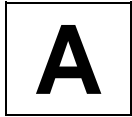


Alaska Industrial Development and Export Authority  
**REQUEST FOR PROPOSALS PACKAGE**

PART



**TABLE OF CONTENTS**

Form, Part A - Request for Proposals (RFP)  
" " Part B - Submittal Checklist  
" " Part C - Evaluation Criteria  
" " Part D - Proposal Form  
  
Form, Indemnification & Insurance  
Debarment Certification  
Appendix A General Conditions

Proposed Statement of Services

Other: None

**ISSUING OFFICE**

Agency Contact & Phone No.....: Rich Wooten, CDT, CPSM – 907.771.3019  
Contracting Division .....: Alaska Industrial Development and Export Authority and Alaska Energy Authority

**PROJECT**

**RFP NUMBER** .....: 16104

Project Site (City, Village, etc.).....: Anchorage, Alaska

Project Title & Contract Description .....: Term Agreement for Audit and Consulting Services

The Contracting Agency intends to award a single term agreement for Audit and Consulting Services.

**SCHEDULE & PAYMENT**

Anticipated period for performance-Begin/End: Three Years, approximately March 2016 through June 30, 2019, with renewal options, three additional one year extensions, and an additional year to complete prior authorized services.

Estimated amount of proposed contract:

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Less than \$100,000              | <input type="checkbox"/> \$100,000 to \$250,000            | <input checked="" type="checkbox"/> \$1,000,000 or greater |
| <input type="checkbox"/> \$250,000 to \$500,000           | <input type="checkbox"/> \$500,000 to \$1,000,000          |  |
| <u>Proposed Method(s) of Payment:</u>                     |  |  |
| <input type="checkbox"/> Fixed Price Plus Expenses (FPPE) | <input checked="" type="checkbox"/> Firm Fixed Price (FFP) | <input type="checkbox"/> Cost Plus Fixed Fee (CPFF)        |
|   | <input checked="" type="checkbox"/> Other: Various         |  |

**SUBMITTAL DEADLINE AND LOCATION**

*OFFERORS ARE RESPONSIBLE TO ASSURE DELIVERY PRIOR TO DEADLINE (3 AAC 100.360).  
ONLY PROPOSALS RECEIVED PRIOR TO THE FOLLOWING DATE AND TIME WILL BE OPENED.*

DATE: February 15, 2016

PREVAILING TIME: 3:00 P.M.

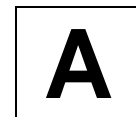
HAND DELIVER ONLY DIRECTLY TO FOLLOWING LOCATION (and person, if named):

AIDEA  
813 West Northern Lights Blvd.  
Anchorage, Alaska 99503

**IMPORTANT NOTICE:** If you downloaded this solicitation from the AIDEA's Website, you must register on the online planholders list to receive subsequent addenda. Failure to register may adversely affect your proposal. It is the Offeror's responsibility to ensure that they have received all addenda affecting this RFP. To register, go to [www.AIDEA.org](http://www.AIDEA.org) and provide the project name & number, company name & contact person, address, phone number & fax number.

PART

## SELECTION PROCEDURE



1. Competitive Sealed Proposals will be evaluated by a committee (3 AAC 100.370). Evaluation of responses to criteria set forth in Part C results in a numerical score for each proposal. Each criterion in Part C has an assigned weight for this RFP which demonstrates its relative importance. The total of all weights is 100 (100%). Each one - percent weight equates to a potential range of 0-5 points per Evaluator. The maximum points (score) obtainable for any proposal is equal to the product of 500 multiplied by the number of Evaluators.

2. Scoring of proposals will be accomplished as follows:

2.1 Each Evaluator will individually read and rate each Offeror's response to each criterion described in Part C - Section I - Technical Proposal. Ratings will be based solely on contents of proposal and in compliance with the Authority's standard Instructions for Evaluation Committee. Except as may be stated within any criterion description in Part C, a rating of "5" = Best Response from all Offerors; "4" to "1" = Progressively Less Responsive; "0" = Non-Responsive. Ratings are multiplied by the assigned weights for each criterion to obtain criteria scores.

2.2 If only 1-3 proposals are received the rating scale may be adjusted. A rating of "5" = Best Response from all Offerors "4" to "3" = progressively less responsive; "0" = Non-Responsive; 1-2 will not be used.

2.3 After completion of individual ratings in Part C, Section 1, Technical Proposal, the Evaluation Committee will meet to discuss proposals. Evaluators may then alter their ratings; however, any changes shall be based solely on the criteria set forth in Part C.

2.4 After scoring Part C - Section I - Technical Proposal, criteria scores for Part C - Section II - Price (if applicable) and bidder preference will be calculated based on criteria descriptions.

2.5 The total score for each Offeror will be obtained by summing the scores determined for each criterion in Sections I and II of Part C. The order of ranking for negotiations shall be as follows: highest scored Offeror will be ranked first, next highest scored second, and etcetera.

3. Evaluators may discuss factual knowledge of, and may investigate Offerors' and proposed Subcontractors' prior work experience and performance, including but not limited to, projects referenced in proposal, available written evaluations, and may contact listed references or other persons knowledgeable of a Contractor's and/or a Subcontractor's past performance. Factors such as, but not limited to, overall experience relative to the proposed contract, quality of work, control of cost, and ability to meet schedules may be addressed. If any issues of significant concern to the proposed contract are discovered, the Committee may:

3.1 Provide written recommendations for consideration during contract negotiations;

3.2 Conduct discussions after the Evaluation Committee, in accordance with paragraph 4, below.

4. The Committee may decide to conduct discussions (or "interviews") with responsible Offerors whose proposals are determined to be reasonably susceptible of being selected for award for the purpose of clarification to assure full understanding of, and responsiveness to, the solicitation requirements (3 AAC 100.400). Offerors selected by the Committee for discussions may be permitted to submit Best and Final Offers (BAFO) for final Committee Evaluation. After discussions and any BAFO's, Evaluators will determine the final scoring and ranking for contract negotiations by evaluating written and oral responses using only the criteria set forth in Part C of this RFP (3 AAC 100.400).

5. If contract negotiations are unsuccessful with Offeror(s) selected for negotiation, the Contracting Agency may either cancel the solicitation or negotiate with other Offerors in the order of ranking.

## NOTICES

PART

A

1. The Contracting Agency is an equal opportunity employer.
2. Copies of the Contract General **Conditions** are attached.
3. Offerors are specifically advised that a contract shall not be in effect until a written agreement is executed by an authorized agent of the Authority. The Authority shall not be liable for any cost incurred by an Offeror in response to this solicitation, including any work done, even in good faith, prior to execution of a contract and issuance of a Notice to Proceed.
4. The Authority expressly reserves the right to waive minor informalities, negotiate changes or reject any and all proposals and to not award the proposed contract, if in its best interest. "Minor Informalities" means matters of form rather than substance which are evident from the submittal, or are insignificant matters that have a negligible effect on price, quantity, quality, delivery, or contractual conditions and can be waived or corrected without prejudice to other Offerors.
5. All proposals shall be open for public inspection per (3 AAC 100.680) after a Notice of Intent to Award is issued. Offerors should not include proprietary information in proposals if such information should not be disclosed to the public. Any language within a submittal purporting to render all or portions of a proposal confidential will be disregarded. Proprietary information which may be provided after selection for contract negotiations will be confidential if expressly agreed to by the Authority and Executive Director.
6. Substitution for any personnel named in a proposal may result in termination of negotiations and the contract, if substitutions are not approved the Authority.
7. If it is discovered that a selected Offeror is in arrears on taxes due the State of Alaska, a contract may not be awarded until the Alaska Department of Revenue approves the payment provisions for the contract.
8. Offerors and proposed subcontractors shall be in compliance with the statutory requirements for Alaska business licensing and professional registrations included in the certification statement on Page 2 of Part D in this RFP package.
9. **PRICE COMPETITION:** Price cannot be an Evaluation Criterion in accordance with PL-92.582 Brooks Act for services that must be performed only by Architects, Engineers, or Land Surveyors (A/E or LS) licensed in the State of Alaska, UNLESS the provisions of AS 36.30.270(d) apply; i.e., unless the services required are repetitious in nature, and the nature and amount of services required are thoroughly defined by measurable and objective standards to reasonably enable firms or persons making proposals to compete with a clear understanding and interpretation of the services required.
10. Standard insurance provisions for Worker's Compensation, General and Automobile Liability, and Professional Liability are contained in Appendix D, Indemnification and Insurance. Coverages may be modified under very limited circumstances. Offeror should not assume any modification of coverages.

11. Professional Liability Insurance for the proposed contract:  is not required  
 is required as shown on Appendix D, Indemnification and Insurance.

12. Pre-proposal Conference:  None  As follows:

13. Special Notices:

13.1 The Contracting Agency plans to award a contract of a non-guaranteed, not-to-exceed amount of \$540,000, for the initial three year term. The Contracting Agency reserves the right to add additional funds to the contract should the time extensions be exercised. The overall contract amount will not exceed \$1,080,000 for the entire contract term.

13.2 Pursuant to AS 44.88.200, the contract award will be subject to approval of the State's Legislative Auditor.

13.3 Affiliates, subsidiaries, and divisions shall be considered Subcontractors.

**13.4 REQUIREMENTS FOR PROPOSING:**

Offerors interested in responding to this request must meet the following minimum requirements. Except as noted, the Offerors may meet these requirements through the use of qualified individuals of the Offeror or subcontractors.

- Certification as a CPA qualified to do business in the State of Alaska
- Firm must be a member in good standing with the Alaska State Board of Accountancy
- Firm must be a member of an AICPA (American Institute of Certified Public Accountants) recognized firm that is a member of the Private Company Practice Section and has received two unmodified, most recent, peer review reports. Peer reviews are subject to evaluation to determine responsibility. The Contracting Agency may contact the proposer for further clarification, if additional information is needed. If the Peer Review Report is found to be non-satisfactory then the proposer may be found as non-responsible and removed from consideration.

## SUBMITTAL CHECKLIST

Offeror may use left margin to check off items when completed.

- [ ] 1. Offerors must carefully review this RFP Package for defects and questionable material and become familiar with submittal requirements. Submit written comments to the address shown under "Submittal Deadline and Location" on page 1 of Part A - RFP. Substantive issues will be addressed in a written addendum to all RFP recipients on record. Failure to comply with directions may result in a lower score and may eliminate an Offer from consideration. Protests based on alleged improprieties or ambiguities in a solicitation may be disallowed at the discretion of the Authority, if the protest is not received in writing at least ten work days prior to the Offer deadline (3 AAC 100.200).
- [ ] 2. Review Part A - RFP and the proposed Statement of Work and any other attached or referenced materials. If no Statement of Work is attached, telephone the Authority contact person identified on page 1 of Part A.
- [ ] 3. Review Part C - Evaluation Criteria. Read each criterion in light of the proposed Statement of Work. Note any project specific criteria which may have been added or any changes to standard criteria descriptions which may have been made. Be aware of the assigned weight for each criterion. If a weight is not entered for any criterion on Part C, notify the Agency contact person. Plan your proposal to address the applicable criteria. Criteria Responses shall not exceed the number of pages stated below.
- [ ] 4. Prepare a distinct Response for each criterion that has a weight more than zero. Failure to respond directly to any criteria weighted more than zero will result in an evaluation score of zero for that criteria. Any Responses to criteria weighted zero will be disregarded. Acceptable Responses must be specific and directly related to the Contracting Agency's proposed Statement of Work. Marketing brochures, marketing resumes, and other non-project specific materials will be discarded without evaluation and should not be submitted.
- [ ] 5. *Each criterion Response must be titled, numbered, and assembled in the order in which the criteria are listed in Part C*, so the criterion to which information applies shall be plainly evident. Material not so identified or assembled may be discarded without evaluation.
- [ ] 6. Price  is  is not an evaluation criterion for the proposed contract.  
If Price is a Criterion, prepare *Billing Rates and/or Price Proposals* as described in Criteria #10 and/or #11.
- [ ] 7. Complete all entries on Part D - Proposal Form. Note the statutory requirements for Alaska business licenses and professional registrations and be sure to sign and date the Certification. Copies of licenses and registrations may be provided with Offer, and will not count in the requirements of #8 below.
- [ ] 8. Attach Criteria Responses (*except any Billing Rates or Price Proposals*) to Part D - Proposal Form. The maximum number of attached pages (*each printed side equals one page*) for Criteria Responses shall not exceed: **Ten**. Attached page limit does not include the four-page Part D - Proposal Form, submittal items, ½ page resumes, or any Billing Rates or Price Proposals.  
  
Criteria Responses shall be presented in *8-1/2" X 11" format*, except for a minimal number of larger sheets (e.g. 11" x 17") that may be used (e.g. for schedules) if they are folded to 8-1/2" X 11" size.  
  
CAUTION: Criteria Responses which do not comply with the required page limit or presentation size, may result in disqualification. Further, small print or typeface that is difficult to read may negatively influence evaluation of your submittal and affect scoring for "Quality of Proposal."

CHECKLIST IS CONTINUED NEXT PAGE

## Submittal Items

- [ ] 9.
- Two Unmodified Peer Review Reports
  - Sample Engagement Letter
  - Sample of Letter of Representation
- [ ] 10. Parts A, B, and C of the RFP and the proposed Statement of Services shall not be returned to the Contracting Agency. *Offers shall consist of the following applicable items assembled as follows and in the order listed:*
- [ ] 10.1 Completed Part D - Proposal Form (generally at least one copy with original signature) and Responses to all evaluation criteria -- *except Billing Rate / Price Proposals* -- attached. Each copy shall be fastened with one staple in the upper left corner. No other form of binding shall be used and no cover and no transmittal letter will be included. CAUTION: Failure to comply with this instruction will negatively influence evaluation of Submittal.
- [ ] 10.2 Number of copies of Part D (*all pages*) and Criteria Responses (*except Billing Rates / Price Proposals*) required is: **Seven (7) plus One (1) copy provided via electronic file on a flash drive.**
- [ ] 10.3 If *Billing Rates and/or Price Proposals* are required, *one copy* bound with one staple in the upper left corner separately enclosed in a sealed envelope marked on the outside to identify it as a *Billing Rates or Price Proposal* and the names of the Project and Offeror. Each *Billing Rates or Price Proposal* must be signed and dated by the person who prepares it (may be different signatures for each Subcontractor).
- [ ] 10.4 If Item 9 above is completed for this RFP Package, any submittal items described therein, unless otherwise stated, one copy only, bound appropriately.
- [ ] 10.5 CAUTION: If you replicate (other than by photocopy) Part D or any form in lieu of completing the forms provided by the Contracting Agency, provide a signed certification that lists such forms and attests that they are exact replicas of that issued by the Contracting Agency. Changed forms may be rejected at the Authority's discretion. Any alteration - other than completion of the required entries - may be cause for rejection without recourse.
- [ ] 11. Deliver *Offers in one sealed package* before the submittal deadline to the location and cited in Part A - RFP. *Mark the outside of the package* to identify the Project and the Offeror. Offers must be received prior to the specified date and time. Late Offers will not be opened (3 AAC 100.370).

# EVALUATION CRITERIA

Criteria with a weight of zero are not applicable and should be disregarded. If a weight is not indicated for any criterion, telephone the Agency Contact person identified at the top of page 1 of Part A - RFP.

## SECTION I - TECHNICAL PROPOSAL

### 1. Objectives, Services, and Commitment

1. Weight: 5

Response must demonstrate your comprehension of the objectives and services for the proposed contract. Do not merely duplicate the Statement of Services provided with this RFP. Also, consider if Statement of Services is sufficiently explicit; are expressed or implied schedules attainable/economically feasible? Explain. Define any assumptions made in formulating Criteria Response.

Response must: (1) discuss both current and potential time commitments of your proposed Project Staff to all clients; (2) discuss the projected workload of each firm (Offeror and Proposed Subcontractors) for all clients; and (3) demonstrate adequate support personnel, facilities, and other resources to provide the services required. Provide a list of current contracts with the Authority in which your proposed Project Staff are participating. Include all contracts statewide with regions, divisions, etc., of the Authority.

Briefly address capabilities for providing additional services and/or services under an accelerated schedule. Address capacity to reassign personnel, equipment, and facilities whenever the proposed contract would not require such capabilities or was delayed.

### 2. Methods

2. Weight: 15

Response must outline the methods and time estimates for accomplishing the proposed contract, or if methodology is contained in the proposed Statement of Services, address its adequacy. Describe what, when, where, how, and in what sequence the work will be done. Identify the amount and type of work to be performed by any Subcontractors. Consider how each task may be carried out; what services or interaction are required from/with the Authority. Suggest alternatives, if appropriate. Identify any distinct and substantive qualifications for undertaking the proposed contract such as the availability of specialized equipment or unique approaches or concepts relevant to the required services, which the Offeror may use.

### 3. Management

3. Weight: 15

Response must describe the administrative and operational structures that will be used for performing the proposed contract. For example, consider: who will have overall responsibility for the contract? Who will have direct responsibility for specific disciplines? What will the lines of authority be? A graphic depiction is preferred in your response to this criterion. Additionally, the Authority may want to inspect work products in progress and have a close ongoing working relationship with your Project Staff. Accordingly, your response should also identify where the various contract services will be performed, and how communications will be maintained between your Project Staff, the Authority, and (as applicable) any other government agencies or the public.

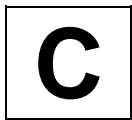
### 4. Proposed Audit Project Staff

4. Weight: 5

Response must name the individuals to perform the following FUNCTIONS plus any other professional/technical functions you deem essential to perform the services:

1. Partner
2. Manager
3. Senior Accountant
4. Associate

Continued Next Page



Describe the work to be performed by the individuals you name to perform essential functions and detail their specific qualifications and substantive **experience directly related to the proposed contract**. A response prepared specifically for this proposal is required. Lists of projects are not useful. Focus on individual's specific duties and responsibilities and how project experience is relevant to the proposed contract. **RESUMES MUST NOT EXCEED ½ A PAGE.**

For each person named, identify: employer, professional discipline or job classification, and state of residency. List at least 3 professional references (contact persons and telephone numbers) for each person.

**5. Non-Audit Technical and Professional Services Proposed Project Staff**

**5. Weight: 15**

Response must name the individuals to perform professional/technical functions, provide their depth of experience and background for technical review of tax services, international accounting and business transactions, GASB release/implementations, and other various technical advice.

**6. Past Performance**

**6. Weight: 10**

Response must describe previous projects the project team has worked on that are related in size and scope to this project. Describe the dollar amount of the projects and a brief narrative of the successes of the projects. Address how the experience will help your team to perform under this contract. Provide references (contact name and phone number) for each project. Indicate which of the proposed firms and project staff was involved in each project. The Contracting Agency reserves the right to investigate referenced projects, contact references, and research other projects that the respondent has worked on.

**7. N/A**

**7. Weight: 0**

**8. N/A**

**8. Weight: 0**

**9. N/A**

**9. Weight: 0**



**SECTION II - PRICE**

See item #9, under Notices in Part A - RFP, regarding statutory and regulatory provisions about price competition and item #10.3, in Part B - Submittal Checklist, regarding procedure for submittal of Billing Rates and/or Price Proposals.

CAUTION: Submittal of Offeror's or Subcontractor's "standard" rate schedules or other pricing documents which are not in required format, will be non-responsive if they do not allow direct comparison with other responsive proposals.

**10. Labor Billing Rates for Professional and Technical Services (Required Format)**

**10. Weight: 15**

Provide a proposed total hourly Billing Rate (i.e. inclusive of Direct Cost of Direct Labor, all Indirect Costs, and Fee) only for each of the job **FUNCTIONS** listed below. Note: Some of these functions may be performed by one or more employees of the Offeror or Subcontractors; consequently, an individual might be billed under the contract at different rates appropriate to the functions performed. **Only the maximum rate paid to any individual for each listed job function** - regardless of employer (Offeror or Subcontractor) - **must be provided and will be considered for this response**. Rates for lower paid individuals or for other job functions, if any, will be addressed during contract negotiations.

	Firm's Title	Name of Person	Billable Hourly Rate	X Est. Hours	Total
Partner				10	
Manager				5	
Senior Accountant				3	
Associate				2	
Grand Total					

Response will be scored as follows: The maximum hourly rates proposed for the job functions listed above will be multiplied by the hours (estimated above) and then summed to obtain an aggregate rate for each Offeror. If more than one rate is provided for any job function, only the highest rate will be used. Each Offeror's score will be calculated using the following equation - except that the **score will be zero if a rate for each listed function is not provided by an Offeror**.

$$\frac{(\text{Lowest grand total from all Offerors}) \times (\text{MPP}^*)}{(\text{Offeror's grand total})} = \text{Offeror's Criterion Score}$$

\*MPP = Maximum Possible Points = (5) x (Number of Evaluators) x (Weight)

If no federal funding, aggregate rates shall be reduced for the above calculation by the following applicable percentages when the rates are from Offerors that **designate preferences on page one of Part D**.

- ALASKA BIDDER (OFFEROR) PREFERENCE [2 AAC 12.260(d)]..... 5%

To claim employment or disabled preference, Offeror must be on the appropriate Alaska Division of Vocational Rehabilitation list at the time designated for opening (i.e., receipt) of proposals.

**11. Total Audit Price Proposal (Required Format)**

**11. Weight: 20**

**PART**  
**C**

Provide proposed costs for all labor, subcontracts, equipment, expenses, etc., and a proposed amount for Fee. Submit a separate price proposal in the following format (attached to the RFP-C) for the Offeror and for each Subcontract (first, second, third tier, etc.) that may exceed \$25,000. Each price proposal must be signed and dated by the person who prepares it.

Response will be scored as follows: 
$$\frac{(\text{Lowest Total Proposed Price}) \times (\text{MPP}^*)}{(\text{Offeror's Total Proposed Price})} = \text{Criterion Score}$$

\*MPP = Maximum Possible Points = (5) x (Number of Evaluators) x (Weight)

If no federal funding, total price shall be reduced for the above calculation by the following applicable percentages when the prices are from Offerors **designate preferences on page one of Part D.**

- ALASKA BIDDER (OFFEROR) PREFERENCE [2 AAC 12.260(d)]..... 5%

**AIDEA and AEA COST WORKSHEET**  
**Request for Proposal 16104**  
**Audit and Consulting Services**

---

Fill out the information requested below and return this Cost Worksheet with your proposal response in order to be considered responsive. Successful Contractor shall be paid a lump sum fixed fee for "actual" assigned auditing tasks services described in the Proposed Scope of Services. Cost shall include all labor, material, overhead and expenses. (\*) Tasks will be evaluated on the total of all work except the additional federal single audits will not be included in the grand total and this information shall be used to establish the contract. Reference RFP C, Criteria 11, for scoring. If exercised, each additional year will be negotiated.

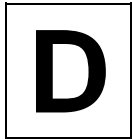
Task	Fiscal Year	2016	2017	2018
AIDEA Annual Audit				
AEA Annual Audit				
Bradley Lake Bond Compliance Report				
AIDEA Federal Single Audit, price per major program				
Additional AIDEA Federal Single Audit(s)				
AEA Federal Single Audit, price per major program				
Additional AEA Federal Single Audit(s)				
<b>Grand Total (*)</b>				\$0

Offeror Firm \_\_\_\_\_ Submitted by Name and Title \_\_\_\_\_

Date \_\_\_\_\_ Signature \_\_\_\_\_

# Alaska Industrial Development and Export Authority PROPOSAL FORM

PART



**THIS FORM MUST BE THE FIRST PAGE OF PROPOSAL.** Attach criteria responses as explained in Part B - Submittal Checklist. No transmittal letter or cover sheet will be used.

### PROJECT

Project Title .....: Term Agreement for Audit and Consulting Services  
 RFP No.....: 16104

### OFFEROR (CONTRACTOR)

Contractor.....:  
 Street.....:  
 P.O. Box.....:  
 City, State, Zip.....:  
 Alaska Business License Number .....:  
 Federal Tax Identification No. ....:  
 Individual(s) to sign contract .....:  
 Title(s) .....:  
 Type of business enterprise (check one).....: [    ] Corporation in the state of . :  
 [    ] Individual      [    ] Partnership      [    ] Other(specify) .....

### ALASKA BIDDER PREFERENCES (IF NO FEDERAL FUNDING)

Check if the preference that you claim for the proposed contract (reference Criteria 10 & 11 in Part C):  
 [    ] Alaska Bidder (Offeror)

### PROPOSED SUBCONTRACTOR(S)

<u>Service, Equipment, etc.</u>	<u>Subcontractor &amp; Office Location</u>	<u>AK Business License No.</u>

### CERTIFICATIONS

I certify: that I am a duly authorized representative of the Contractor; that this Submittal accurately represents capabilities of the Contractor and Subcontractors identified herein for providing the services indicated; and, that the requirements of the Certifications on page 2 and 3 of this Part D for 1) Alaska Licenses/Registrations, 2) Insurance, 3) Cost and Pricing Data, 4) Trade Restrictions/Suspension/Debarment, 5) Foreign Contracting and 6) Former Public Officer - will be complied with in full. These Certifications are material representations of fact upon which reliance will be placed if the proposed contract is awarded. Failure to comply with these Certifications is a fraudulent act. The Authority is hereby authorized to request any entity identified in this proposal to furnish information deemed necessary to verify the reputation and capabilities of the Contractor and Subcontractors.

Signature.....: \_\_\_\_\_  
 Name .....: \_\_\_\_\_ Date: \_\_\_\_\_  
 Title .....: \_\_\_\_\_ Telephone (voice): \_\_\_\_\_  
 (fax): \_\_\_\_\_  
 Email Address: \_\_\_\_\_

## CERTIFICATION FOR ALASKA BUSINESS LICENSES AND REGISTRATIONS

PART

D

Contractor and all Subcontractors shall comply with the following applicable requirements of Alaska Statutes:

1. **Alaska Business License** (Form 08-070 issued under AS 43.70) at the time contract is awarded as required by AS 36.30.210(e) for Contractor and all Subcontractors. In accordance with Administrative Manual, Section 81.120, proof of application for an Alaska Business license will satisfy this requirement. Per AAM 81.120, acceptable evidence that the offeror possesses a valid Alaska business license consists of any one of the following:
  - a. Copy of the Alaska business license.
  - b. A canceled check that demonstrates payment for the Alaska business license fee.
  - c. A copy of the Alaska business license application with a receipt stamp from the State's business license office.
  - d. A sworn notarized affidavit that the bidder/offeror applied and paid for the Alaska business license.
  - e. Other forms of evidence acceptable to the Department of Law.
2. **Certificate of Registration** for each individual to be in "responsible charge" (AS 08.48.341(14)) for Architecture, Engineering or Land Surveying (Form 08-2407 issued under AS 08.48.211) issued prior to submittal of proposal. Associates, consultants, or specialists under the supervision of a registered individual in "responsible charge" are exempt from registration requirements (AS 08.48.331).
3. **Certificate of Authorization for Corporate Practice** for incorporated Contractors and incorporated Subcontractors for Architecture, Engineering or Land Surveying (Form 08-2407 issued under AS 08.48.241). Corporations offering to provide Architectural, Engineering or Land Surveying services do not need to be registered for such disciplines at the time proposal is submitted provided they obtain corporate registration before contract award (AS 08.48.241).
4. **Certificate of Incorporation** (Alaska firms) or **Certificate of Authorization for Foreign Firm** ("Out-of-State" firms). All corporations, regardless of type of services provided, must have one of the certificates (AS 10.06.218 and other sections of Title 10.06 - Alaska Corporations Code).
5. **Current Board of Director's Resolution** for incorporated Contractors and incorporated Subcontractors for Architecture, Engineering or Land Surveying (reference AS 08.48.241) which names the person(s) designated in "responsible charge" for each discipline. Such persons shall be licensed in Alaska and shall participate as project staff in the Contract/Subcontracts.
6. **All partners** in a Partnership to provide Architectural, Engineering, or Land Surveying **must be legally registered in Alaska** prior to submittal of proposal for at least one of those disciplines (AS 08.48.251) which the Partnership offers.
7. **Joint Ventures**, regardless of type of services provided, must be licensed/registered in the legal name of the Joint Venture as used in this proposal (AS 43.70.020 and 43.70.110(4)).
8. **Contracts for Architecture, Engineering or Land Surveying** may not be awarded to individuals, corporations or partnerships not in compliance, respectively, with the provisions of paragraph 2, 3, and 6, above (AS 36.90.100).

**[For information about licensing, Offerors may contact the Alaska Department of Commerce and Economic Development, Division of Occupational Licensing at P.O. Box 110806, Juneau, AK 99811-0806, or at Telephone (907) 465-2550, or at Internet address: <http://commerce.alaska.gov/dnn/cbpl/Home.aspx>]**

## CERTIFICATION FOR INSURANCE

Contractor will ensure that it and all Subcontractors have insurance coverage to effectuate the requirements APPENDIX D, Indemnification and Insurance.

**CERTIFICATION - COST AND PRICING DATA**

In accordance with AS 36.30.400, any cost and pricing data submitted herewith, or in any future price proposals for the proposed contract, will be accurate, complete and current as of the date submitted and will continue to be accurate and complete during the performance of the contract, if awarded.

**CERTIFICATION – TRADE RESTRICTIONS AND SUSPENSION AND DEBARMENT**

The individual signing this proposal certifies to the best of his or her knowledge that the Contractor and any subcontractors are in compliance with Appendix A, General Conditions, Article A25 and Article A26.

**CERTIFICATION - FOREIGN CONTRACTING**

By signature on this solicitation, the offeror certifies that all services provided under this contract by the contractor and all subcontractors shall be performed in the United States. If the offeror cannot certify that all work is being performed in the United States, the offeror must contact the Contracts Officer to request a waiver at least 10 days prior to proposal deadline. The offeror must provide with their submission a detailed description of the portion of work being performed outside the United States, where, by whom, and the reason the waiver is necessary. Failure to comply with this requirement may cause the state to reject the bid or proposal as non-responsive, or cancel the contract.

**CERTIFICATION – FORMER PUBLIC OFFICER**

Any proposer listing as a member of the proposer's team a current public officer or a former public officer who has left state service within the past two years must submit a sworn statement from that individual that the Alaska Executive Branch Ethics Act does not prohibit his or her participation in this project. If a proposer fails to submit a required statement, the proposal may be deemed nonresponsive or nonresponsible, and rejected, depending upon the materiality of the individual's proposed position.

The Ethics Act bars a public officer who leaves state service from representing, advising or assisting a person for compensation regarding a matter – that was under consideration by the administrative unit in which the officer served, and in which the officer participated personally and substantially through the exercise of official action, for two years after leaving state service. See AS 39.52.180(a). "Public officer" includes a state employee, a member of a state board and commission, and a trustee of the Exxon Valdez Oil Spill Trust. "Official action" means a recommendation, decision, approval, disapproval, vote, or other similar action or inaction. Possible remedies for violating the bar include penalties against the former public officer and voiding the state grant, contract or lease in which the former public officer is involved.

Additionally, former public officers may not disclose or use information acquired in the course of their official duties that could in any way result in a benefit to the former public officers or their families, if the information has not been disseminated to the public or is confidential by law, without appropriate authorization. See AS 39.52.140.

Each current or former public officer is responsible for determining whether he or she may serve in the listed capacity on this project without violating the Ethics Act. A form that a former public officer may use to certify their eligibility is attached. Current public officers may seek advice from their designated ethics supervisors concerning the scope and application of the Ethics Act. Former public officers may, in writing, request advice from the Office of the Attorney General, Ethics Attorney concerning the application of the Ethics Act to their participation in this project. It is the responsibility of the individual and the proposer to seek resolution in a timely manner of any question concerning the individual's eligibility.

**Former Employee's Certification of Eligibility  
Under the Alaska Executive Branch Ethics Act  
(AS 39.52.140, AS 39.52.180)**

I am a former employee of the State of Alaska and left state service within the last two years. My last position with the state was [job title] with the [name of state agency and administrative unit]. I propose to work on [describe state contract or other matter] on behalf of [name of current employer]. This work will not involve any matter (a) that was under consideration by the state administrative unit that I served, and (b) in which I participated personally and substantially during my state service through the exercise of official action ("official action" means a recommendation, decision, approval, disapproval, vote, or other similar action or inaction). I am therefore eligible to participate in this [contract or matter] under the Alaska Executive Branch Ethics Act. I also understand that as a former public officer I may not disclose or use information acquired in the course of my official duties that could in any way result in a benefit to me or my family, if the information has not been disseminated to the public, or that is confidential by law, without appropriate authorization.

I certify under penalty of perjury that the foregoing is true.

Dated: \_\_\_\_\_, 20\_\_, at \_\_\_\_\_, Alaska.

\_\_\_\_\_  
[name of former state employee]

STATE OF ALASKA )  
 ) ss.  
\_\_\_\_\_) JUDICIAL DISTRICT )

On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, [name of former state employee], whom I know to be the individual described in and who executed this certification, personally appeared before me and acknowledged that [s]he signed the certification as [her or his] free and voluntary act.

IN WITNESS WHEREOF, I have placed my signature and affixed my official seal.

\_\_\_\_\_  
Notary Public in and for Alaska  
My commission expires: \_\_\_\_\_

*If no notary or other official (judge, magistrate, U.S. postmaster or municipal clerk) is available, omit the notary certificate and include the following statement in the text: A notary or other official empowered to administer oaths is unavailable.*

# INDEMNIFICATION AND INSURANCE

## Appendix D in Professional Services Agreements

Project No: Agreement No: Date Prepared:
--

CONTRACTOR shall include the provisions of this form in all subcontracts which exceed \$25,000 and shall ensure Subcontractor's compliance with such provisions.

### ARTICLE D1 INDEMNIFICATION

D1.1 The CONTRACTOR shall indemnify, hold harmless, and defend the CONTRACTING AGENCY from and against any claim of, or liability for negligent acts, errors or omissions of the CONTRACTOR under this Agreement. The CONTRACTOR shall not be required to indemnify the CONTRACTING AGENCY for a claim of, or liability for, the independent negligence of the CONTRACTING AGENCY. If there is a claim of, or liability for, the joint negligent error or omission of the CONTRACTOR and the independent negligence of the CONTRACTING AGENCY, the indemnification and hold harmless obligation shall be apportioned on a comparative fault basis. "CONTRACTOR" and "CONTRACTING AGENCY", as used within this article, include the employees, agents and other contractors who are directly responsible, respectively, to each. The term "Independent Negligence" is negligence other than in the CONTRACTING AGENCY's selection, administration, monitoring, or controlling of the CONTRACTOR and in approving or accepting the CONTRACTOR's Work.

D1.2 The CONTRACTOR shall exercise that degree of skill, care and judgment commensurate with the professional standards for the services of a similar nature. When such standards are in dispute, they shall be established by a panel of three qualified, impartial professionals objectively selected and appointed by the Appeals Officer.

D1.3 The CONTRACTOR shall correct, through re-performance at its expense, any services which are deficient or defective because of the CONTRACTOR's failure to perform said services in accordance with professional standards, provided the CONTRACTING AGENCY has notified the CONTRACTOR in writing within a reasonable time, not to exceed 60 days, of the discovery of any such deficiency during the performance of the services and within 12 months of the date of final payment under this Agreement.

### ARTICLE D2 INSURANCE

D2.1 Without limiting the CONTRACTOR's indemnification, it is agreed that CONTRACTOR shall purchase at its own expense and maintain in force at all times for the duration of this Agreement, plus one year

following the date of final payment, the following policies of insurance. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If the CONTRACTOR's policy contains higher limits, the CONTRACTING AGENCY shall be entitled to coverage to the extent of such higher limits. Certificates of insurance must be furnished to the CONTRACTING AGENCY and incorporated into this Agreement with copies attached to this document. Certificates must provide for the CONTRACTING AGENCY to receive notice of any policy cancellation or reduction per AS 21.36 Sections 210-310. Failure to furnish certificates of insurance or lapse of the policy is a material breach and grounds for termination of the CONTRACTOR's services and may preclude other Agreements between the CONTRACTOR and the CONTRACTING AGENCY.

D2.1.1 Worker's Compensation Insurance: The CONTRACTOR shall provide and maintain, for all employees engaged in work under this Agreement, coverage as required by AS 23.30.045, and; where applicable, any other statutory obligations including but not limited to Federal USL&H and Jones Act requirements. The policy(s) must waive subrogation against the State of Alaska.

D2.1.2 Commercial General Liability Insurance: Such policy shall have **minimum** coverage limits of \$300,000 combined single limit per occurrence, covering all business premises and operations used by the Contractor in the performance of services under this agreement. The policy shall be written on an "occurrence" form and shall not be written as a "claims-made" form unless specifically reviewed and agreed to by the CONTRACTING AGENCY.

D2.1.3 Comprehensive Automobile Liability Insurance: Such policy shall have **minimum** coverage of \$300,000 combined single limit per occurrence covering all vehicles used by the Contractor in the performance of services under this agreement.

D2.1.4 Professional Liability (E&O) Insurance: Covering all negligent errors or omissions, and negligent acts, which the CONTRACTOR, Subcontractor or anyone directly or indirectly employed by them, make in the performance of this Agreement which result in financial loss to the State of Alaska. Limits required are per the following schedule:





**ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY  
AND ALASKA ENERGY AUTHORITY**

**CERTIFICATION OF CONTRACTOR AND LOWER-TIER PARTICIPANTS  
REGARDING DEBARMENT, SUSPENSION, AND OTHER INELIGIBILITY AND  
VOLUNTARY EXCLUSION**

Contractor

*PLEASE INSERT YOUR COMPANY'S NAME AND ADDRESS IN THIS BOX*

I, \_\_\_\_\_ hereby certify on behalf  
(Name and title of official)

of \_\_\_\_\_ that:  
(Name of contractor)

- (1) The prospective contractor and lower tier participant certifies, by submission of this bid or proposal, that neither it nor its "principals" [as defined at 49 C.F.R. § 29.105(p)] is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency. In the event, your company or any principals become ineligible from participating in federally funded transactions, you are required to notify us immediately.
- (2) When the prospective contractor and lower tier participant is unable to certify to the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

By:

\_\_\_\_\_  
(Signature of authorized official)

\_\_\_\_\_  
(Title of authorized official)

# AIDEA GENERAL CONDITIONS

## APPENDIX A

Agreement No:  
Project No:  
Date Prepared:

### INDEX

#### Article Number and Title

A1	Definitions
A2	Information and Services from Others
A3	Hold Harmless
A4	Insurance
A5	Occupational Safety and Health
A6	Equal Employment Opportunity
A7	Payments to the CONTRACTOR
A8	Changes
A9	Audits and Records
A10	CONTRACTING AGENCY Inspections
A11	Termination or Suspension
A12	Officials Not to Benefit
A13	Independent CONTRACTOR
A14	Proselytizing
A15	Covenant against Contingent Fees
A16	Precedence of Documents
A17	Endorsement on Documents
A18	Ownership of Work Products
A19	Subcontractors Successors and Assigns
A20	Claims and Disputes
A21	Extent of Agreement
A22	Taxes
A23	Governing Law
A24	Federal Aid Certification (Highways)
A25	Trade Restrictions
A26	Suspension and Debarment
A27	Additional Provisions

### **ARTICLE A1 DEFINITIONS**

- A1.1 Additional or Extra Services - Services, work products or actions required of the CONTRACTOR above and beyond provisions of the Agreement.
- A1.2 Agreement – This Professional Services Agreement and its appendices that outline the terms and conditions regarding Contractor's services during the authorized period of performance.
- A1.3 Amendment - A written change to this Agreement.
- A1.4 Change - A revision in services, complexity, character, or duration of the services or provisions of this Agreement.
- A1.5 Executive Director – Executive Director of the Alaska Industrial Development and Export Authority (AIDEA).
- A1.6 CONTRACTING AGENCY – Alaska Industrial Development and Export Authority (AIDEA) / Alaska Energy Authority (AEA)
- A1.7 Procurement Officer - The individual or a duly appointed successor designated as the official representative to administer contracts for the CONTRACTING AGENCY.
- A1.8 CONTRACTOR - The firm (person or any business combination) providing services.
- A1.9 Contractor's Manager - The CONTRACTOR's representative in responsible charge of the project(s) and directly answerable for the required services.

A1.10 Project Manager – CONTRACTING AGENCY’s representative and the CONTRACTOR’s primary point of contract with the CONTRACTING AGENCY.

A1.11 Funding Agency - An agency of a Federal, State, Political subdivision, or Local Government which furnishes funds for the CONTRACTOR's compensation under this Agreement and which may have established regulations and requirements binding upon the CONTRACTING AGENCY and the CONTRACTOR.

A1.12 Notice to Proceed (NTP) - Written authorization from the CONTRACTING AGENCY to the CONTRACTOR to provide all or specified services in accordance with an existing Agreement.

A1.13 Statement of Services - Services and work products required of the CONTRACTOR by this Agreement.

A1.14 Subcontractor - CONTRACTOR engaged to provide a portion of the services by subcontract with the firm which is a party to this Agreement.

## **ARTICLE A2 INFORMATION AND SERVICES FROM OTHERS**

A2.1 The CONTRACTING AGENCY may, at its election or in response to a request from the CONTRACTOR, furnish information or services from other contractors. If, in the CONTRACTOR's opinion, such information or services is inadequate, the CONTRACTOR must notify the CONTRACTING AGENCY of the specific service or material deemed inadequate and the extent of the inadequacy prior to use in the performance of this Agreement. The CONTRACTING AGENCY will then evaluate and resolve the matter in writing. Unless so notified by the CONTRACTOR, the CONTRACTING AGENCY may assume the information or services provided are adequate.

## **ARTICLE A3 HOLD HARMLESS**

A3.1 See Appendix D, "Indemnification and Insurance".

## **ARTICLE A4 INSURANCE**

A4.1 See Appendix D, "Indemnification and Insurance".

## **ARTICLE A5 OCCUPATIONAL SAFETY AND HEALTH**

A5.1 The CONTRACTOR and its Subcontractors shall observe and comply with the Federal Occupational Safety and Health act of 1970 and with all safety and health standards promulgated by the Secretary of Labor under authority thereof and with all State of Alaska Occupational Safety and Health Laws and regulations.

## **ARTICLE A6 EQUAL EMPLOYMENT OPPORTUNITY**

A6.1 The CONTRACTOR shall comply with the following applicable laws and directives and regulations of the CONTRACTING AGENCY which effectuate them; all of which are incorporated herein by reference:

Title VI of Federal Civil Rights Act of 1964;

Federal Executive Order 11625 (Equal Employment Opportunity);

Title 41, Code of Federal Regulations, Part 60 (Equal Employment Opportunity);

Title 49 Code of Federal Regulations, Part 21 (Discrimination);

Title 49, Code of Federal Regulations, Part 26 (Minority Business Enterprises);

Office of Management and Budget (OMB) circular 102, Attachment O (Procurement Standards);

Alaska Statute (AS) 18.80.200-300 (Discrimination).

A6.2 The CONTRACTOR may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, age, physical disability, sex, or marital status, change in marital status, pregnancy or parenthood when the reasonable demands of the position do not require distinction on such basis. The CONTRACTOR shall take affirmative action to insure that applicants are employed and that employees are treated during employment without regard to their race, religion, color, national origin, age, physical disability, sex, or marital status. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The CONTRACTOR shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.

A6.3 The CONTRACTOR shall state, in all solicitations or advertisements for employees to work in performance of this Agreement, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical disability, sex, or marital status.

A6.4 The CONTRACTOR shall send to each labor union or representative or workers with which the CONTRACTOR has a collective bargaining Agreement or other contract or understanding a notice advising the labor union or workers' representative of the CONTRACTOR's commitments under this article and post copies of the notice in conspicuous places available to all employees and applicants for employment.

A6.5 In the event the CONTRACTOR subcontracts any part of the services to be performed under this Agreement, the CONTRACTOR agrees to make good faith efforts to utilize Disadvantaged Business Enterprises, to affirmatively solicit their interest, capability and prices and to furnish documentation of the results of all such direct contacts on forms provided by or acceptable to the CONTRACTING AGENCY.

A6.6 The CONTRACTOR shall make, keep and preserve such records necessary to determine compliance with equal employment opportunity obligations and shall furnish required information and reports. All records must be retained and made available in accordance with Article A9, Audits and Records.

A6.7 The CONTRACTOR shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its Subcontractors, so that these provisions will be binding upon each Subcontractor.

## **ARTICLE A7 PAYMENTS TO THE CONTRACTOR**

A7.1 Payments shall be based on approved CONTRACTOR's invoices submitted in accordance with this article and the provisions of Appendix C. The sum of payments shall not exceed allowable compensation stated in Notice(s) to Proceed and no payments shall be made in excess of the maximum allowable total for this Agreement.

A7.2 The CONTRACTING AGENCY will exert every effort to obtain required Funding Agency approvals and to issue authorizations in a timely manner. CONTRACTOR shall not perform any services without a Notice to Proceed. Accordingly, the CONTRACTING AGENCY will not pay the CONTRACTOR for services or associated reimbursable costs performed outside those which are authorized by a Notice to Proceed.

A7.3 CONTRACTOR's invoices shall be submitted when services are completed or monthly, for months during which services are performed, as applicable, in a format provided by or acceptable to the CONTRACTING AGENCY.

A7.4 In the event items on an invoice are disputed, payment on those items will be held until the dispute is resolved. Undisputed items will not be held with the disputed items.

A7.5 The CONTRACTOR shall submit a final invoice and required documentation within 90 days after final acceptance of services by the CONTRACTING AGENCY. The CONTRACTING AGENCY will not be held liable for payment of invoices submitted after this time unless prior written approval has been given by the Procurement Officer. Total payment of all Subcontractors and satisfactory compliance with Article A22, Taxes, are conditions precedent to final payment.

## **ARTICLE A8 CHANGES**

A8.1 Changes (including "Supplemental Agreements") in the period of performance, general conditions, statement of services, or other provisions established by this Agreement may be made by written Amendment only. If such changes cause an increase or a decrease in the CONTRACTOR's cost, an equitable adjustment shall be made and specified in the Amendment. The CONTRACTOR shall not perform any additional or extra services prior to receiving a fully executed copy of an Amendment and a Notice to Proceed, except as the CONTRACTOR may be directed under the provisions of Article A20, Claims and Disputes.

A8.2 If at any time the CONTRACTING AGENCY through its authorized representatives, either verbally or in writing, requests or issues instructions for Additional or Extra Services or otherwise directs actions which conflict with any provision of this Agreement, the CONTRACTOR shall, within 30 days of receipt and prior to pursuing such instructions, so notify the CONTRACTING AGENCY in writing, and to the extent possible, describe the services and estimated cost of any Additional or Extra Services. The CONTRACTING AGENCY will then evaluate and, if appropriate, negotiate an Amendment. Unless so notified by the CONTRACTOR, the CONTRACTING AGENCY will conclude such instructions have not changed any provisions of this Agreement nor require additional compensation. No additional payments shall be made to the CONTRACTOR without such notice.

## **ARTICLE A9 AUDITS AND RECORDS**

A9.1 The CONTRACTOR shall maintain records of performances, communications, documents, correspondence and costs pertinent to this Agreement and the Funding or CONTRACTING AGENCY's authorized representatives shall have the right to examine such records and accounting procedures and practices.

A9.2 The Funding or CONTRACTING AGENCY's authorized representatives shall have the right to examine all books, records, documents and other data of the CONTRACTOR related to the negotiation, pricing and performance of this Agreement and any modification or change for the purpose of evaluating the accuracy, completeness and currency of the data submitted. The right of examination shall extend to all documents necessary to permit adequate evaluation of the data, computations and projections used.

A9.3 The materials described in this article shall be made available at a business office of the CONTRACTOR at all reasonable times for inspection, audit or reproduction, for a minimum of 3 years from the date of any resulting final settlement.

A9.3.1 If this Agreement is completely or partially terminated, records relating to the services terminated shall be made available for a minimum of 3 years from the date of any termination or resulting final settlement, whichever is later.

A9.3.2 Records which relate to appeals under Article A20, Claims and Disputes, or litigation or the settlement of Claims arising out of the performance of this Agreement shall be made available until such appeals, litigation or Claims have been concluded.\*

## **ARTICLE A10 CONTRACTING AGENCY INSPECTIONS**

A10.1 The CONTRACTING AGENCY has the right to inspect, in the manner and at reasonable times it considers appropriate during the period of this Agreement, all facilities and activities of the CONTRACTOR as may be engaged in the performance of this Agreement.

## **ARTICLE A11 TERMINATION OR SUSPENSION**

A11.1 This Agreement may be terminated by either party upon 10 days written notice if the other party fails substantially to perform in accordance with its terms through no fault of the party initiating the termination (default termination). If the CONTRACTING AGENCY terminates this Agreement, the CONTRACTING AGENCY will pay the CONTRACTOR a sum equal to the percentage of work completed that can be substantiated in whole or in part either by the CONTRACTOR to the satisfaction of the CONTRACTING AGENCY or by the CONTRACTING AGENCY. If the CONTRACTING AGENCY becomes aware of any non-conformance with this Agreement by the CONTRACTOR, the CONTRACTING AGENCY will give prompt written notice thereof to the CONTRACTOR. Should the CONTRACTOR's services remain in non-conformance, the percentage of total compensation attributable to the nonconforming work may be withheld.

A11.2 The CONTRACTING AGENCY may at any time terminate (convenience termination) or suspend this Agreement for its needs or convenience. In the event of a convenience termination, or suspension for more than 3 months, the CONTRACTOR will be compensated for authorized services and authorized expenditures performed to the date of receipt of written notice of termination or suspension plus reasonable expenses. No fee or other compensation for the uncompleted portion of the services will be paid except for already incurred indirect costs which the CONTRACTOR can establish and which would have been compensated for over the life of this Agreement, but because of the termination or suspension would have to be absorbed by the CONTRACTOR without further compensation.

A11.3 If federal funds support this Agreement, settlement for default or convenience termination must be approved by the Funding Agency.

A11.4 In the event of termination or suspension, the CONTRACTOR shall deliver all work products, reports, estimates, schedules and other documents and data prepared pursuant to this Agreement to the CONTRACTING AGENCY.

**ARTICLE A12  
OFFICIALS NOT TO BENEFIT**

A12.1 No member of or delegate to Congress, United States Commissioner or other officials of the Federal, State, Political subdivision or Local Government shall be admitted to any share or part of this Agreement or any benefit to arise therefrom.

**ARTICLE A13  
INDEPENDENT CONTRACTOR**

A13.1 The CONTRACTOR and its agents and employees shall act in an independent capacity and not as officers or agents of the CONTRACTING AGENCY in the performance of this Agreement except that the CONTRACTOR may function as the CONTRACTING AGENCY's agent as may be specifically set forth in this Agreement.

A13.2 Any and all employees of the CONTRACTOR, while engaged in the performance of any work or services required by the CONTRACTOR under this Agreement, shall be considered employees of the CONTRACTOR only and not of the CONTRACTING AGENCY and any and all Claims that may or might arise under the Worker's Compensation Act on behalf of said employees, while so engaged and any and all Claims made by a third party as a consequence of any negligent act or omission on the part of the CONTRACTOR's employees, while so engaged on any of the services to be rendered herein, shall be the sole obligation and responsibility of the CONTRACTOR.

A13.3 This Agreement will be declared null and void should the CONTRACTING AGENCY determine that by Internal Revenue Service definitions the CONTRACTOR is an employee of the CONTRACTING AGENCY.

**ARTICLE A14  
PROSELYTIZING**

A14.1 The CONTRACTOR agrees that it will not engage on a full or part time basis, during the period of this Agreement, any person or persons who are or have been employed by the CONTRACTING AGENCY during the period of this Agreement or during the 90 days immediately preceding the date of this Agreement except those who have been regularly retired or approved in writing by the CONTRACTING AGENCY.

**ARTICLE A15  
COVENANT AGAINST CONTINGENT FEES**

A15.1 The CONTRACTOR shall comply with the Copeland "Anti-Kickback" Act (18 USC 874) as supplemented in Federal Department of Labor regulations (29 CFR, part 3), which are incorporated by reference and made a part of this Agreement.

A15.2 The CONTRACTOR warrants that it has not employed or retained any organization or person, other than a bona fide employee, to solicit or secure this Agreement and that it has not paid or agreed to pay any organization or person, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, the CONTRACTING AGENCY has the right to annul this Agreement without liability or, in its discretion, to deduct from the allowable compensation the full amount of such commission, percentage, brokerage or contingent fee.

A15.3 The CONTRACTING AGENCY warrants that the CONTRACTOR or the CONTRACTOR's representative has not been required, directly or indirectly as an express or implied condition in obtaining or carrying out this Agreement, to employ or retain, or agree to employ or retain, any organization or person or to make a contribution, donation or consideration of any kind.

**ARTICLE A16  
PRECEDENCE OF DOCUMENTS**

A16.1 Components of this Agreement shall stand and prevail in the following order: Agreement over General Conditions; General Conditions over Statement of Services; Statement of Services over Basis of Compensation; Basis of Compensation over any appendices beyond Appendix C.

A16.2 If a "Request for Proposal" (RFP) and/or a proposal are appended to this Agreement, the components described in paragraph A16.1 shall stand and prevail over the proposal and the proposal over the RFP.

**ARTICLE A17  
ENDORSEMENT ON DOCUMENTS**

A17.1 Endorsements and professional seals, if applicable, must be included on all final drawings, specifications, cost estimates and reports prepared by the CONTRACTOR. Preliminary copies of such documents submitted for review must have seals affixed without endorsement (signature).

**ARTICLE A18  
OWNERSHIP OF WORK PRODUCTS**

A18.1 Work products produced under this Agreement, except items which have pre-existing copyrights, are the property of the CONTRACTING AGENCY. Payments to the CONTRACTOR for services hereunder include full compensation for all work products produced by the CONTRACTOR and its Subcontractors and the CONTRACTING AGENCY shall have royalty free non-exclusive and irrevocable right to reproduce, publish, or otherwise use, and to authorize others to use, such work products.

A18.2 Should the CONTRACTING AGENCY elect to reuse work products provided under this Agreement for other than the original project and/or purpose, the CONTRACTING AGENCY will indemnify the CONTRACTOR and its Subcontractors against any responsibilities or liabilities arising from such reuse. Additionally, any reuse of design drawings or specifications provided under this Agreement must be limited to conceptual or preliminary use for adaptation and the original CONTRACTOR's or Subcontractor's signature, professional seals and dates removed. Such reuse of drawings and specifications, which require professional seals and dates removed, will be signed, sealed and dated by the professional who is in direct supervisory control and responsible for all adaptation.

**ARTICLE A19  
SUBCONTRACTORS, SUCCESSORS AND ASSIGNS**

A19.1 The CONTRACTING AGENCY must concur in the selection of any person or firm that may be engaged in performance of this Agreement to provide negotiable professional or technical services, products, etc., (vs. commodity items available to the general public in stores at market prices).

A19.2 If this Agreement includes named firms or individuals, then such firms or individuals shall be employed for the designated services, unless the Agreement is changed by Amendments.

A19.3 The CONTRACTOR shall not assign, sublet or transfer any interest in this Agreement without the prior written consent of the Procurement Officer.

A19.4 The CONTRACTOR binds itself, its partners, its Subcontractors, assignees and legal representatives to this Agreement and to the successors, assignees and legal representatives of the CONTRACTING AGENCY with respect to all covenants of this Agreement.

A19.5 The CONTRACTOR shall include provisions appropriate to effectuate the purposes of this Appendix A in all subcontracts executed to perform services under this Agreement which may exceed a cost of \$25,000.

**ARTICLE A20  
CLAIMS AND DISPUTES**

A20.1 If the CONTRACTOR becomes aware of any act or occurrence which may form the basis of a Claim by the CONTRACTOR for additional compensation or an extension of time for performance, or if any dispute arises regarding a question of fact or interpretation of this Agreement, the CONTRACTOR shall immediately inform the Procurement Officer. If the matter cannot be resolved within 7 days, the CONTRACTOR shall, within the next 14 days, submit an "Intent to Claim" in writing to the Procurement Officer.

A20.1.1 If the CONTRACTOR believes additional compensation is warranted, the CONTRACTOR shall immediately begin to keep and maintain complete, accurate and specific daily records concerning every detail of the potential Claim including actual costs incurred. The CONTRACTOR shall give the CONTRACTING AGENCY access to any such record and, when so requested, shall forthwith furnish the CONTRACTING AGENCY copies thereof.

A20.1.2 The Claim, if not resolved, shall be presented to the Procurement Officer, in writing, within 60 days following receipt of the "Intent to Claim". Receipt of the Claim will be acknowledged in writing by the Procurement Officer.

A20.1.3 The CONTRACTOR agrees that unless these written notices are provided, the CONTRACTOR will have no entitlement to additional time or compensation for such act, event or condition. The CONTRACTOR shall in any case continue diligent performance under this Agreement.

A20.2 The Claim shall specifically include the following:

A20.2.1 The act, event or condition giving rise to the Claim.

A20.2.2 The provisions of the Agreement which apply to the Claim and under which relief is provided.

A20.2.3 The item or items of project work affected and how they are affected.

A20.2.4 The specific relief requested, including Contract Time if applicable, and the basis upon which it was calculated.



A20.3 The Claim, in order to be valid, must not only show that the CONTRACTOR suffered damages or delay but that those conditions were actually a result of the act, event or condition complained of and that the Agreement provides entitlement to relief to the CONTRACTOR for such act, event, or condition.

A20.3.1 The Procurement Officer reserves the right to make written requests to the CONTRACTOR at any time for additional information which the CONTRACTOR may possess relative to the Claim. The CONTRACTOR agrees to provide the Procurement Officer such additional information within 30 days of receipt of such a request. Failure to furnish such additional information may be regarded as a waiver of the Claim.

A20.3.2 If the Claim is not resolved by Agreement within 90 days of its receipt, the Procurement Officer will issue a written decision to the CONTRACTOR.

A20.3.3 The CONTRACTOR shall certify that the Claim is made in good faith, that the supporting cost and pricing data are accurate and complete to the best of the CONTRACTOR's knowledge and belief, and that the amount requested accurately reflects the adjustment to the Agreement for which the CONTRACTOR believes the CONTRACTING AGENCY is liable.

A20.4 The CONTRACTOR will be furnished a written signed copy of the Procurement Officer's decision within 90 days, unless additional information is requested by the Procurement Officer. The Procurement Officer's decision is final unless, within 14 days of receipt of the decision, the CONTRACTOR delivers a written Notice of Appeal to the Executive Director.

A20.5 Procedures for appeals and hearings are covered under 3 AAC 100.590.

#### **ARTICLE A21 EXTENT OF AGREEMENT**

A21.1 This Agreement including appendices represents the entire and integrated Agreement between the CONTRACTING AGENCY and the CONTRACTOR and supersedes all prior negotiations, representations or Agreements, written or oral.

A21.2 Nothing contained herein may be deemed to create any contractual relationship between the CONTRACTING AGENCY and any Subcontractors or material suppliers; nor may anything contained herein be deemed to give any third party Claim or right of action against the CONTRACTING AGENCY or the CONTRACTOR which does not otherwise exist without this Agreement.

A21.3 This Agreement may be changed only by written Amendment executed by both the CONTRACTING AGENCY and the CONTRACTOR.

A21.4 All communications that affect this Agreement must be made or confirmed in writing and must be sent to the addresses designated in this Agreement.

A21.5 The CONTRACTOR on receiving final payment will execute a release, if required, in full of all Claims against the CONTRACTING AGENCY arising out of or by reason of the services and work products furnished and under this Agreement.

#### **ARTICLE A22 TAXES**

A22.1 As a condition of performance of this Agreement, the CONTRACTOR shall pay all Federal, State and Local taxes incurred by the CONTRACTOR and shall require their payment by any Subcontractor or any other persons in the performance of this Agreement.

#### **ARTICLE A23 GOVERNING LAW**

A23.1 This Agreement is governed by the laws of the State of Alaska and Federal and Local Laws and Ordinances applicable to the work performed. The CONTRACTOR shall be cognizant and shall at all times observe and comply with such laws which in any manner affect those engaged or employed in the performance, or which in any way affects the manner of performance, of this Agreement.

#### **ARTICLE A24 FEDERAL AID CERTIFICATION (HIGHWAYS) (For Agreements exceeding \$100,000)**

A24.1 The CONTRACTOR certifies, by executing this Agreement, to the best of his or her knowledge and belief, that:

A24.1.1 No federal appropriated funds have been paid or will be paid, by or on behalf of the CONTRACTOR, to any person for influencing or attempting to influence an officer or employees of any Federal agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative Agreement, and at the extension, continuation, renewal, Amendment, or modification of any Federal contract, grant, loan, or cooperative Agreement.

A24.1.2 If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any Federal agency, a Member of Congress in connection with this Federal contract, grant, loan, or cooperative Agreement, the undersigned shall complete and submit Standard Form LLL, Disclosure of Lobbying Activities, in accordance with its instructions. Any person who fails to file the required disclosure shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

A24.2 This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code.

A24.3 The CONTRACTOR also agrees by executing this Agreement that the CONTRACTOR shall require that the language of this certification be included in all lower tier subcontracts, which exceed \$100,000 and that all such subrecipients shall certify and disclose accordingly.

## **ARTICLE A25 TRADE RESTRICTIONS**

The contractor or subcontractor, by submission of an offer and/or execution of a contract, certifies that it:

- a. is not owned or controlled by one or more citizens of a foreign country included in the list of countries that discriminate against U.S. firms published by the Office of the United States Trade Representative (USTR);
- b. Has not knowingly entered into any contract or subcontract for this project with a person that is a citizen or national of a foreign country on said list, or is owned or controlled directly or indirectly by one or more citizens or nationals of a foreign country on said list;
- c. Has not procured any product nor subcontracted for the supply of any product for use on the project that is produced in a foreign country on said list.

Unless the restrictions of this clause are waived by the Secretary of Transportation in accordance with 49 CFR 30.17, no contract shall be awarded to a contractor or subcontractor who is unable to certify to the above. If the contractor knowingly procures or subcontracts for the supply of any product or service of a foreign country on said list for use on the project, the Federal Aviation Administration may direct through the Sponsor cancellation of the contract at no cost to the Government.

Further, the contractor agrees that, if awarded a contract resulting from this solicitation, it will incorporate this provision for certification without modification in each contract and in all lower tier subcontracts. The contractor may rely on the certification of a prospective subcontractor unless it has knowledge that the certification is erroneous.

The contractor shall provide immediate written notice to the sponsor if the contractor learns that its certification or that of a subcontractor was erroneous when submitted by reason of changed circumstances.

This certification is a material representation of fact upon which reliance was placed when making the award. If it is later determined that the contractor or subcontractor knowingly rendered an erroneous certification, the Federal Aviation Administration may direct through the Sponsor cancellation of the contract or subcontract for default at no cost to the Government.

Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render, in good faith, the certification required by this provision. The knowledge and information of a contractor is not required to exceed that which is normally posed by a prudent person in the ordinary course of business dealings.

This certification concerns a matter within the jurisdiction of an agency of the United States of America and the making of a false, fictitious or fraudulent certification may render the maker subject to prosecution under Title 18, United States Code, Section 1001.

## **ARTICLE A26 SUSPENSION AND DEBARMENT**

The bidder/offeror certifies, by submission of this proposal or acceptance of this contract, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency. It further agrees by submitting this proposal that it will include this clause without modification in all lower tier transactions, solicitations, proposals, contracts, and subcontracts. Where the bidder/offeror/contractor or any lower tier participant is unable to certify to this statement, it shall attach an explanation to this solicitation/ proposal.

**ARTICLE A27  
ADDITIONAL PROVISIONS**

*(Any deletion or modification of Articles A1 through A26 shall be approved "as to form" by the CONTRACTING AGENCY's legal section, acknowledged in writing, and attached as an Exhibit to this Appendix.)*

A27.1

## BACKGROUND INFORMATION

### 1.01 Background Information

AIDEA and AEA are component units of the State of Alaska, constituting political subdivisions within the Department of Commerce, Community and Economic Development but each with separate and independent legal existence. AIDEA and AEA are governed by two Boards consisting of five members of the general-public appointed by the Governor and two ex-officio members, the Commissioner of Commerce, Community and Economic Development, and the Commissioner of Revenue. The Board members for AIDEA serve as the Board for AEA. AIDEA provides personnel services for AEA and has a borrowing arrangement to provide working capital funds to AEA. There is no commingling of funds, assets, or liabilities between AIDEA and AEA and there is no responsibility of one for the debts or the obligations of the other; therefore, two separate sets of financial statements are issued.

AIDEA's Mission and Authority: The primary mission of AIDEA is to promote, develop and advance economic growth and diversification in Alaska by providing various means of financing and investment. AIDEA may adopt regulations, acquire ownership interests in projects, lease projects, issue bonds, and acquire and manage projects.

AIDEA has a number of programs through which it conducts its economic development activities. AIDEA conducts the majority of its business within the Revolving Fund. Revolving Fund programs include:

- loan participation program;
- development finance program;
- revenue bond program; and
- business and export assistance program.

These programs provide a primary source of financing for economic development within the State of Alaska.

AIDEA purchased 100% interest in Pentex Alaska Gas Company, LLC (Pentex) on September 30, 2015. Pentex may qualify as a component unit of AIDEA in the FY16 financial statements, if it remains under AIDEA ownership.

AIDEA's Sustainable Energy Transmission and Supply Development Program was established within the Sustainable Energy Transmission and Supply Development Fund. This Fund is separate from the Revolving Fund but is part of the component unit of AIDEA.

The Arctic Infrastructure Development Fund was established by the legislature within AIDEA but was not funded and currently has no reportable activity. This is a separate Fund for reporting purposes, but is part of the component unit.

AIDEA also has two smaller loan programs, the Small Business Economic Development Revolving Loan Fund Program and the Rural Development Initiative Fund Loan Program, that are separate from AIDEA's other Funds, but are part of the component unit. Records for these programs are maintained in Juneau, Alaska.

AIDEA is required by AS 44.88.200 to have its financial records audited annually. AIDEA's most restrictive bond covenant relating to the annual audit requires that audited financial

statements be received by bond trustees within 120 days after the June 30 fiscal year end (October 28). The State of Alaska, Department of Administration, Division of Finance requires the financial statements by October 1; historically AIDEA has provided a preliminary final draft by this date.

AEA's Mission and Authority: The primary mission of AEA is to reduce the cost of energy in Alaska. Under current statute, AEA has the general powers necessary to own and operate power production and transmission facilities throughout the state, but AEA is not empowered to purchase or construct new facilities to be owned by AEA, with the exception of the Susitna-Watana hydroelectric project. In addition to its power facilities, AEA works towards reducing energy costs through its rural energy and energy development programs.

The rural energy programs include Bulk Fuel Storage Upgrades, Rural Power System Upgrades, Power Cost Equalization (PCE), Utility Training and Technical Assistance, loan programs funded from the Power Project Fund, and one inactive loan program, the Rural Electric Revolving Loan Fund.

The energy development programs include the Renewable Energy Grants Fund and Recommendation Program, Alternative Energy and Energy Efficiency Programs, and the Emerging Energy Technology Fund Grant Program.

AEA is required by AS 44.83.900 to have its financial records audited annually. AEA bond covenants require issuance of audited financial statements and a compliance letter within 120 days after the June 30 fiscal year end (October 28). The State of Alaska, Department of Administration, Division of Finance requires the financial statements by October 1; historically AEA has provided a preliminary final draft by this date.

## **1.02 Other Pertinent Information**

As component units of the State of Alaska, AIDEA and AEA are required to provide accounting schedules that will be part of the State's Comprehensive Annual Financial Report (CAFR). These schedules are derived from the standalone financial statements and may require approval by AIDEA and AEA's auditors.

AIDEA and AEA utilize "Serenic Navigator, certified for Dynamics NAV" as its integrated accounting system. The accounting system includes subsidiary systems for mortgage loans, investments, accounts payable, accounts receivable, and grants. The majority of schedules supplied for the audit will be in Excel, derived from data from the system.

KPMG, LLP audited AIDEA and AEA's financial statements for the fiscal year ended June 30, 2015. AIDEA's June 30, 2015 financial statements are available online at [www.aidea.org](http://www.aidea.org). AEA's June 30, 2015 financial statements are available online at [www.akenergyauthority.org](http://www.akenergyauthority.org).

## **2.01 Scope of Services**

AIDEA and AEA shall contract with an accounting firm, who has the capacity and capability of performing annual audits of the financial statements of AIDEA and AEA. The successful Contractor shall:

- Issue audited financial statements;
- Issue a Letter to Those Charged with Governance;
- Issue a Management Letter (when necessary);
- Prepare agreed-upon procedures reports for bond sales or other purposes, if required;
- Perform Federal Single Audits, as required;
- Prepare letters of compliance for bond trustees;
- Perform other audit, accounting, technical services, and consultation, as required.

The audit work shall be conducted in accordance with Generally Accepted Auditing Standards, Generally Accepted Governmental Auditing Standards, and other applicable standards.

## **2.02 Conducting the Annual Audits, Federal Single Audit(s), and Associated Reports for AIDEA and AEA**

The CPA shall annually audit the separate financial statements of AIDEA and AEA and provide all deliverables for an annual fixed price as defined by this task. The initial contract will include:

- a. Audits for the fiscal years ending June 30, 2016, 2017, and 2018;
- b. Other services required during the contract term; and
- c. Three (3) one-year renewal options covering audits for the additional fiscal years ending June 30, 2019 through 2021.

The CPA shall issue annual opinions on the separate audited financial statements during the initial contract term and any renewal option, if exercised. The audits shall be performed by the CPA in accordance with Generally Accepted Auditing Standards, Generally Accepted Governmental Auditing Standards, and other applicable standards.

A Schedule of Bradley Lake Hydroelectric Project Trust Account Activities must be prepared as part of the AEA audit. See Schedule 1 of AEA's June 30, 2015 financial statements.

As part of the audit, the CPA will present, in person, the financial statements, the Letter to Those Charged with Governance, and the Management Letter, if any, to AIDEA and AEA's respective Boards at meetings subsequent to audit completion.

### ***2.02A Letters to Those Charged with Governance and Management Letters***

As part of the annual audit, the CPA will prepare a Letter to Those Charged with Governance for both AIDEA and AEA.

If determined necessary, the CPA will prepare a separate Management Letter for AIDEA and/or AEA after the completion of each audit for submission to the appropriate Board and management. The June 30, 2015 Letters to the Board of Directors for AIDEA and AEA are included as Attachments 1 and 2, respectively. Management Letters were not issued to either entity.

### ***2.02B Federal Single Audit***

The CPA shall perform Federal Single Audits relating to AIDEA and AEA's involvement in federally funded programs, as required. Both AIDEA and AEA currently receive federal monies. For fiscal year 2015, AIDEA was under the threshold for receiving a Federal Single Audit. A copy of AEA's Federal Single Audit for the year ended June 30, 2015 is attached as Attachment 3. The price proposal should include costs for preparing a Federal Single Audit for both entities.

**2.02C Bond Compliance Report**

The CPA shall prepare, at the time of each annual AEA audit, a Bond Compliance Report for the Bradley Lake Bond trustee, as required by the bond resolution. A copy of the Bond Compliance Letter for the year ended June 30, 2015 is attached as Attachment 4.

**2.02D Schedule**

The audits of AIDEA and AEA are to be completed and the financial statements issued and delivered prior to October 28<sup>th</sup> of each year. Earlier completion is anticipated and the date will be agreed to in advance, each year, by the CPA and AIDEA and AEA. AIDEA and AEA have no preference as to whether or not interim work is performed by the CPA. The decision to do interim work related to the annual audits rests solely with the CPA. The annual audit field work, including interim work, shall be conducted during mutually agreed upon periods that meet the specified deadlines.

**2.02E Deliverables**

It is currently anticipated that the financial statements for each of the fiscal years covered by the contract resulting from this RFP may be in substantially the same formats as currently used for both entities; however, AEA is reviewing its programs to determine if some funds should be reclassified as governmental funds. The CPA must finalize the financial statements and other letters/schedules from drafts provided by AIDEA or AEA staff; the CPA will provide the proforma to staff.

The following are to be provided by the CPA relating to the audit:

- a. 75 printed/bound copies for both AIDEA and AEA audited financial statements, respectively;
- b. 15 printed/bound copies for both AIDEA and AEA Letters to Those Charged with Governance;
- c. 10 printed/bound copies for AEA Bradley Lake Bond Compliance Report;
- d. 1 printed/unbound copy for both AIDEA and AEA financial statements;
- e. Electronic copy for both AIDEA and AEA financial statements;
- f. Electronic copy for AIDEA's balance sheet and statement of revenues, expenses, and changes in net assets without note references;
- g. Presentation and discussion, in person, for both AIDEA and AEA financial statements to the respective Boards in November or December annually, as meeting schedules permit;
- h. Printed/bound copies of Federal Single Audit Reports for both AIDEA and AEA (number determined based on need) and coordination with staff for any required filings; and
- i. Electronic copy of Federal Single Audit Reports for each program, if any, for both AIDEA and AEA.

**2.02F Audit Assistance to be Provided by AIDEA and AEA Staff**

AIDEA's records are expected to be substantially ready for audit by August 22<sup>nd</sup> each year. AEA's records are expected to be ready for audit by September 28th each year. Additionally, AIDEA and AEA will:

- a. Provide the CPA with trial balances, balance sheets, income statements, and lead sheets;
- b. Provide detail schedules and/or trial balances of asset and liability accounts reconciled to the general ledger;
- c. Provide copies of income and expense account analyses, which staff utilize internally to monitor the correctness of the accounts (CPA should note that staff will not prepare or perform "reasonableness tests" on certain income and expense accounts, which do not lend themselves to "reasonableness" auditing);
- d. Prepare drafts of the financial statements, including notes thereto, and provide backup for the financial statement notes. For preparation of the previously mentioned drafts, AIDEA and AEA will use proformas of the financials supplied by the CPA to insert the appropriate information for each year. The CPA will be responsible for final typing of all reports and providing the appropriate number of printed copies;
- e. Provide typed confirmations in a format determined by the CPA;
- f. Provide the CPA with access to copying machines, internet access, fax machines, and telephones when performing the annual audit field work at AIDEA and AEA offices; and
- g. Provide schedules of federal expenditures for federal single audit test work.

**2.03 Other Services That may be Required Under This Contract**

Other accounting, technical, and professional services which the CPA may be required to perform include, but are not necessarily limited to, those tasks listed below. It is anticipated that these services will be paid for on a negotiated time and expense basis or a fixed price per task that would be negotiated and agreed to in advance in writing by the CPA and the Project Manager.

**2.03A Agreed-Upon Procedures Report for Bond Sales or other purposes**

When required for the sale of bonds, or other purpose, the CPA will prepare an Agreed-Upon Procedures Report.

**2.03B Review or Opinions on Third Party Accounting Records**

- a. The examination or review of the financial records maintained by AIDEA or AEA Contractors and clients; and
- b. The issuance of letters of contractual compliance.

**2.03C Review, Consultation on Technical Accounting, or Other Issues**

- a. Issue opinion letters relating to the clarification or application of accounting regulations as they relate to AIDEA and AEA financial matters;
- b. Provide guidance as needed in the implementation of new accounting standards;
- c. Consultations relating to accounting or tax issues that may arise during the term of the contract; and
- d. Review AIDEA and AEA Annual Reports prepared by AIDEA and AEA staff.



**3.01 Attachments**

1. AIDEA Letter to the Board of Directors
2. AEA Letter to the Board of Directors
3. AEA Federal Single Audit
4. AEA Bond Compliance



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

December 1, 2015

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

Ladies and Gentlemen:

We have audited the basic financial statements of Alaska Industrial Development and Export Authority (AIDEA) as of June 30, 2015, and have issued our report thereon dated December 1, 2015. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

#### **Our Responsibility under Professional Standards**

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Board of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of AIDEA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AIDEA's internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Board in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.



The Board  
Alaska Industrial Development and Export Authority  
December 1, 2015  
Page 2 of 4

### **Other Information in Documents Containing Audited Financial Statements**

Our responsibility for other information in documents containing AIDEA's basic financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We will, however, read the other information included in AIDEA's basic financial statements, and communicate any matters that come to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

### **Accounting Practices and Alternative Treatments**

#### *Significant Accounting Policies*

The significant accounting policies used by AIDEA are described in note 2 to the basic financial statements.

On July 1, 2014, AIDEA adopted new accounting guidance as contained in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This requires governments that provide defined benefit pensions to their employees to recognize their proportionate share of the pension plan's net pension liability, as well as recognizing most changes in the net pension liability within pension expense.

AIDEA has a policy to report projected prepayments of Revolving Fund loans as current assets. The June 30, 2015 financial statements report as current assets \$13.1 million of anticipated loan prepayments in excess of the amount contractually due. The adoption of this policy, and the impact of this policy on the financial statements, is described in note 4 to the financial statements. We have received written representations from management that management believes that the effect of this accounting policy is immaterial to the basic financial statements taken as a whole.

There were no significant unusual transactions or matters where there was a lack of accounting guidance or accounting consensus during the year ended June 30, 2015.

### **Management Judgments and Accounting Estimates**

The preparation of the basic financial statements requires management of AIDEA to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the period.

The allowance for loan losses represents management's judgment as to the amount required to absorb existing probable losses in the loan portfolio. The factors used by management to determine the allowance include historical loss experience, individual delinquencies, existing economic



The Board  
Alaska Industrial Development and Export Authority  
December 1, 2015  
Page 3 of 4

conditions, and other factors. Management's estimates of potential loss are charged to operating expense through provisions for loan losses. The allowance totaled approximately \$8.7 million at June 30, 2015, on loans with a carrying value of \$396.8 million.

Management is required to estimate its ability to recover the carrying value of its interests in Development Projects and to record an allowance for impairment whenever the fair value of the asset has declined below the carrying value and the decline is determined not temporary in nature. Management has not recorded any impairment on its Development Projects as of June 30, 2015.

We have evaluated the key factors and assumptions used in developing these estimates, including possible management bias, in determining these estimates are reasonable in relation to the basic financial statements taken as a whole.

#### **Uncorrected and Corrected Misstatements**

##### *Uncorrected Misstatements*

In connection with our audit of AIDEA's financial statements, we have not identified any significant financial statement misstatements that have not been corrected in AIDEA's books and records as of and for the year ended June 30, 2015 and have communicated that finding to management.

#### **Disagreements with Management**

There were no disagreements with management on financial accounting, and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on AIDEA's basic financial statements.

#### **Management's Consultation with Other Accountants**

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2015.

#### **Significant Issues Discussed, or Subject to Correspondence, with Management**

##### *Major Issues Discussed with Management prior to Retention*

We generally discuss a variety of matters with you and management each year prior to our retention by you as AIDEA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

##### *Material Written Communications*

For material written communications between management and us, please see the attached management representation letter.



The Board  
Alaska Industrial Development and Export Authority  
December 1, 2015  
Page 4 of 4

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

\* \* \* \* \*

This letter to the Board is intended solely for the information and use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**



December 1, 2015

KPMG LLP  
701 West 8<sup>th</sup> Avenue, Suite 600  
Anchorage, AK 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of each major fund, aggregate remaining fund information, and the related notes to the financial statements, of the Alaska Industrial Development and Export Authority (a component unit of the State of Alaska) (the Authority) as of and for the year ended June 30, 2015, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and, where applicable, cash flows thereof in accordance with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows in conformity with U.S. generally accepted principles. We are also responsible for established and maintaining effective internal controls over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of December 1, 2015, the following representations made to you during your audit:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 29, 2012, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:
  - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements.
  - b. Additional information that you have requested from us for the purpose of the audits.
  - c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of the meetings of the Board, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. Except as disclosed to you in writing, there have been no:
  - a. Circumstances that have resulted in communications from the Authority's external legal counsel to the Authority reporting evidence of a material violation of securities law or breach of fiduciary duty, or similar violation by the Authority or any agent thereof.
  - b. Communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

There are no:

- a. Violations or possible violations of laws or regulations that have come to management's attention whose effects are regarded to be significant enough that they need to be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62, paragraphs 96 – 113.

- d. Material transactions, for example, grants and other contractual arrangements, that have not been properly recorded in the accounting records underlying the financial statements.
  - e. Events that have occurred subsequent to the date of the statement of net position and through the date of this letter that would require adjustment to or disclosure in the financial statements.
4. All known actual or possible litigation and claims have been accounted for and disclosed in accordance with GASB Statement No. 62, paragraphs 96 – 113.
5. We believe that the effects of presenting the current portion of the Revolving Fund loan portfolio in a manner inconsistent with generally accepted accounting principles (GAAP) is not material. We believe as displayed it is more accurate and historically validated and we do not believe it would make it probable that the judgment of a reasonable person relying on the information would be changed or influenced. The impact of the non-GAAP presentation is \$13.1 million.
6. We acknowledge our responsibility for the design, implementation and maintenance of programs and controls to prevent and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. We understand that the term “fraud” includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets.
8. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Authority’s ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*.
9. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
10. We have no knowledge of any fraud or suspected fraud affecting the Authority’s financial statements involving:
  - a. Management



- b. Employees who have significant roles in internal control over financial reporting, or
  - c. Others where the fraud could have a material effect on the financial statements.
- 11. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements received in communications from employees, former employees, analysts, regulators, or others.
- 12. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.
- 13. We have no knowledge of any officer or member of the governing body of the Authority, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
- 14. The following have been properly recorded or disclosed in the financial statements:
  - a. Related party relationships and transactions of which we are aware in accordance with the requirements of U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties. Any specific related party transactions do not involve undisclosed side agreements.
  - b. Guarantees, whether written or oral, under which the Authority is contingently liable.
  - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements.
  - d. Agreements to repurchase assets previously sold, including sales with recourse.
  - e. Changes in accounting principle affecting consistency.
  - f. The existence of and transactions with joint ventures and other related organizations.

15. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the financial statements.
16. The Authority has complied with all aspects of laws, regulations, contractual agreements, and grants that may have a material affect the financial statements, including noncompliance.
17. Management is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Authority. Management has identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.
18. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Authority's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of "significant deficiency" and a "material weakness" in accordance with Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*.
19. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.
20. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
21. Amounts advanced to related entities represent valid receivables and are expected to be recovered at some future date in accordance with the terms of related agreements.
22. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net position and have been appropriately reduced to their estimated net realizable value.
23. Deposits and investment securities are properly classified and reported.
24. The Authority is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for*

*Certain Investments and for External Investment Pools*, as amended. The amounts reported represent the Authority's best estimate of fair value of investments required to be reported under the Statement. The Authority also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.

25. The Authority has no derivative instruments and no related deferred inflows/outflows of resources related to hedging derivative instruments as provided by GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.
26. The Authority has no intention of terminating participation in the State of Alaska Public Employee Retirement System, or taking any other action that could result in an effective termination or reportable event for the plan. We are not aware of any occurrences that could result in the termination of the pension plan to which we contribute.
27. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:
  - a. The extent, nature, and terms of financial instruments with off-balance-sheet risk;
  - b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and
  - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
28. We believe that all material expenditures or expenses that have been deferred to future periods will be recoverable.
29. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated.
30. The Authority has no:
  - a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.

- b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.
  - c. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.
- 31. The Authority has complied with all tax and debt limits and with all debt related covenants.
- 32. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.
- 33. To the best of our knowledge, for each defined benefit pension plan in which the Authority is a participating employer:
  - a. The net pension liability, related deferred outflows of resources, deferred inflows of resources, and pension expense has been properly measured and recorded as of the measurement date in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
  - b. All relevant plan provisions in force as of the measurement date have been properly reflected in the measurement of the net pension liability and pension expense.
  - c. We believe the actuarial assumptions and methods used to measure the net pension liability and pension expense are appropriate in the circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.
  - d. The participants' data provided to the actuary for purpose of determining the net pension liability and pension expense is accurate and complete.
  - e. The basis for our proportion of the collective pension amounts is appropriate and consistent with the manner in which contributions to the pension plan are determined.

- f. The net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense have been properly allocated to proprietary funds based on each fund's direct and indirect (for example, through a fringe benefit cost recovery rate) payment of employer contributions relative to total employer contributions of the Authority as a whole.
34. The funding that the State of Alaska provides on behalf of the Authority's employees for the Public Employees' Retirement System (PERS) is a special funding situation as contemplated in paragraph 15 of GASB Statement 68 because AS39.35.255 limits employer contributions at 22%. AS39.35.280 requires the State of Alaska to make contributions that when combined with total employer contributions is sufficient to pay the plans past service liability at the contribution rate adopted by the Alaska Retirement Management Board. The adopted rate for FY15 was 44.03%.
35. Provision has been made in the financial statements for the Authority's pollution remediation obligations. We believe that such estimate has been determined in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and is reasonable based on available information.
36. The Authority has identified and properly accounted for and presented all deferred outflows of resources and deferred inflows of resources.
37. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
38. Revenues are appropriately classified in the statements of revenues, expenses and changes in net position.
39. The Authority has identified and properly accounted for all non-exchange transactions.
40. Expenses have been appropriately classified in the statements of revenues, expenses and changes in net position.
41. Special and extraordinary items are appropriately classified and reported.
42. The financial statements disclose all of the matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and our plans.

43. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Authority's current period financial statements and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.
44. We believe costs capitalized in relation to the IEP and Ambler road projects were appropriately capitalized under GASB Statement 51.
45. The Authority has complied with all applicable laws and regulations in adopting, approving, and amending budgets.
46. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.
47. The Authority is not responsible for the requirements in OMB Circular A-133 as it relates to Loan Funds.
48. The Authority is not subject to the requirements of OMB Circular A-133 as it did not expend more than \$500,000 in federal awards during the year ended June 30, 2015.

Further, we confirm that we are responsible for the fair presentation in the financial statements of each major fund and the aggregate remaining fund information of the Authority, and the related notes to the financial statements, in accordance with U.S. generally accepted accounting principles.

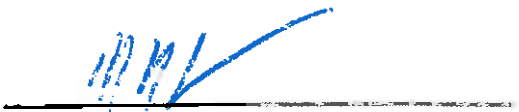
Very truly yours,

ALASKA INDUSTRIAL DEVELOPMENT & EXPORT AUTHORITY



John Springsteen

*Executive Director*



Michael E. Lamb

*Chief Financial Officer*



Brenda Applegate

*Controller*



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

**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  
Alaska Industrial Development  
and Export Authority:

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 fund and the aggregate remaining fund information of Alaska Industrial Development and Export Authority (AIDEA) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise AIDEA's basic financial statements, and have issued our report thereon dated December 1, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered AIDEA'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 AIDEA's internal control. Accordingly, we do not express an opinion on the effectiveness of AIDEA'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 AIDEA'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 AIDEA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AIDEA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

December 1, 2015



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

October 26, 2015

The Board of Directors  
Alaska Energy Authority  
(A Component Unit of the State of Alaska)

Ladies and Gentlemen:

We have audited the basic financial statements of Alaska Energy Authority (the Authority) as of and for the year ended June 30, 2015, and expect to issue our report thereon under date of October 26, 2015. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

#### **Our Responsibility under Professional Standards**

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board of Directors are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements 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. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Board of Directors of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Board of Directors in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.



The Board of Directors  
Alaska Energy Authority  
October 26, 2015  
Page 2 of 3

### **Other Information in Documents Containing Audited Financial Statements**

Our responsibility for other information in documents containing the Authority's basic financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We will, however, read the other information included in the Authority's basic financial statements, and communicate any matters that come to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

### **Accounting Practices and Alternative Treatments**

#### *Significant Accounting Policies*

The significant accounting policies used by the Authority are described in note 2 to the basic financial statements. No significant new accounting policies were adopted and the application of existing policies did not change during 2015.

#### *Unusual Transactions*

There were no significant unusual transactions or matters where there was a lack of accounting guidance or accounting consensus during the year ended June 30, 2015.

#### *Qualitative Aspects of Accounting Practices*

We have discussed with the Board of Directors and management our judgments about the quality, not just the acceptability, of the Authority's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the Authority's accounting policies and their application, and the understandability and completeness of the Authority's financial statements, which include related disclosures.

### **Management Judgments and Accounting Estimates**

The preparation of the basic financial statements requires management of the Authority to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the period. We have evaluated the key factors and assumptions used by management, including possible management bias, in determining that the amounts reported are reasonable in relation to the basic financial statements taken as a whole.



The Board of Directors  
Alaska Energy Authority  
October 26, 2015  
Page 3 of 3

**Uncorrected and Corrected Misstatements**

In connection with our audit of the Authority's basic financial statements, we have not identified any significant financial statement misstatements in the Authority's books and records as of and for the year ended June 30, 2015, and have communicated that finding to management.

**Disagreements with Management**

There were no disagreements with management on financial accounting, and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on the Authority's basic financial statements.

**Management's Consultation with Other Accountants**

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2015.

**Significant Issues Discussed, or Subject to Correspondence, with Management**

*Major Issues Discussed with Management prior to Retention*

We generally discuss a variety of matters with management each year prior to our retention by the Board of Directors as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Material Written Communications*

For material written communications between management and us, please see the attached management representation letter.

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

\* \* \* \* \*

This letter to the Board of Directors is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**



October 26, 2015

KPMG LLP  
701 West 8<sup>th</sup> Avenue  
Suite 600  
Anchorage, AK 99501

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements and the related notes to the financial statements of the Alaska Energy Authority (a component unit of the State of Alaska) (the Authority or AEA) as of and for the year ended June 30, 2015 and June 30, 2014, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and, where applicable, cash flows thereof in accordance with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows in conformity with U.S. generally accepted accounting principles. We are also responsible for establishing and maintaining effective control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, as of October 26, 2015, the following representations made to you during your audits:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 29, 2012, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.
2. We have made available to you:
  - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements.
  - b. Additional information that you have requested from us for the purpose of the audits.

- c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of the meetings of the Board, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. Except as disclosed to you in writing, there have been no:
  - a. Circumstances that have resulted in communications from the Authority's external legal counsel to the Authority reporting evidence of a material violation of securities law or breach of fiduciary duty, or similar violation by the Authority or any agent thereof.
  - b. Communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
  - c. False statements affecting the Authority's financial statements made to the Authority's internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audits.
4. There are no:
  - a. Violations or possible violations of laws or regulations, that have come to management's attention whose effects are regarded to be significant enough that they need to be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62, paragraphs 96 – 113.
  - d. Material transactions, for example, grants and other contractual arrangements, that have not been properly recorded in the accounting records underlying the financial statements.
  - e. Events that have occurred subsequent to the date of the statement of net position and through the date of this letter that would require adjustment to or disclosure in the financial statements.
5. All known actual or possible litigation and claims have been accounted for and disclosed in accordance with GASB Statement No. 62, paragraphs 96 – 113.
6. We acknowledge our responsibility for the design, implementation and maintenance of programs and controls to prevent and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of

misstatements that are material to the financial statements whether due to error or fraud. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets.

7. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Authority's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265, Communicating Internal Control Related Matters Identified in an Audit.
8. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
9. We have no knowledge of any fraud or suspected fraud affecting the Authority's financial statements involving:
  - a. Management
  - b. Employees who have significant roles in internal control over financial reporting, or
  - c. Others where the fraud could have a material effect on the financial statements.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements received in communications from employees, former employees, analysts, regulators, or others.
11. Except as disclosed in the financial statements, the Authority has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.
12. We have no knowledge of any officer or member of the governing body of the Authority, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
13. The following have been properly recorded or disclosed in the financial statements:
  - a. Related party relationships and transactions of which we are aware in accordance with the requirements of U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the Authority is contingently liable.
  - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements.
  - d. Agreements to repurchase assets previously sold, including sales with recourse.
  - e. Changes in accounting principle affecting consistency.
  - f. The existence of and transactions with joint ventures and other related organizations.

14. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the financial statements.
15. The Authority has complied with all aspects of laws, regulations, contractual agreements, and grants that may affect the financial statements, including noncompliance.
16. Management is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Authority. Management has identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.
17. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Authority's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of "significant deficiency" and a "material weakness" in accordance in Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*.
18. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.
19. The Authority has elected to apply GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
20. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
21. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the balance sheet and have been appropriately reduced to their estimated net realizable value.
22. Deposits and investment securities are properly classified and reported.
23. The Authority is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. The amounts reported represent the Authority's best estimate of fair value of investments required to be reported under the Statement. The Authority also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.
24. The Authority has no derivative instruments and no related deferred inflows/outflows of resources relating to hedging derivative instruments as provided by GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.
25. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:
  - a. The extent, nature, and terms of financial instruments with off-balance-sheet risk;



- b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and
  - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
- 26. We believe that all material expenditures or expenses that have been deferred to future periods will be recoverable.
- 27. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated.
- 28. The Authority has properly applied the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, including those related to the recognition of outlays associated with the development of internally generated computer software.
- 29. The Authority has no:
  - a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.
  - b. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.
- 30. The Authority has complied with all tax and debt limits and with all debt related covenants.
- 31. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.
- 32. Provision has been made in the financial statements for the Authority's pollution remediation obligations. We believe that such estimate has been determined in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and is reasonable based on available information.
- 33. The Authority has identified and properly accounted for and presented all deferred outflows of resources and deferred inflows of resources.
- 34. Components of net position (net investment in capital assets; restricted; and unrestricted) and fund balance components (nonspendable; restricted; committed; assigned; and unassigned) are properly classified and, if applicable, approved.
- 35. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 36. The Authority has identified and properly accounted for all nonexchange transactions.

37. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
38. The financial statements disclose all of the matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and our plans.
39. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Authority's current period financial statements [and our assessment of internal control over financial reporting], and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements [and our assessment of internal control over financial reporting] is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.
40. We acknowledge our responsibility for the presentation of the supplementary information, which includes Schedule of Bradley Lake Hydroelectric Project Trust Account Activities, Schedule of Projects and Programs – Balance Sheet, and Schedule of Projects and Programs – Revenues, Expenses, and Changes in Net Position, Capital Assets presented under FERC, and Supplementary Organization and Project Information, in accordance with the applicable criteria and/or prescribed guidelines and:
  - a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and/or prescribed guidelines.
  - b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period.
  - c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.
41. The Authority has complied with all applicable laws and regulations in adopting, approving, and amending budgets.
42. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.

Additionally, we confirm, to the best of our knowledge and belief, as October 26, 2015, the following representations made to you during your A-133 audit:

43. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements.
44. We are responsible for understanding and complying with the requirements of laws and regulations and the provisions of contracts and grant agreements related to each of the Authority's federal programs.

45. We are responsible for the design and implementation of programs and controls to prevent and detect fraud in the administration of federal programs. We have no knowledge of any fraud or suspected fraud affecting the entity's federal programs involving:
  - a. Management, including management involved in the administration of federal programs.
  - b. Employees who have significant roles in internal control over the administration of federal programs.
  - c. Others where the fraud could have a material effect on compliance with laws and regulations, and provisions of contract and grant agreements related to its federal programs.<sup>3</sup>
46. We are responsible for the presentation of the schedule of expenditures of federal awards (SEFA) in accordance with OMB Circular A-133.
47. The Authority is responsible for complying, and has complied, with the requirements of OMB Circular A-133.
48. The Authority has prepared the SEFA in accordance with the requirements of OMB Circular A-133 and :
  - a. Has included all expenditures made during the year ended June 30, 2015 for all awards provided by federal agencies in the form of grants, American Recovery and Reinvestment Act (ARRA) awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
  - b. Appropriately identified and separated all ARRA awards, if any, within the SEFA.
49. We have disclosed to you any interpretations of any compliance requirements that have varying interpretations.
50. The Authority has established and maintained effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on a federal program.
51. We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over compliance that we have identified, which could adversely affect the Authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, and the provisions of contracts and grant agreements. Under standards established by the American Institute of Certified Public Accountants, a deficiency in 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 and correct on a timely basis, noncompliance with a type of compliance requirement of a federal program. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 over compliance with a compliance requirement that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

52. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
53. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities related to major federal programs.
54. We have made available all documentation related to the compliance requirements, including information related to federal financial reports and claims for advances and reimbursements for major federal programs.
55. We have identified and disclosed to you all questioned costs and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
56. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the applicable compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
57. The Authority is in compliance with documentation requirements contained in OMB Circular A-87, "Cost Principles for State, Local and Tribal Governments" for all costs charged to federal awards, including both direct costs and indirect costs charged through cost allocation plans or indirect cost proposals. Costs charged to federal awards are considered allowable under the applicable cost principles contained in OMB Circular A-87.
58. Federal financial reports and claims for advances and reimbursements are supported by the accounting records from which the financial statements have been prepared.
59. The copies of federal financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
60. The Authority is not responsible for the submission of the Data Collection Form; this is the responsibility of the State of Alaska.
61. If applicable, we are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133.
62. If applicable, we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
63. The Authority has advised you of all contracts or other agreements with service organizations.
64. The Authority has disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
65. The Authority has disclosed whether any changes in internal control over compliance or other factors that might have significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent to the date as to which compliance is audited.


Further, we confirm that we are responsible for the fair presentation in the financial statements of the governmental activities and the related notes to the financial statements, in accordance with U.S. generally accepted accounting principles.

Sincerely,



Sara Fisher-Goad

*Executive Director*



Michael Lamb

*Chief Financial Officer*



Amy Adler

*Controller*



**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)

**Table of Contents**

	<b>Page(s)</b>
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	1-2
Schedule of Expenditures of Federal Awards	3
Notes to Schedule of Expenditures of Federal Awards	4-5
Schedule of Findings and Questioned Costs	6
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 <i>Government Auditing Standards</i>	7-8



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

**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 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	40,000	25,569
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	277,756	74,059
Total federal awards		<u>\$ 33,659,110</u>	<u>4,733,579</u>

See accompanying independent auditors' report.

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

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**  
(A Component Unit of the State of Alaska)

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  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  none reported

Noncompliance material to the financial statements noted?  yes  no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  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  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?  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.**



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

**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



Attachment 4  
AEA  
Bond Compliance

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

**Bond Compliance Report**

October 26, 2015





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

## **Independent Accountants' Report**

The Board of Directors  
Alaska Energy Authority  
(A Component Unit of the State of Alaska):

We have examined management's assertion that the Alaska Energy Authority complied with the covenants, agreements, and conditions included in Sections 717(3) and 801 of the Power Revenue Bond Resolution dated September 7, 1989 as of and for the year ended June 30, 2015. The Alaska Energy Authority's management is responsible for the assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertion referred to above is fairly stated, in all material respects, based on the covenant, agreements, and conditions included in Sections 717(3) and 801 of the Power Revenue Bond Resolution dated September 7, 1989.

This report is intended solely for the information and use of the board of directors and management of the Alaska Energy Authority, U.S. Bank National Association, Municipal Bond Investors Assurance Corporation, and Assured Guaranty Municipal Corp., and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

October 26, 2015