



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

Audit in Accordance with OMB Circular A-133

June 30, 2015

(With Independent Auditors' Reports Thereon)

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

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**Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations**

The Board of Directors  
Alaska Energy Authority:

**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 Circular A-133 Compliance Supplement* that could have a direct and material effect on Alaska Energy Authority's major federal program for the year ended June 30, 2015. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for Alaska Energy Authority's major federal program 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 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 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 the major federal program. However, our audit does not provide a legal determination of Alaska Energy Authority's compliance.

***Opinion on the 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 its major federal program for the year ended June 30, 2015.

**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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Alaska Energy Authority as of and for the year ended June 30, 2015, and have issued our report thereon dated October 26, 2015, which contained an unmodified opinion 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

**KPMG LLP**

October 26, 2015

**ALASKA ENERGY AUTHORITY**  
(A Component Unit of the State of Alaska)  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Federal grantor/pass-through grantor grantor program title	Catalog of federal domestic assistance number	Award amount	Federal expenditures
U.S. Department of Energy:			
Direct – State Energy Program	81.041	\$ 581,840	340,479
Direct – Alaska Wind Energy	81.087	1,585,652	69,856
Passed through Washington State University – Renewable Energy Research	81.117	<u>40,000</u>	<u>25,569</u>
Total U.S. Department of Energy		<u>2,207,492</u>	<u>435,904</u>
Denali Commission:			
Direct:			
Nunam Iqua Bulk Fuel Facility	90.100	2,700,000	432,419
St. George Power System Upgrade	90.100	2,100,000	103,087
Fort Yukon Power System Upgrade	90.100	340,000	(60)
Emerging Energy Technology Fund (EETF) RivGen Power System Commercial Project	90.100	651,990	263,519
Tatitlek Bulk Fuel System	90.100	1,472,000	260,673
Shishmaref Bulk Fuel	90.100	2,517,778	4,192
Ruby Power System Upgrade	90.100	2,671,825	241,048
Port Heiden Bulk Fuel Facility	90.100	780,000	14,679
EETF BRI Cyclo-Turbine Energy Production	90.100	335,169	107,816
Emerging Energy Technology (Round 1)	90.100	911,079	198,930
Yakutat Power System Upgrade Construction	90.100	3,205,514	687
FY08 Project Administration	90.100	1,762,717	157,035
EETF Application of Composite Flywheels	90.100	309,350	179,234
Perryville Rural Power System Upgrade	90.100	2,560,000	195,675
EETF Arctic Field Testing of the EO-25/12 Wind Turbine	90.100	102,359	13,438
EETF Oceana In-stream Hydrokinetic Device Evaluation	90.100	566,235	188,344
Twin Hills Power System Upgrade	90.100	150,000	46,026
Alternative Energy Proposal Review and Project Management	90.100	2,226,373	529,245
Igiugig Power System Upgrade	90.100	1,350,000	224,140
EETF Ultra-Efficient Generator and Diesel-Electric Prop	90.100	103,487	37,122
EETF Small Community Self-Regulating Grid	90.100	142,532	13,245
EETF Arctic Thermal Shutter and Doors	90.100	62,560	8,665
EETF Enhanced Condensation for Organic Rankine Cycle	90.100	76,380	24,320
EETF Cold Climate Heat Pump Demonstration	90.100	50,385	2,019
Akiak Power System Upgrade	90.100	2,000,000	303,689
EETF Safe and Efficient Exhaust Thimble	90.100	40,429	3,621
Emerging Energy Technology (Round 2)	90.100	345,000	49,067
Nunam Iqua Rural Power System Upgrade	90.100	760,000	405,189
EETF Biomass Reforest for Boreal	90.100	20,700	4,564
Bulk Fuel Inventory Assessment	90.100	275,000	201,067
Kake Bulk Fuel Storage Upgrade	90.100	585,000	10,921
		<u>31,173,862</u>	<u>4,223,616</u>
U.S. Department of Agriculture:			
Direct:			
Rural Development, Forestry, and Communities – Wood Energy Development	10.672	<u>277,756</u>	<u>74,059</u>
Total federal awards		<u>\$ 33,659,110</u>	<u>4,733,579</u>

See accompanying independent auditors' report.

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

June 30, 2015

**(1) Basis of Presentation**

The Alaska Energy Authority's (Authority's) reporting entity is defined in note 1 to the Authority's financial statements. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Authority under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in note 2 to the Authority's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures 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.

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

June 30, 2015

**(3) Subrecipients**

Of the federal expenditures on the Schedule, the Authority provided federal awards to subrecipients as follows:

Denali Commission:	
Nunam Iqua Bulk Fuel Facility	432,419
St. George Power System Upgrade	102,814
Emerging Energy Technology Fund (EETF) RivGen Power System Commercial Project	263,519
Tatitlek Bulk Fuel System	244,844
Ruby Power System Upgrade	221,548
Port Heiden Bulk Fuel Facility	10,307
EETF BRI Cyclo-Turbine Energy Production	107,816
Yakutat Power System Upgrade Construction	687
EETF Application of Composite Flywheels	179,234
Perryville Rural Power System Upgrade	175,964
EETF Arctic Field Testing of the EO-25/12 Wind Turbine	13,438
EETF Oceana In-stream Hydrokinetic Device Evaluation	188,344
Twin Hills Power System Upgrade	45,002
Alternative Energy Proposal Review and Project Management	529,245
Igiugig Power System Upgrade	213,825
EETF Ultra-Efficient Generator and Diesel-Electric Prop	37,122
EETF Small Community Self-Regulating Grid	13,245
EETF Arctic Thermal Shutter and Doors	8,665
EETF Enhanced Condensation for Organic Rankine Cycle	24,320
EETF Cold Climate Heat Pump Demonstration	2,019
Akiak Power System Upgrade	297,031
EETF Safe and Efficient Exhaust Thimble	3,621
Nunam Iqua Rural Power System Upgrade	389,632
EETF Biomass Reforest for Boreal	4,564
Kake Bulk Fuel Storage Upgrade	10,135
	3,519,360
Total Denali Commission	3,519,360
Total to subrecipients	\$ 3,519,360

**ALASKA ENERGY AUTHORITY**  
(A Component Unit of the State of Alaska)  
Schedule of Findings and Questioned Costs  
June 30, 2015

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

***Financial Statements***

Type of auditors' report issued: Unmodified

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 the 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 weaknesses? \_\_\_\_\_ yes   X   none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? \_\_\_\_\_ yes   X   no

***Identification of Major Programs***

CFDA #	Name of federal program or cluster
90.100	Denali Commission

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes \_\_\_\_\_ no

- (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:

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 Alaska Energy Authority, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2015.

### **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 Alaska Energy 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 Alaska Energy Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 26, 2015