



Federal Awards Reports in Accordance
With the Uniform Guidance
June 30, 2023

Alaska Industrial Development and Export Authority

(A Component Unit of the State of Alaska)

Alaska Industrial Development and Export Authority

(A Component Unit of the State of Alaska)

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June 30, 2023

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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 (*Government Auditing Standards*), the financial statements of the business-type activities of Alaska Industrial Development and Export Authority, as of and for the year ended June 30, 2023, 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 8, 2023.

Our report was changed to include a correction of errors paragraph relating to prior period adjustments identified during the audit and an emphasis of matter paragraph relating to the implementation of Government Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*.

Report on 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Alaska Industrial Development and Export Authority's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Alaska Industrial Development and Export Authority's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 8, 2023



**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

Opinion on the Major Federal Program

We have audited Alaska Industrial Development and Export Authority’s compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, Alaska Industrial Development and Export Authority complied, in all material respects, with the 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, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Alaska Industrial Development and Export Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Alaska Industrial Development and Export Authority’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Alaska Industrial Development and Export Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Alaska Industrial Development and Export Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Alaska Industrial Development and Export Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Alaska Industrial Development and Export Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Alaska Industrial Development and Export Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Alaska Industrial Development and Export Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2023, 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 8, 2023, 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 basic 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.



Boise, Idaho
December 8, 2023

Alaska Industrial Development and Export Authority
(A Component Unit of the State of Alaska)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Expenditures
Department of Commerce			
Economic Development Administration			
COVID-19 Economic Development Cluster			
Economic Adjustment Assistance	11.307	Not Available	\$ 4,708,537
Total Department of Commerce			4,708,537
Total Federal Financial Assistance			\$ 4,708,537

Alaska Industrial Development and Export Authority

(A Component Unit of the State of Alaska)

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

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, 2023. 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 - Loan Programs

Expenditures reported in this schedule consist of the beginning of the year outstanding loan balance plus advances made on the loan during the year. The outstanding balance as June 30, 2023 was \$4,708,537.

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	Federal Financial Assistance Listing
Economic Adjustment Assistance	11.307
Dollar threshold used to distinguish between Type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2023-001: Prior Period Adjustment Material Weakness

Criteria:

During the year management identified errors related to:

- Implementation of GASB Statement No. 87, *Leases*, and noted the lease receivable balance was incorrectly reported.
- Component Unit - Mustang Holdings, LLC and impairment loss was incorrectly reported.
- Loans related to Mustang Operations Center 1 related to loss on loans was incorrectly reported.
- ANWR Section 1002 leases and expense was incorrectly reported.
- Other liabilities and revenue were incorrectly report.
- Capital assets and depreciation was incorrectly reported.

These balances were not properly reported in accordance to generally accepted accounting principles as of June 30, 2022. Management determined that significant adjustments to the beginning net position was necessary to properly report the lease receivables, component unit- Mustang Holdings LLC, Mustang Operations Center 1 loan, ANWR Section 1002 leases, and other liabilities and therefore proposed a prior period adjustment.

Condition:

Alaska Industrial Development and Export Authority (AIDEA) should have an internal control system for the review of implementation of new accounting principles and a process in place to review all significant balances to prevent and detect any errors in accounting for the lease receivables, component unit- Mustang Holdings LLC, Mustang Operations Center 1 loan, ANWR Section 1002 leases, and other liabilities .

Cause:

The errors associated with the implementation of the lease receivables, component unit- Mustang Holdings LLC, Mustang Operations Center 1 loan, ANWR Section 1002 leases, and other liabilities was not detected by management during 2022.

Effect:

Management posted a prior period adjustment to the lease balances, component unit- Mustang Holdings LLC, Mustang Operations Center 1 loan, ANWR Section 1002 leases, and other liabilities effective as of July 1, 2022 to properly state the beginning asset and net position amounts reported in the financial statements. Without appropriate internal controls in place, the possibility of a material misstatement of the financial statements occurring increases.

Recommendation:

Management should examine the current internal monitoring process over standard implementation and appropriate review of significant account balances.

Views of Responsible Officials:

Management agrees with the finding.

2023-002: Misclassification of Cash and Investments

Material Weakness

Criteria:

During the course of the audit, as auditors, we identified a significant misclassification of cash and investments reported in the financial statements.

Condition:

AIDEA should have an internal control system in place for the review of the cash to investment prior to posting. The lack of a review process increases the risk of material misstatement in the financial statements, whether due to error or to fraud.

Cause:

A review of the cash to investment classification was not reviewed.

Effect:

The oversight provided by an effective review is an important part of the internal control process. Without an effective review there is the potential for management override of controls or misstatement of financial statements that are not prevented or detected in a timely manner.

Recommendation:

Management should review all significant report classification changes.

Views of Responsible Officials:

Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None Noted.