



**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**

Audit in Accordance with OMB Circular A-133

Year ended June 30, 2007

(With Independent Auditors' Report Thereon)

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**

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

Independent Auditors' Report on Compliance with Requirements Applicable to its Major Program, Internal Control over Compliance and Supplementary Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

The Board of Directors
Alaska Industrial Development
and Export Authority:

Compliance

We have audited the compliance of the Alaska Industrial Development and Export Authority Revolving Fund (the Fund) 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 its major federal program for the year ended June 30, 2007. The Fund's major federal program is 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 its major federal program is the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund'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 Fund'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 on the Fund's compliance with those requirements.

In our opinion the Fund complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control over Compliance

The management of the Fund 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 Fund'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 Fund'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 Alaska Industrial Development and Export Authority (Authority), including its major fund and the aggregate remaining fund information as of and for the year ended June 30, 2007, and have issued our report thereon dated October 25, 2007. The schedule of expenditures of federal awards for the Fund do not include federal expenditures of the Loan Funds of the Authority. 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 25, 2007

**ALASKA INDUSTRIAL DEVELOPMENT
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Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

Federal grantor/pass-through grantor grantor program title	Catalog of federal domestic assistance number	Award amount	Federal expenditures
U.S. Department of Commerce			
Economic Development Administration			
Grants for Public Works and Economic			
Development Facilities	11.300	\$ 5,000,000	3,850,644
Economic Adjustment Assistance	11.307	2,400,000	42,819
Total federal awards		<u>\$ 7,400,000</u>	<u>3,893,463</u>

See accompanying notes to schedule of expenditures of federal awards.

**ALASKA INDUSTRIAL DEVELOPMENT
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Notes to Schedule of Expenditures of Federal Awards

June 30, 2007

General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Fund. The Fund's reporting entity is defined in note 1 to the Alaska Industrial Development and Export 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.

Basis of Accounting

The accompanying schedule of federal financial assistance is presented using the accrual basis of accounting, which is described in note 2 to the Alaska Industrial Development and Export Authority's financial statements.

**ALASKA INDUSTRIAL DEVELOPMENT
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Federal Financial Assistance Reports

Schedule of Findings and Questioned Costs

June 30, 2007

(1) Summary of Auditors' Results

- a. An unqualified independent auditors' report was issued on the financial statements of the Alaska Industrial Development and Export Authority.
- b. No significant deficiencies and no material weaknesses in internal control were disclosed in the report on compliance and on internal control over financial reporting.
- c. There was no noncompliance which is material to the financial statements.
- d. No significant deficiencies and no material weaknesses in internal control were disclosed in the report on compliance with requirements applicable to its major program and internal control over compliance.
- e. An unqualified independent auditors' report was issued on compliance for its major program.
- f. There were no audit findings to be reported as required under Section 510(a) of OMB Circular A-133.
- g. The Alaska Industrial Development and Export Authority Revolving Fund had the following major program:
 - U.S. Department of Commerce – Grants for Public Works and Economic Development Facilities, CFDA #11.300
- h. Programs with federal expenditures greater than \$300,000 were identified as Type A programs.
- i. The Alaska Industrial Development and Export Authority Revolving Fund did not qualify as a low-risk auditee under Section 530 of OMB Circular A-133.

(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.



KPMG LLP
Suite 600
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Anchorage, AK 99501

**Independent Auditors' Report on Compliance and on Internal Control
over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Directors
Alaska Industrial Development and Export Authority:

We have audited the financial statements of the Alaska Industrial Development and Export Authority (the Authority) as of and for the year ended June 30, 2007, and have issued our report thereon dated October 25, 2007. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

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 an 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that

might be 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.

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 25, 2007