	3,834,502
Total federal awards		\$ 203,629,016	20,991,444

See accompanying 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

Year ended June 30, 2009

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Alaska Energy Authority (Authority). The Authority's reporting entity is defined in note 1 to the Authority's financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

**(2) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 2 to the Authority's financial statements.

**ALASKA ENERGY AUTHORITY**  
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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

**(3) Subrecipients**

The Authority provided the following to subrecipients during the year ended June 30, 2009:

U.S. Department of Energy:	
Nome Diesel Generator Upgrade	\$ 10,000
Chenega Bay Power System Upgrade	215,740
	<u>225,740</u>
Denali Commission:	
Bulk Fuel Consolidation Upgrades and Power Generation	33,490
Bulk Fuel Consolidation Upgrades and Power Generation – 2005 and beyond	
Legislative Energy Project	1,958,084
Bulk Fuel Consolidation Upgrades	603,048
Bulk Fuel Consolidation and Power System Upgrades	8,178,250
Alternative Energy Proposal Review and Project Management	210,477
Angoon Power System Upgrade	497,344
Kwethluk Power System Upgrade	422,444
Ouzinki Power System Upgrade	120,828
Pelican Hydro Upgrade	274,301
Napakiak Power System Upgrade	340,530
Chitna Power System Upgrade	345,906
Village End Use Efficiency Measures	14,737
Anchorage School District End Use Efficiency Measures	132,172
	<u>13,131,611</u>
U.S. Environmental Protection Agency:	
EPA – TIPS Feasibility	459,965
U.S. Department of Agriculture:	
RUS Napakiak Transmission Line	14,047
RUS Elfin Cove Power System Upgrade	94,646
RUS Levelock Power System Upgrade	1,131,527
	<u>1,240,220</u>
	<u>\$ 15,057,536</u>

**ALASKA ENERGY AUTHORITY**  
(A Component Unit of the State of Alaska)  
Federal Financial Assistance Report  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**(1) Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued

**Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes      X   no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_ yes      X   none reported

Noncompliance material to financial statements noted?

\_\_\_ yes      X   no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_ yes      X   no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_ yes      X   none reported

Type of auditors' report issued on compliance for major programs

**Unqualified**

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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
90.100	Denali Commission
10.859	U.S. Department of Agriculture

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

\$ 629,189

Auditee qualified as low-risk auditee?

  X   yes    \_\_\_ no

**ALASKA ENERGY AUTHORITY**  
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Federal Financial Assistance Report  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

- (2) **There were no findings relating to the financial statements reported in accordance with *Government Auditing Standards***
- (3) **There were no findings or questioned costs relating to federal awards**



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**Independent Auditors' 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  
(A Component Unit of the State of Alaska)

We have audited the financial statements of the Alaska Energy Authority as of and for the year ended June 30, 2009, and have issued our report thereon dated October 23, 2009. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, 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.

Our consideration of 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.



This report is intended solely for the information and use of management, the board of directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 23, 2009