



Single Audit Report
June 30, 2021

**Alaska Industrial Development and
Export Authority**
(A Component Unit of the State of Alaska)

Alaska Industrial Development and Export Authority

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June 30, 2021

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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*

To the Board of Directors
Alaska Industrial Development and Export Authority
Anchorage, Alaska

We have audited, 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, the financial statements of the major funds and the aggregate remaining fund information of the Alaska Industrial Development and Export Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Alaska Industrial Development and Export Authority’s basic financial statements and have issued our report thereon dated December 2, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alaska Industrial Development and Export 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 Alaska Industrial Development and Export Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Alaska Industrial Development and Export 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 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alaska Industrial Development and Export 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*.

Alaska Industrial Development and Export Authority Response to Findings

Alaska Industrial Development and Export Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Alaska Industrial Development and Export Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Boise, Idaho
December 2, 2021



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

To the Board of Directors
Alaska Industrial Development and Export Authority
Anchorage, Alaska

Report on Compliance for the Major Federal Program

We have audited Alaska Industrial Development and Export Authority’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Alaska Industrial Development and Export Authority’s major federal program for the year ended June 30, 2021. Alaska Industrial Development and Export 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for Alaska Industrial Development and Export 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 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 Industrial Development and Export 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 Industrial Development and Export Authority’s compliance.

Opinion on the Major Federal Program

In our opinion, Alaska Industrial Development and Export Authority's 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, 2021.

Report on Internal Control over Compliance

Management of Alaska Industrial Development and Export 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 Industrial Development and Export 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 the 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 the Alaska Industrial Development and Export 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 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.

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 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 each major fund, and the aggregate remaining fund information of Alaska Industrial Development and Export Authority as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Alaska Industrial Development and Export Authority's basic financial statements. We issued our report thereon dated December 2, 2021, 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 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.

Eide Bailly LLP

Boise, Idaho

December 2, 2021

Alaska Industrial Development and Export Authority
(A Component Unit of the State of Alaska)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing/ Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>Department of the Treasury</u>			
Passed through Alaska Department of Commerce, Community and Economic Development			
Coronavirus Relief Fund:			
Covid-19 DCCED AK CARES Direct Grant RSA R2024	21.019	Not Available	\$ 274,511,612
Covid-19 DCCED AK CARES Admin RSA R2023	21.019	Not Available	5,754,153
Covid-19 DCCED AK CARES Direct Grant	21.019	Not Available	393,000
Total Department of Treasury			280,658,765
<u>Department of Transportation</u>			
Direct Award			
Federal Transit Cluster:			
Federal Transit Capital Investment Grants	20.500		404,864
Total Department of Transportation			404,864
Total Federal Financial Assistance			\$ 281,063,629

Alaska Industrial Development and Export Authority

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Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Alaska Industrial Development and Export Authority under programs of the federal government for the year ended June 30, 2021. 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 Industrial Development and Export Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Alaska Industrial Development and Export Authority.

Note 2 - Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, 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. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

Alaska Industrial Development and Export Authority has elected not to use the 10% de minimis cost rate.

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516: No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
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Covid-19 Coronavirus Relief Fund	21.019
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Dollar threshold used to distinguish between Type A and type B programs:	\$ 750,000
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Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings

2021-001

Material Weakness in Internal Control over Financial Statements.

Criteria:

An internal control system includes processes to identify assets of an organization.

Condition:

As a result of audit procedures a reserve account was identified that should have been included in the financial statements.

Cause:

AIDEA's current internal control system did not include a review of historical accounts to re-evaluate and conform whether they should continue to be excluded for financial reporting purposes.

Effect:

A significant reserve account was not included in the financial statements and required a prior period adjustment as of June 30, 2020 to properly state the reserves and corresponding liability. Inadequate monitoring of internal controls could materially affect the financial statements.

Recommendation:

AIDEA should monitor the internal control system to determine process are being followed for proper inclusion of reserve assets.

Views of Responsible Officials:

The account in question has been monitored and reconciled monthly since it was established in the 1990's when AIDEA utilized a different accounting system. Although the account is regularly monitored and adjusted appropriately, the account has historically been treated as a trust account, which would not be reported in AIDEA's financial statements. Upon termination of the initial lease term in 2040, the agreement governing the account stipulates that the funds are to be distributed to the lessee. The agreement also stipulates that until that time the lessee has no right, title or interest in the account. AIDEA acknowledges that it exercises control of the account and has recorded an asset and liability accordingly. AIDEA further agrees it should monitor all accounts within its control regardless of the date of establishment and periodically evaluate whether all accounts have been properly included for financial reporting purposes.

Section III – Federal Award Findings and Questioned Costs

None reported.