

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

Federal Single Audit Report
Year Ended June 30, 2024

(With Independent Auditor's Reports Thereon)

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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*

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

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 the Alaska Industrial Development and Export Authority (the Authority), a component unit of the State of Alaska, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 item 2024-001 that we consider to be a material weakness.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was 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 result of that testing, and not to provide an opinion on the effectiveness of the 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

Anchorage Alaska
December 18, 2024



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Alaska Industrial Development and Export Authority’s (the Authority) 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 each of the Authority’s major federal programs for the year ended June 30, 2024. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2024.

Basis for Opinion on Each 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; 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 the 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 the 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 the Authority’s federal programs.

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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 the 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 the Authority's compliance with the requirements of each 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 the 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 the 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 the 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 Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon, dated December 18, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion 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.

BDO USA, P.C.

Anchorage, Alaska
December 18, 2024

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

**Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2024**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Provided to Subre- cipients</i>	<i>Total Federal Expend- itures</i>
U.S. Department of Commerce				
Economic Development Cluster				
Economic Adjustment Assistance	11.307	N/A	\$ -	\$ 4,041,049
Total Expenditures of Federal Awards			\$ -	\$ 4,041,049

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

Alaska Industrial Development and Export Authority

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Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2024

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, 2024. The information in this Schedule 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 position, or cash flows of Alaska Industrial Development and Export Authority.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditure are not allowable or are limited as to reimbursement.

Note 3. Economic Adjustment Assistance Revolving Loan Fund

The U.S. Department of Commerce funds the Economic Adjustment Assistance Revolving Loan Fund (RLF), ALN 11.307, for the Authority. The RLF is used for business lending in Alaska. The federal share of the RLF as of June 30, 2024, totals \$4,041,049 and is comprised of the following balances: \$3,471,266 in loans outstanding, \$569,783 in cash and investments, \$0 in administrative expenses, and \$0 in loans written off during the FY2024. No new loans were disbursed in FY2024.

Note 4. Indirect Cost Rate

Alaska Industrial Development and Export Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Alaska Industrial Development and Export Authority

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Schedule of Findings and Questioned Costs Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes

no

Significant deficiency(ies) identified?

yes

(none reported)

Noncompliance material to financial statements noted?

yes

no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

yes

no

Significant deficiency(ies) identified?

yes

(none reported)

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes

no

Identification of major federal programs:

Assistance Listing Number

Name of Federal Program or Cluster

11.307

Economic Development Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

yes

no

Alaska Industrial Development and Export Authority

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Schedule of Findings and Questioned Costs, Continued

Section II - Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards

<u>Finding 2024-001</u>	Material Weakness over Controls Pertaining to the Treatment of Leased Assets
<i>Criteria</i>	Government Accounting Standards Board Statement 87 (GASBS 87) states that lessors should not restate the assets underlying their existing direct-financing leases. Any residual assets for those leases should become the carrying values of the underlying assets. (GASBS 87, paragraph 94).
<i>Condition</i>	The amount booked as the carrying value for 2 leases was not correctly calculated based on GASBS 87 guidance when the standard was implemented on July 1, 2022, resulting in an overstatement of capital assets, net of accumulated depreciation and beginning net position as of July 1, 2023.
<i>Cause</i>	The Authority failed to correctly implement GASBS 87. Specifically, the Authority did not correctly account for residual assets related to existing direct-financing leases as of July 1, 2022.
<i>Effect or potential Effect</i>	Capital assets, net of accumulated depreciation, and net position - net investment in capital assets, were overstated by \$36,767,000 as of July 1, 2023, which required a prior period restatement to correct.
<i>Recommendation</i>	Management should ensure that professionals in key accounting positions at the Authority possess the appropriate skills, knowledge, and expertise to implement new accounting standards as they are issued.
<i>Views of responsible officials and planned corrective actions</i>	Management agrees with the finding and will ensure that professionals in key accounting positions at the Authority possess the appropriate skills, knowledge, and expertise to implement new accounting standards as they are issued.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.



Summary Schedule of Prior Year Audit Findings

Prior Year Finding 2023-001:

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.

Current Year Status:

Complete. Management reviews all significant report classification changes.

Prior Year Finding 2023-002:

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.

Current Year Status:

Complete. Management reviews all significant report classification changes.



Management's Corrective Action Plan:

Current Year Finding 2024-001:

Management will ensure that professionals in key accounting positions at the Authority possess the appropriate skills, knowledge, and expertise to implement new accounting standards as they are issued. It is the intention of management to only hire well qualified accounting personnel, and accounting staff will be encouraged to participate in the annual Government Finance Officers Association GAAP Update. Accounting staff will be encouraged to not only maintain, but to improve accounting skills through participation in continuing professional education and attending governmental accounting conferences and/or courses offered by educational institutions or professional organizations.

Individual(s) Responsible for Corrective Action Plan

Jean R. Kornmuller, Chief Financial Officer
Anticipated Completion Date: 12/31/2024