Denali Commission
Agency Financial Report (AFR)
Fiscal Year 2011

510 L Street, Suite 410
Anchorage, AK 99501
Phone - (907) 271-1414
Toll Free - 1-888-480-4321

www.denali.gov

Denali Commission Performance and Accountability Report, Agency Financial Report Fiscal Year 2011.
Anchorage, AK., November 2011

This report is available on the internet on the Denali Commission's Home Page at www.denali.gov and under the Administration, Finance section.

http://www.denali.gov/index.php?option=com_docman&Itemid=257

To order copies of the report or to submit comments on how we could improve the report, contact:

Denali Commission
ATTN: Nancy Merriman, Sr Program Manager
510 L Street, Suite 410
Anchorage, AK 99501
Telephone: 907-271-1414
Toll Free - 1-888-480-4321

Denali Commission FY 2011 Agency Financial Report - Table of Contents

Agency Head Message

Management's Discussion & Analysis

Financial Section

Management and Performance Challenges

Other Accompanying Information
Appendix Section

Message from the Federal Co-Chair

November 15, 2011

Federal Co-Chair Joel Neimeyer

I am pleased to submit the Denali Commission's Fiscal Year (FY) 2011 Agency Financial Report. The Commission has again elected to produce a separate Agency Financial Report and Agency Performance Report to enhance the presentation of financial and performance information and make this information more meaningful and transparent to the public, the Congress, and stakeholders to inform them on the Commission's performance in Fiscal Year (FY) 2011. We have appreciated the flexibility of this reporting format and the opportunity to extract the significant information into the subsequent Summary of Performance and Financial Information to be submitted in February 2012.

The mission of the Denali Commission, established in 1999 through the Denali Commission Act, is *to work with partners to develop basic public infrastructure, opportunity, and quality of life in Alaska communities*. Through these three major goal areas, the Commission continued in FY 2011 to make progress on that mission:

- Modernize and develop stronger and sustainable infrastructure in rural Alaska
- Promote the sustainability of rural Alaska communities
- Fortify accountability policies and procedures

Some of the nation's poorest and underserved people live in rural Alaska, facing the unique and daunting hardships of remote and inhospitable geography, harsh climate, high energy and transportation costs, and atypical infrastructure designed for Arctic conditions. The difficulties under which rural Alaskans continue to live make the Commission's work as important today as it was in 1999.

I hope this Agency Financial Report (AFR), in conjunction with the Agency Performance Report (APR) which follows in February 2012, provides the reader with some insight into the great people and heritage of rural Alaska, and the positive role that Denali Commission has played over the past 12 years and our evolving role in future years.

In support of the goal area to modernize and develop stronger and sustainable infrastructure in rural Alaska, during FY 2011, the Commission continued in concert with our program partners to construct code compliant fuel tanks, rural health clinics, and many roads and docks.

Our work to strengthen the sustainability of rural communities, in FY 2011, the Commission helped to lead efforts to develop renewable and alternative energy; sponsored regional planning efforts, studies of docks and mooring points across Alaska, and more

Message from the Federal Co-Chair (continued)

than 50 training opportunities across the state on construction trades, allied health occupations, leadership and management. And the Commission continues to be a lead agency in Alaska on the concepts of Tribal Consultation and governmental coordination.

Finally, the Commission renewed a focus on accountability by improving grant-making and project monitoring systems. During FY 2012, Denali Commissioners, leadership and staff will undertake a strategic planning effort that further refines the role and reach of the agency in the next few years. Our financial and internal controls audits are unqualified again this year, attesting to the agency's continued commitment to accountability. And this year, the auditor identified no material weaknesses in the financial data maintained by the Commission.

Due in part to our engagement of the US Department of the Treasury, Bureau of the Public Debt's Financial Management Line of Business in 2009, I am able to assure that the performance and financial data in this report is complete and accurate.

In this era of national financial austerity, the Denali Commission's funding has been decreasing annually since 2005. FY 2011 was especially difficult with a Congressionally-imposed $15 million rescission, which the Commission returned to US Treasury in its entirety prior to the end of the fiscal year. The Denali Commission continues to address the disparities in the social and economic conditions of rural Alaska compared to the Lower 48. The Commission is pleased to share our activities and accomplishments of FY 2011 through this Agency Financial Report.

Sincerely,

Joel Neimeyer

Federal Co-Chair

Overview of the Denali Commission

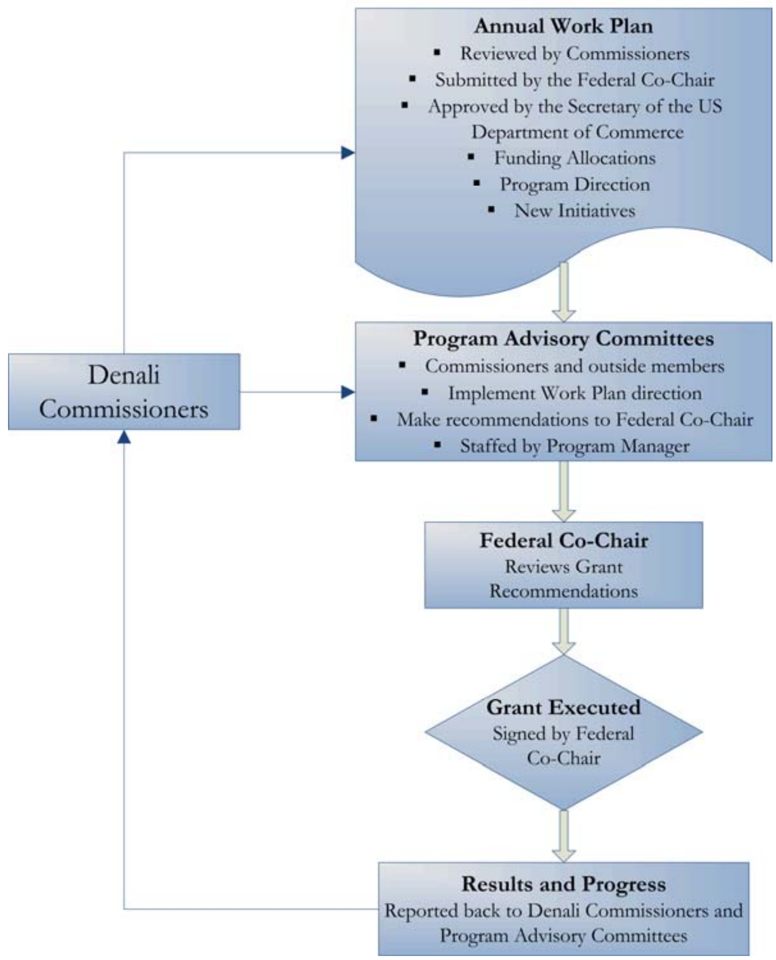
In 1998, national attention was focused on the immense infrastructure and economic challenges faced by rural Alaskan communities by passing the Denali Commission Act (the full text of which is available on the Denali Commission website at www.denali.gov/images/denali_commission_act_of_1998.pdf). The Act became law on October 21, 1998 (Title III of Public Law 105-277, 42 USC 3121) establishing the Denali Commission (Commission) as an independent federal agency that acts as a regional commission focusing on the basic infrastructure needs of rural Alaska. Working as a federal-state-tribal-local partnership, the Commission provides critical utilities, infrastructure and promotes economic growth in the rural areas of the state. The agency also coordinates and streamlines federal program efforts in rural Alaska, and better leverages federal investments. By creating the Commission, Congress intended for those involved in addressing the unique infrastructure and economic challenges faced by America's most remote communities to work together in new ways to make a lasting difference.


Kasigluk wind turbines.

The Denali Commission Act designates seven leading Alaskan policy makers by position to form a team as the Denali Commissioners:

- Federal Co-Chair, appointed by the U.S. Secretary of Commerce
- The Governor of Alaska, who serves as the State Co-Chair*
- President of the University of Alaska
- President of the Alaska Municipal League
- President of the Alaska Federation of Natives**
- Executive President of the Alaska American Federation of Labor - Congress of Industrial Organization
- President of the Associated General Contractors of Alaska

Denali Commission Decision Making Process



Commissioners meet at least twice a year to develop and monitor annual work plans that guide its activities. Commissioners draw upon community-based comprehensive plans as well as comments from individuals, organizations and partners to guide funding recommendations. This approach helps provide basic services in the most cost-effective manner by moving the problem solving resources closer to the people best able to implement solutions.

* The Governor delegated this authority to the Director of the Office of Management and Budget (OMB) for most of FY 2011. Late in the fiscal year, he reassigned the delegation to the Commissioner of the Alaska Department of Commerce, Community and Economic Development (DCCED).

** The President of the Alaska Federation of Natives (AFN) has delegated this authority to an AFN Board Member.

Vision, Mission and Organizational Structure

Vision

Alaska will have a healthy, well-trained labor force working in a diversified and sustainable economy that is supported by a fully developed and well-maintained infrastructure.

Mission

The Denali Commission works with partners to develop basic public infrastructure, opportunity, and quality of life in Alaska communities.

Goal Areas

The Commission works toward the accomplishment of the mission by focusing on these goal areas:

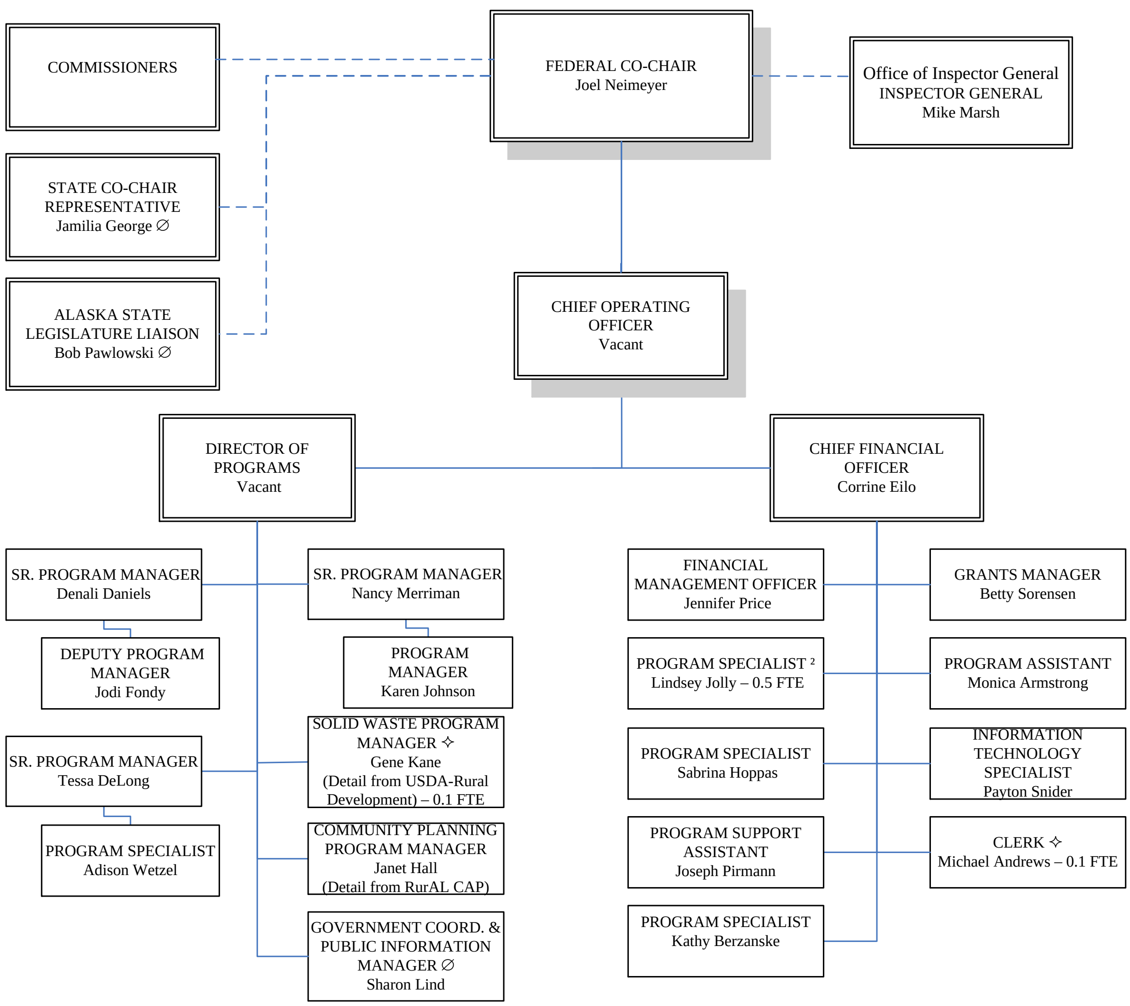
- Modernize and develop stronger and sustainable infrastructure in rural Alaska
- Promote the sustainability of rural Alaska communities
- Fortify accountability policies and procedures

Staffing

The Commission is staffed by a small number (less than 20) of employees, with additional personnel detailed from partner organizations. The Commission relies upon a special network of federal, state, tribal, local, and other organizations to successfully carry out its mission. There were significant staffing changes during FY 2011. The Finance Program Specialist position was reduced from 1.0 to 0.5 Full Time Equivalent (FTE) in a mutually agreeable arrangement. Both the State of Alaska Co-Chair Liaison and State Legislative Liaison ended their detail arrangements with the Commission. At the Federal Co-Chair's request, the State will not immediately fill those vacancies with assignments to the Commission offices. Instead, communication and coordination with the State of Alaska will occur primarily through the State's designated Co-Chair (the Commissioner of the Alaska Department of Commerce, Community and Economic Development (DCCED)) and her staff. Finally, the Commission's Governmental Coordination Program Manager resigned in early August 2011. Her position will not be immediately back-filled; her critical duties were absorbed by current staff. In light of these staffing changes, and in response to anticipated future declines in programmatic transactions (grant actions, correspondence, etc) as appropriations have been reduced in certain programs, the Federal Co-Chair is not immediately refilling vacant positions and has reduced the total square footage of office space occupied by Commission staff.

Organizational Chart

Denali Commission Organizational Chart - FY 2011



∅ These three positions became vacant with the start of FY 2012

✧ These three individuals are employed with the Commission in a part-time capacity

Work Plan

The Denali Commission Act outlines specific duties of the Commission primarily focused upon the development and implementation of an annual work plan. The Commission must develop an annual work plan that solicits project proposals from local governments and other entities and organizations; and provides for a comprehensive work plan for rural and infrastructure development and necessary job training in the areas covered under the work plan.

This proposed plan is submitted to the Federal Co-Chair for review who then publishes the work plan in the Federal Register, with notice and a 30 day opportunity for public comment.

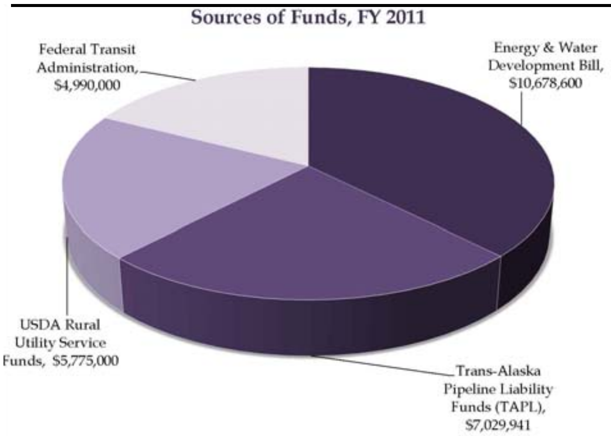
The Federal Co-Chair takes into consideration the information, views, and comments received from interested parties through the public review and comment process, and consults with appropriate Federal officials in Alaska including, but not limited to, the Bureau of Indian Affairs, the Department of Housing and Urban Development, Economic Development Administration, and USDA Rural Development.

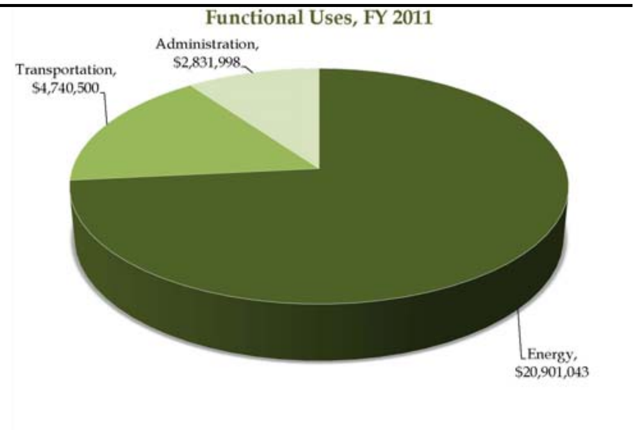
The Federal Co-Chair then provides the plan to the Secretary of Commerce who issues the Commission a notice of approval, disapproval, or partial approval of the plan.

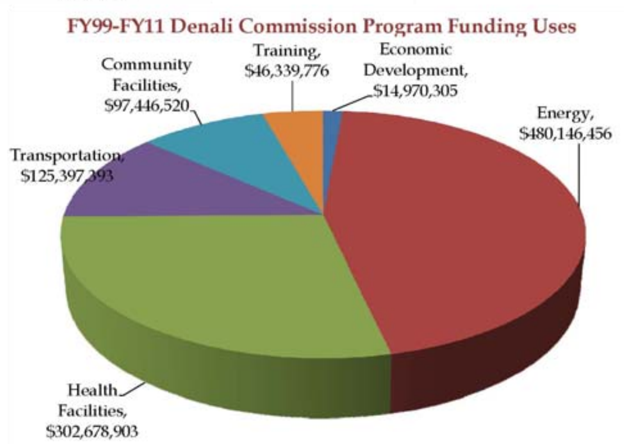
The FY 2011 Work Plan Challenge

Following the normal course of events described above, Commissioners initially submitted the FY 2011 proposed work plan to the Federal Co-Chair in May 2011. That proposed work plan was published for 30 days in the Federal Register and public comments were solicited. However, Congress passed the FY 2011 Budget Continuing Resolution in April 2011 which contained a provision to rescind $15 million of prior year unobligated funds from the Commission. As the rescission directly affected the work plan content, prevailing thought was the proposed work plan should be amended. Subsequently, the Denali Commission Inspector General requested the Government Accountability Office (GAO) render an opinion on the rescission. The GAO opinion on the disposition of the rescission language was rendered on September 19, 2011 (GAO File B-322162). With only eight business days before the end of the fiscal year, insufficient time was available to fulfill the usual procedure of gathering public comment before adoption of a proposed annual work plan. Denali Commissioners considered the work plan, and provided their endorsement of the proposed amended work plan in September. (The GAO opinion and associated documents are available in the Other Accompanying Information section of this document., page 57) Recognizing that public comment is central to the work plan process, a combined FY 2011 actual and FY 2012 proposed work plan will be presented in FY 2012.

Summary of Performance







Budgetary Resources

The Fiscal Year 2011 (FY2011) proposed amended Work Plan was developed based on the appropriations approved by Congress for FY2011. Several federal funding sources have historically comprised the Commission's annual budget, including the Energy & Water Appropriation, US Department of Agriculture-Rural Utility Service (USDA-RUS), US Health and Human Services Health Resources and Services Administration (HRSA), US Department of Labor (DOL), Federal Highways Administration (FWHA), Federal Transit Authority (FTA), and interest from the Trans-Alaska Pipeline Liability Fund (TAPL). The respective amounts of these funds received each year is depicted in the bar chart in the Financial Performance Overview section of this document (page 16).

The Commission's FY2011 budget authority once again included federal funds transfers from USDA-RUS, FTA and TAPL. However, transfers from FHWA, HRSA and DOL were not received in FY2011.

In FY2011 no project specific earmarks were provided in any appropriations to the Commission. The Energy and Water Appropriations (commonly referred to as Commission "Base" funding) are eligible for use in all programs, but have historically been used primarily to

Summary of Performance (continued)

fund the Energy Program. The Energy Policy Act of 2005 established new authorities for the Commission's Energy Program, with an emphasis on renewable and alternative energy projects. However, no new funding accompanied the Energy Policy Act, and prior fiscal year Congressional direction has indicated that the Commission should fund renewable and alternative Energy Program activities from the available Base appropriation.

While the Base funds may be applied to any Commission program area, all other appropriations and transfers are program-specific. For example, the FTA funds (intended for the Transportation Program) may not be moved to the Energy Program.

A comprehensive discussion of all FY2011 program activities and performance will be provided in the Agency Performance Report (APR), to be submitted in accordance with OMB Circular A-11, in February 2012. A summary of performance is presented here.

Functional Uses of FY 2011 Budgetary Resources

The FY2011 Commission budgetary authority primarily funded and administered the following three program and functional areas:

Stebbins, Bulk Fuel Tanks being barged to the community

Energy Program

- Bulk Fuel Storage
- Community Power Generation and Rural Power System Upgrades
- Energy Cost Reduction Projects
- Renewable, Alternative, and Emerging Energy Technologies
- Power Line Interties

Transportation Program

- Local Roads and Boardroads
- All Terrain Vehicle (ATV) Roads
- Community Connectivity and Economic Development Road Projects
- Regional Ports and Local Small Boat Harbors
- Barge Landings

Administration

- Salaries and contracts
- Initiatives toward sustainable rural communities and accountability goal areas

Summary of Performance (continued)

FY 2011 Performance By Goal Area

Denali Commission grants are customarily issued when Congress makes appropriations and when the agency annual work plan is approved by the Secretary of Commerce. In FY 2011, the timing challenges posed by a Congressional budget rescission and a pending GAO opinion on that rescission resulted in FY 2011 grants being issued very late in the fiscal year. Most of those projects were only just begun by the end of the fiscal year, and construction projects, for example, may only have progressed to the materials ordering phase. These circumstances make linking the FY 2011 budget to performance results in the same fiscal year difficult. Therefore, performance *achieved* in FY 2011 is presented here and more fully in the Agency Performance Report, which will be submitted in February 2012.

The Denali Commission has deep roots in infrastructure development—contributing substantially to numerous energy, health, transportation and other construction projects in the state. While we recognize that the results presented here are more akin to outputs than outcomes, these are the data points this small agency has been able to collect regarding its work. In FY 2012, along with a strategic planning effort, agency personnel will prospectively and retrospectively analyze data for potential outcome measures.

A case example of Denali Commission contributions to a successful initiative is the Bring The Kids Home projects. Bring the Kids Home (BTKH) is an initiative to reduce the number of Alaska children with severe emotional disturbances who are served in out-of-state residential psychiatric treatment facilities, and to improve outcomes for Alaska children with behavioral health problems.

From 1998 to 2004, Alaska's behavioral health system became increasingly reliant on Residential Psychiatric Treatment Centers (RPTC) for treatment of severely emotionally disturbed youth. Out-of-state placements in RPTC grew by nearly 800 percent, to more than 700 children in out of state placement.

In 2004, Denali Commission joined the project with the State of Alaska Department of Health and Social Services and the Alaska Mental Health Trust Authority and was able to contribute more than $7,000,000 to the initiative. The Commission's investments helped to construct ten behavioral health facilities throughout the state that significantly decreased the number of youth in out of state care.


Akhiok Tsunami Shelter Road

Summary of Performance (continued)

As a result of the partners' planning, facility infrastructure, capacity development, management and policy, Bring The Kids Home has been extremely successful:

- Total yearly admissions to out-of-state residential psychiatric treatment centers (RPTC) decreased by 88.1 percent between fiscal years 2004 and 2010.
- Recidivism to RPTC decreased from 20 percent to 8.6 percent between fiscal year 2004 and 2010.
- Expenditures for out-of-state RPTC decreased from over $40 million to $15.2 million between fiscal years 2006 and 2010.

Goal Area One: Modernize and develop stronger and sustainable infrastructure in rural Alaska

FY 2011 continued to reflect the Commission's commitment to infrastructure development in rural Alaska communities. The Commission's funding, along with all the leveraged funding from other program partners, has improved the standard of living across the state and has provided rural residents with access to fundamental facilities and opportunities that many urban residents take for granted.

In FY 2011, the **Transportation Program** achievements included:

- 26 Roads projects
- 2 Boardroads projects
- 15 waterfront projects

Since FY 2005, the Transportation program has contributed to the planning, design and/or construction of 115 rural road projects and 83 waterfront development projects and participated in the opening of 68 road and 50 waterfront development projects. The program currently has 47 active road projects and 33 active waterfront projects in the planning, design or construction phases.

Summary of Performance (continued)

In FY 2011, the **Energy Program** was able to contribute to:

- 4 Bulk Fuel Storage Facilities
- 3 Rural Power System Upgrades
- 4 Project Designs for Bulk Fuel and/or Rural Power System Upgrades
- Emerging Energy Technology Grant Program in conjunction with the State of Alaska

Overall, since 1999, the Commission through its Energy Program has invested in the construction of 101 code compliant bulk fuel tank farms and 60 rural power system upgrades in rural Alaska communities.

The **Health Program** maintained a focus on improving the access to primary care services in rural Alaska, its original core. In FY 2011:

- Contributed to the construction of 8 rural primary care clinics
- Celebrated the grand openings of 5 rural primary care clinics
- Sponsored 4 primary care clinic code and condition evaluations and recommendation reports

Over the course of its existence, the Health Program has contributed to 126 primary care clinics, 20 behavioral health facilities, 20 elder supportive housing buildings, and 49 hospital primary care projects. Currently, 10 clinics are in the construction phase, and 9 are in the planning or design stages.

Summary of Performance (continued)

Goal Area Two: Promote the sustainability of rural Alaska communities

In 2009, following the Alaska visit of four Cabinet-level Secretaries (Education, Energy, Agriculture and Housing and Urban Development) the Denali Commission was charged with leading an initiative ultimately entitled, *Sustainable Rural Communities.* The report produced in July 2010 discussed and identified current federal barriers to community sustainability and provided possible solutions to those barriers.

The Sustainable Rural Communities in Alaska: Part II report continues the theme, and considers critical outside perspectives by focusing on comments from community members, state officials, and tribes and resulted in a reevaluation of the "outcomes" identified in the first report. It also resulted in the development of the *Alaska Federal Partners Strategy* which defines "next steps" for Alaska's federal partners participating in this process.

Denali Commission continues to take the lead role in this initiative by championing:

- Regional planning
- Lead agency
- Tribal consultation

The **Government Coordination Program** has initiated plans for a "Municipal Engineer" model to provide technical assistance in regional planning for the Interior region of Alaska. Active participation in the White House Rural Council has provided a forum for presentation and strengthening of the Lead Agency concept. And the Commission continues to be a leader on Tribal Consultation, having sponsored seven listening sessions across the state in FY 2011.

In FY 2011, the **Transportation Program**'s work in this goal area included conducting a study of barge landings and mooring points throughout Alaska. Partnering with the U.S. Army Corps of Engineers for the study resulted in a prioritized list of barge landing and mooring point improvements in 202 Alaskan communities. The report relies on innovative ideas for rural project design and construction and provides a phased schedule of projects in high-need regions of Alaska for completion in the next 10 years. Additionally, the study creates a state-wide prioritization list which can be used by communities, regional organizations and funding agencies to determine appropriate, sustainable solutions for the movement of fuel, freight and equipment from river systems into villages.

The power generation and fuel delivery and storage efficiencies realized upon completion of upgraded facilities directly contributed to lowering energy costs in rural Alaska. In addition, the **Energy Program** continued to develop a new branch of projects in emerging energy technologies. Building upon ideas that have been proven through preliminary research and development, and supporting further pilot-testing, the Commission contributes to the promise of new energy solutions.

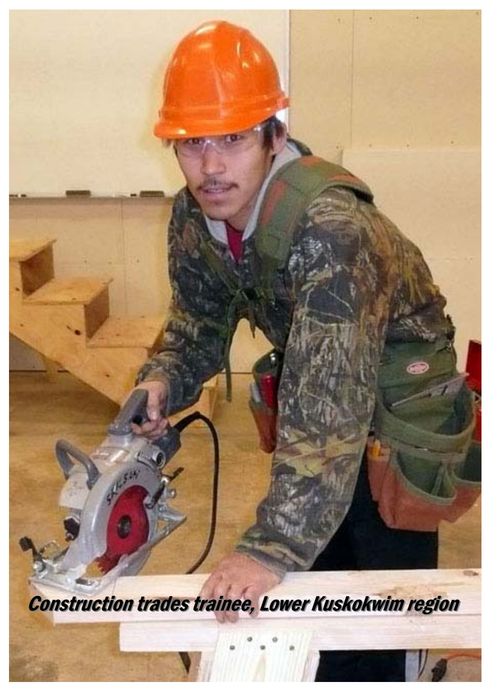
Summary of Performance (continued)

In recognition of changing economies and the very high costs of energy, the **Health Program** further developed the smaller (less than 1,000 square feet) clinic prototype to be available for communities throughout the state. In addition, the Health Program launched a small coalition of statewide health-centered organizations in order to gather, research and disseminate accurate, Alaska-specific information about the Affordable Care Act (ACA), and the Indian Health Care Improvement Act embedded in the ACA.

In FY 2011, the **Training Program** continued to strengthen job training by leveraging resources and regional planning and coordination. Additionally, the program continued to offer maximum flexibility for training options, so rural residents could learn specific and applicable job skills for immediate jobs in their home regions, particularly those jobs created by the Commission's Health, Energy and Transportation Programs. In FY 2011, the Training Program achievements included:

- Launched a study to identify education gaps in the availability and delivery of current accredited business education programs offered and accessible to rural managers.
- Began the exploration of regional facility maintenance systems, to resolve gaps in regular and preventive maintenance in public facilities.
- Administered more than 50 training projects around Alaska on construction trades, allied health occupations, leadership and management.

An example of Commission success can be seen at the University of Alaska. Between 2003 and 2011, the Commission partnered with the University to develop web based training for allied health careers. This new learning system allowed rural residents to remain in their home communities, continue working and taking care of their families while continuing their education. This is critical in rural Alaska, because onsite and online training may not be readily available or applicable to vacant jobs in their regions. Through our partnership with the University of Alaska, over 1,000 people are now trained and working in these health careers across the state of Alaska.



Construction trades trainee, Lower Kuskokwim region

Summary of Performance (continued)

Goal Area Three: Accountability

A renewed focus on accountability was a constant theme at the Commission in FY 2011. A Congressionally imposed rescission of unobligated prior year funds brought on the development of more rigorous agency grant policies. These included an attention to facilitating vetted projects through the application process to funding. Another policy directs program managers to more aggressively manage the closing of projects, as appropriate, and efficiently reprogramming recovered funds (project savings). Commissioners and leadership are developing a robust policy on the appropriate use of recovered funds.

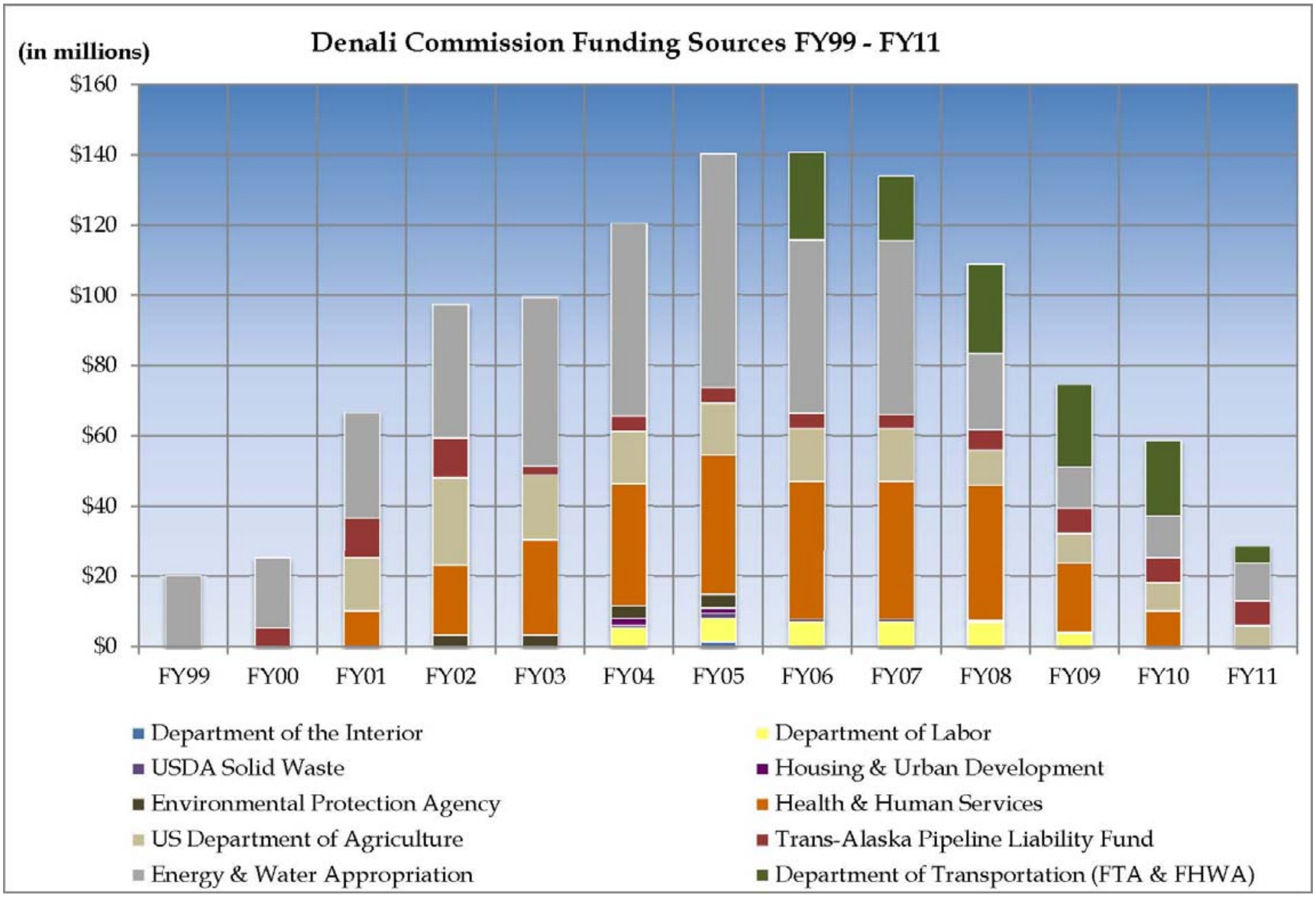
The most obvious illustration of the commitment of the Denali Commission to accountability is the receipt of another unqualified audit opinion.

Summary

Through listening sessions and communication in many different forums with rural Alaska residents and organizations working in rural Alaska, Commissioners, leadership and staff continue to hear the needs that remain to fulfilled. Used the public process to inform us and the Congressional delegation. Many communities lack basic infrastructure that mainstream America rely on to help maintain health and economic security. There are rural Alaska clinics that lack running water; there are villages that are heading into the winter months without adequate heating oil; there are vibrant communities with active fishing economies that lack satisfactory docks and moorings for their fleets; and there are communities with able-bodied and intelligent individuals with aspirations who only need basic job training to help support their economies. This awareness causes the Commission to continue to base all agency activities on the core vision and mission.

Financial Performance Overview

As of September 30, 2011 the financial condition of the Denali Commission was sound with respect to having sufficient funds to meet program needs and adequate control of these funds in place to ensure obligations did not exceed budget authority. Agency audits are conducted in accordance with auditing standards generally accepted in the United States of America, OMB Bulletin 07-04 (Audit Requirements for Federal Financial Statements) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.



Financial Performance Overview (continued)

As of September 30, 2011 the financial condition of the Denali Commission was sound with respect to having sufficient funds to meet program needs and adequate control of these funds in place to ensure obligations did not exceed budget authority. Agency audits are conducted in accordance with auditing standards generally accepted in the United States of America, OMB Bulletin 07-04 (*Audit Requirements for Federal Financial Statements)* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Sources of Funds

The Denali Commission is funded through the Energy and Water Appropriation which is direct budget authority; funds are available until expended.

Denali Commission gained spending authority through an expenditure transfer from the USDA (Rural Utilities Service) and a nonexpenditure transfer from the Federal Transportation Administration. Both transfers are regarded as no-year appropriations.

Finally, Denali Commission is the recipient of a portion of the interest earned on the trust fund for the Trans-Alaska Pipeline Liability fund. In FY 2011, $7.03 million was transferred to Denali Commission to assist in efforts to make bulk fuel tanks in Alaska EPA code-compliant.

FY11 Budgetary Authority	
Appropriations Received	$17,729,941
Offsetting Collections	5,775,000
Nonexpenditure Transfers	4,990,000
Total Budget Authority	**$28,494,941**

In FY 2011, Denali Commission's total budget resources were $43.82 million which includes $23.41 million in unobligated balances brought forward and $6.93 million in recoveries of prior year obligations less $15.02 million of rescinded funds.

Uses of Funds by Function

The Denali Commission incurred obligations of $42.83 million in FY 2011 for program and administration operations. Unobligated funds in the amount of $0.90 million were carried forward, for obligation in FY 2012.

Financial Statement Highlights

The Denali Commission's financial statements summarize the financial activity and financial position of the agency. The financial statements, footnotes, and the balance of the required supplementary information appear in the Financial Section of this document.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 USC 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the format prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the US Government, a sovereign entity.

Balance Sheet

Assets

The Commission's assets were $111.53 million as of September 30, 2011. This is a decrease of $51.17 million from the end of FY 2010. The Commission's largest asset, Fund balance with Treasury, decreased due to a decline in funding in FY 2011. In FY 2010, the Commission received funds from the Federal Highway Administration, Department of Labor and Department of Health and Human Services, all of which were not received in FY 2011. The Commission also returned $15 million per a congressional rescission. The assets reported in the Denali Commission's balance sheet are summarized in the accompanying table.

ASSET SUMMARY	FY 2011	FY 2010
Fund balance with Treasury	$111,473,835	$162,650,189
Other intragovernmental assets	13,248	13,248
Accounts receivable, public	46,640	40,264
Other assets, public	-	66
Total assets	**$111,533,723**	**$162,703,767**

Financial Statements Highlights (continued)

Liabilities

The Denali Commission's liabilities were $8.47 million as of September 30, 2011, a decrease of $3.45 million from the end of FY 2010 The decrease in liabilities is attributed to a reduction in funding as well as a decrease in total active grants. The decrease in total active grants further reduced the amount of the grant accruals, located on the 'other liabilities, public' line, which is the Commission's largest liability. The liabilities reported in the Denali Commission's balance sheet are summarized in the accompanying table.

LIABILITIES SUMMARY	FY 2011	FY 2010
Accounts payable, intragovernmental	$79,416	$19,200
Other intragovernmental liabilities	23,157	65,563
Accounts payable, public	66,440	92,387
Other liabilities, public	8,304,550	11,750,137
Total assets	**$8,473,563**	**$11,927,287**

Net Position

The difference between total assets and total liabilities, net position, was $103.06 million as of September 30, 2011. This is a decrease of $47.72 million from the FY 2010 year-end balance. The net position reported in the Denali Commission's balance sheet is summarized in the accompanying table.

NET POSITION SUMMARY	FY 2011	FY 2010
Unexpended appropriations	$35,082,107	$56,911,001
Cumulative results of operations	67,978,053	80,799,755
Total Net Position	**$103,060,160**	**$150,776,480**

Financial Statements Highlights (continued)

Statement of Net Cost

The Statement of Net Cost reports the cost of conducting the Denali Commission programs during the reporting period. The accompanying table displays the net cost for FY 2011 and 2010. These costs consist of $3.67 million of intragovernmental costs and $57.63 million in public costs.

NET COST	FY 2011	FY 2010
Program costs	$61,296,666	$60,433,309
Less: earned revenue	-	-
Total Net Costs of Operations	**$61,296,666**	**$60,433,309**

Statement of Changes in Net Position

The Net Position for the year ended September 30, 2011 is $103.06 million, a decrease of $47.72 million from FY 2010. This decrease is primarily due to a reduction in funding in FY11. The Commission also returned $15 million in funds per Congressional rescission.

Statement of Budgetary Resources

The Statement of Budgetary Resources shows what budget authority the Denali Commission possesses and compares the status of that budget authority. The Commission had $43.81 million in total budgetary resources for FY 2011 – comprised of direct appropriations, expenditure and nonexpenditure transfers from other federal agencies, and an unobligated balance available from FY 2010. During the fiscal year, $42.83 was obligated for program and administrative functions; $0.90 million in funds were carried forward, and will be available for obligation in FY 2012. Net outlays in FY 2011 amounted to $58.04 million.

Systems, Controls and Legal Compliance

Management Assurances

Federal Managers' Financial Integrity Act (FMFIA)

The Federal Managers' Financial Integrity Act (FMFIA or the Integrity Act) provides the statutory basis for management's responsibility for, and assessment of, accounting and administrative internal controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The FMFIA requires executive agencies to establish internal and administrative controls in accordance with standards prescribed by the Comptroller General that provide reasonable assurance that obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets. The FMFIA also requires the agency head to annually assess and report on the effectiveness of internal controls that protect the integrity of federal programs and whether financial management systems conform to related requirements.

FMFIA Statement of Assurance

The Denali Commission management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). I am able to provide an unqualified statement of assurance that the Denali Commission internal controls and financial management systems meet the objectives of FMFIA. The Commission's internal controls provide for effective and efficient programmatic operations, reliable financial reporting, and compliance with laws and regulations.

Assessments have been conducted on all of the internal controls of the financial and programmatic systems the Denali Commission utilizes. The evaluations tested the effectiveness of the internal control over operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of these evaluations, the Denali Commission can provide reasonable assurance that its internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2011, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

Systems, Controls and Legal Compliance (continued)

Finally, the US Treasury, Bureau of the Public Debt (BPD) (Denali Commission's Financial Management Line of Business partner) engages a contractor to independently review its financial management systems in accordance with OMB Circular A-127, *Financial Management Systems*. Based on the results of this review, BPD and therefore Denali Commission can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of the FMFIA as of September 30, 2011.

Joel Neimeyer
Federal Co-Chair

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act (FFMIA) is designed to improve financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of federal programs. The FFMIA requires agencies to have financial management systems that substantially comply with the federal financial management systems requirements, applicable federal accounting standards, and the US Standard General Ledger at the transaction level.

FFMIA Compliance Determination

The Commission is responsible for maintaining its financial management system in compliance with government-wide requirements. These requirements are set forth in OMB Circular A-127 and are mandated in the Federal Financial Management Improvement Act (FFMIA). The Commission can attest that the system is substantially compliant with FFMIA.

Summary of Material Weaknesses, Non-Conformances and Corrective Action Plans

Material Weakness, Non-Conformances and Corrective Actions

For FY 2011, the Commission received an unqualified opinion in its annual financial audit. The results of this audit also found no material weaknesses and no significant deficiencies. The auditor stated that the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles; that the Commission had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations, along with no reportable noncompliance with laws and regulations with the items that were tested.

In FY 2010, the Commission's received an unqualified opinion in its annual financial audit. The results of this audit also found no material weaknesses and no significant deficiencies. The auditor stated that the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles; that the Commission had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations, along with no reportable noncompliance with laws and regulations with the items that were tested.

Financial Management Trends

The Denali Commission continues to strengthen its internal practices over the past several years. Specifically in FY 2011, our grants administrator qualified for the newly created Grants Management Certification Program in which she earned the accreditation of certified grants management specialist. This credential demonstrates a valuable asset to the Commission in all areas of full life-cycle grants management. In addition, as a micro agency, the Denali Commission continues to value its partnership with the US Treasury, Bureau of the Public Debt. Utilizing their services at the Administrative Resource Center in Parkersburg, West Virginia, has served to improve the cost, quality and performance of all of our management systems. This shared services solution has given us the opportunity to collaborate with experts in several "Lines of Business" including Travel, Finance, Human Resources and Procurement. We expect to further expand our use of this excellent Financial Management Line of Business (FMLOB) Center as we anticipate budget challenges into the future.

Improper Payments Information Act (IPIA)

The Improper Payments Information Act (IPIA) requires executive branch agencies to review all programs and activities they administer and identify those that may be susceptible to significant improper payments. Significant improper payments are defined by OMB as annual improper payments in a program exceeding both 2.5 percent of program payments and $10 million.

Summary of Material Weaknesses, Non-Conformances and Corrective Action Plans (continued)

In accordance with IPIA, the Commission assessed its programs and activities for susceptibility to significant improper payments. Based on this review, the Commission determined that none of its programs or activities is at risk for significant improper payments of both 2.5 percent and $10 million.

Financial Section

Chief Financial Officer's Letter

Corrine Eilo
Chief Financial Officer

November 15, 2011

The Commission is quite proud to have achieved an unqualified opinion on the agency's consolidated financial statements from our financial auditors. We are pleased to once again receive the best possible audit result which reinforces the commitment by management that financial reporting is of the highest importance since it reassures taxpayers that while we strive to advance our mission goals, we are still mindful for our careful use of their valuable dollars. These financial audits are meant to share with the taxpayers that these funds are handled with sound internal controls and complete compliance with regulations and law.

The Denali Commission continues to become more and more sophisticated in all areas of internal operations as the agency matures with each fiscal year. Fiscal year 2011 continued that trend in several operating areas. One, for the first time, our key grants administrator received the accreditation of certified grants management specialist. Since our agency is primarily a grant making federal entity, this credential brings our grants department up to current industry standards. Along with our use of the grants management tool of GrantSolutions, we continue to move our agency in the direction of excellence by advocating the use of all tools available to staff and our grantees in order to ensure a transparent and accountable grants program. Two, we further enhance our financial operations by utilization of the financial expertise of the US Treasury, Bureau of Public Debt. Their offices at the Administrative Resource Center offer staff assistance to us at a depth that the Commission would not have otherwise. We look toward those offices to ensure that the Commission continues to meet all current and future financial reporting requirements that are on the horizon. Three, as the complexity of federal regulations require new requirements of all agencies, we often turn to those same US Treasury offices to ensure our compliance in many distinct areas such as, but not limited to, federal travel, procurement and human resources. The shared services that are offered to the Commission allow us to continue to be an exemplary and efficient small federal agency.

The Denali Commission continued to strengthen its internal practices over the past fiscal year. Collaboration during weekly meetings between the agency head, the Inspector General and myself have made several inroads to addressing numerous management challenges this year and into future fiscal years. These sessions have allowed for consistent momentum on many longstanding hurdles that the agency is facing now that we have passed our ten year anniversary. In these meetings, all parties make concerted efforts in an attempt to find new and innovative answers to some deep

Chief Financial Officer's Letter (continued)

rooted issues that have not been resolved with traditional solutions.

We look forward to another successful fiscal year as we focus on other operational areas that can be further improved by partnerships throughout the federal sector.

Sincerely,

Corrine Eilo
Chief Financial Officer

Inspector General's Transmittal Letter

Denali Commission
510 L Street, Suite 410
Anchorage, AK 99501

907.271.1414 *tel*
907.271.1415 *fax*
888.480.4321 *toll free*
www.denali.gov

INSPECTOR GENERAL

November 11, 2011

To: Denali Commission Management

From: Mike Marsh, Inspector General

The inspector general contracted with the independent certified public accounting firm of SB & Company to audit the FY 2011 financial statements of the Denali Commission.

The contract required that the audit for FY 2011 be done in accordance with generally accepted government auditing standards and OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements.* SB & Company had previously performed its audit for FY 2010.

The attached audit report by SB & Company describes its opinion for FY 2011 as follows:

> *"In our audits of the Commission for fiscal years September 30, 2011 and 2010, we found:*
>
> - *the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;*
> - *no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations; and*
> - *no reportable noncompliance with laws and regulations we tested."*

In connection with the contract, the inspector general reviewed SB & Company's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the Denali Commission's financial statements, internal controls, or compliance with laws and regulations. SB & Company is responsible for the attached auditor's report dated November 11, 2011 and the conclusions expressed in the report. However, our review disclosed no instances where SB & Company did not comply with the contract's requirements.

Report of Independent Public Accountants

SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

Office of the Inspector General
Denali Commission

In accordance with United States of America generally accepted government auditing standards and OMB audit guidance we are responsible for conducting audits of the Denali Commission (the Commission). In our audits of the Commission for fiscal years September 30, 2011 and 2010, we found:

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations; and
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis and other supplementary information, (3) our audit objectives, scope, and methodology, and (4) agency comments and our evaluation.

Opinion on Financial Statements

The financial statements including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Commission's assets, liabilities, and net position as of September 30, 2011 and 2010; and net costs; changes in net position; and budgetary resources for the years then ended.

Consideration of Internal Control

In planning and performing our audit, we considered the Commission's internal control over financial reporting and compliance. We did this to determine our procedures for auditing the financial statements and to comply with OMB audit guidance, not to express an opinion on internal control. Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on internal control included in Management's Discussion and Analysis. However, for the controls we tested, we found no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance. A material weakness is a control deficiency that results in more than a remote likelihood that the design or operation of one or more internal controls will not allow management or employees, in the normal course of performing their duties, to promptly detect or prevent errors, fraud, or noncompliance in amounts that would be material to the financial statements. Our internal control work would not necessarily disclose all deficiencies in internal control that might be material weaknesses or other significant deficiencies.

1776 I Street, NW • 9th Floor • Washington • District of Columbia 20006 • P 202.756.4811 • F 202.756.1301

Report of Independent Public Accountants

SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

Compliance With Laws and Regulations

Our tests of the Commission's compliance with selected provisions of laws and regulations for fiscal year 2011 disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Consistency of Other Information

The Commission's Management's Discussion and Analysis and other accompanying information contain a wide range of information, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with Commission officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

Objectives, Scope, and Methodology

Commission management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met, and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (3) performing limited procedures with respect to certain other information appearing in the Annual Financial Statement.

In order to fulfill these responsibilities, we:

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;

Report of Independent Public Accountants

SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

- obtained an understanding of the entity and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal control;
- considered the design of the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act;
- tested compliance with selected provisions of the Antideficiency Act.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the Commission. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to the Commission's financial statements for the fiscal year ended September 30, 2011. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audit in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Agency Comments and Our Evaluation

In commenting on a draft of this report, the Commission concurred with the facts and conclusions in our report.

SB & Company, LLC

Washington D.C.
November 11, 2011

Financial Statements and Independent Auditor's Report

DENALI COMMISSION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

Financial Statements and Independent Auditor's Report

DENALI COMMISSION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

TABLE OF CONTENTS

Financial Statements and Independent Auditor's Report

DENALI COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2011 AND 2010
(In Dollars)

		2011		2010
Assets:				
Intragovernmental				
Fund Balance With Treasury (Note 3)	$	111,473,835	$	162,650,189
Accounts Receivable (Note 4)		13,248		13,248
Total Intragovernmental		111,487,083		162,663,437
Accounts Receivable, Net (Note 4)		46,640		40,264
Other		-		66
Total Assets	$	111,533,723	$	162,703,767
Liabilities:				
Intragovernmental				
Accounts Payable	$	79,416	$	19,200
Other (Note 6)		23,157		65,563
Total Intragovernmental		102,573		84,763
Accounts Payable		66,440		92,387
Other (Note 6)		8,304,550		11,750,137
Total Liabilities		8,473,563		11,927,287
Net Position:				
Unexpended Appropriations - Other Funds		35,082,107		56,911,001
Cumulative Results of Operations - Earmarked Funds		11,630,396		13,065,724
Cumulative Results of Operations - Other Funds		56,347,657		80,799,755
Total Net Position		103,060,160		150,776,480
Total Liabilities and Net Position	$	111,533,723	$	162,703,767

The accompanying notes are an integral part of these financial statements.

Financial Statements and Independent Auditor's Report

DENALI COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In Dollars)

	2011	2010
Program Costs:		
Gross Costs (Note 9)	$ 61,296,666	$ 60,433,309
Less: Earned Revenue	-	-
Net Program Costs	61,296,666	60,433,309
Net Cost of Operations	$ 61,296,666	$ 60,433,309

The accompanying notes are an integral part of these financial statements.

Financial Statements and Independent Auditor's Report

DENALI COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In Dollars)

	2011 Earmarked Funds	2011 All Other Funds	2011 Consolidated Total	2010 Earmarked Funds	2010 All Other Funds	2010 Consolidated Total
Cumulative Results of Operations:						
Beginning Balances	$ 13,065,724	$ 80,799,755	$ 93,865,479	$ 9,205,566	$ 73,507,120	$ 82,712,686
Budgetary Financing Sources:						
Appropriations Used	-	22,497,493	22,497,493	-	27,996,352	27,996,352
Transfers In/Out Without Reimbursement	7,029,941	5,775,000	12,804,941	7,142,869	36,328,000	43,470,869
Other Financing Sources (Non-Exchange):						
Imputed Financing Sources	-	106,806	106,806	-	118,881	118,881
Total Financing Sources	7,029,941	28,379,299	35,409,240	7,142,869	64,443,233	71,586,102
Net Cost of Operations	(8,465,269)	(52,831,397)	(61,296,666)	(3,282,711)	(57,150,598)	(60,433,309)
Net Change	(1,435,328)	(24,452,098)	(25,887,426)	3,860,158	7,292,635	11,152,793
Cumulative Results of Operations	$ 11,630,396	$ 56,347,657	$ 67,978,053	$ 13,065,724	$ 80,799,755	$ 93,865,479
Unexpended Appropriations:						
Beginning Balances	$ -	$ 56,911,001	$ 56,911,001	$ -	$ 72,942,353	$ 72,942,353
Budgetary Financing Sources:						
Appropriations Received	-	10,700,000	10,700,000	-	11,965,000	11,965,000
Appropriations Transferred In/Out	-	4,990,000	4,990,000	-	-	-
Other Adjustments	-	(15,021,400)	(15,021,400)	-	-	-
Appropriations Used	-	(22,497,494)	(22,497,494)	-	(27,996,352)	(27,996,352)
Total Budgetary Financing Sources	-	(21,828,894)	(21,828,894)	-	(16,031,352)	(16,031,352)
Total Unexpended Appropriations	-	35,082,107	35,082,107	-	56,911,001	56,911,001
Net Position	$ 11,630,396	$ 91,429,764	$ 103,060,160	$ 13,065,724	$ 137,710,756	$ 150,776,480

The accompanying notes are an integral part of these financial statements.

Financial Statements and Independent Auditor's Report

DENALI COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In Dollars)

		2011		2010
Budgetary Resources:				
Unobligated Balance:				
Unobligated Balance Brought Forward, October 1	$	23,412,371	$	16,631,091
Recoveries of Prior Year Unpaid Obligations		6,925,677		4,959,316
Budget Authority				
Appropriation		17,729,941		19,107,869
Spending Authority From Offsetting Collections				
Earned				
Collected		5,775,000		36,715,818
Subtotal		23,504,941		55,823,687
Nonexpenditure Transfers, Net, Anticipated and Actual		4,990,000		-
Permanently Not Available		(15,021,400)		(2)
Total Budgetary Resources	$	43,811,589	$	77,414,092
Status of Budgetary Resources:				
Obligations Incurred (Note 12)				
Direct	$	42,190,653	$	53,933,493
Reimbursable		639,698		68,228
Subtotal		42,830,351		54,001,721
Unobligated Balance				
Apportioned		901,918		10,684,395
Subtotal		901,918		10,684,395
Unobligated Balance Not Available		79,320		12,727,976
Total Status of Budgetary Resources	$	43,811,589	$	77,414,092
Change in Obligated Balance:				
Obligated Balance, Net				
Unpaid Obligations, Brought Forward, October 1	$	135,479,318	$	152,653,345
Obligations Incurred Net		42,830,351		54,001,721
Gross Outlays		(63,811,741)		(66,216,432)
Recoveries of Prior Year Unpaid				
Obligations, Actual		(6,925,676)		(4,959,316)
Obligated Balance, Net, End of Period				
Unpaid Obligations		107,572,252		135,479,318
Total, Unpaid Obligated Balance, Net, End of Period	$	107,572,252	$	135,479,318
Net Outlays:				
Gross Outlays	$	63,811,741	$	66,216,432
Offsetting Collections		(5,775,000)		(36,715,818)
Net Outlays	$	58,036,741	$	29,500,614

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Denali Commission (the Commission) was established under the Denali Commission Act of 1998 (P.L. 105-277, Division C, Title III), as amended and 42 U.S.C. Chapter 38, Sec. 3121. The Commission, a "designated" federal entity as published by the Office of Management and Budget under the Inspector General Act of 1978, functions as a unique federal-state-local partnership to address crucial needs of rural Alaskan communities, particularly isolated Native villages and other communities lacking access to the national highway system, affordable power, adequate health facilities and other impediments to economic self-sufficiency.

The Commission is comprised of seven members who are appointed by the Secretary of the U.S. Department of Commerce. The Federal Co-chair serves a term of four years and may be reappointed. The other six Commissioners are the heads of Alaskan state and non-governmental organizations and have been appointed for the life of the Commission.

The mission of the Denali Commission is to partner with tribal, federal, state, and local governments and collaborate with all Alaskans to improve the effectiveness and efficiency of government services, to develop a well-trained labor force employed in a diversified and sustainable economy, and to build and ensure the operation and maintenance of Alaska's basic infrastructure.

The Denali Commission provides approximately 95 percent of its funding to projects in the areas of economic development, energy, health care, training, and other infrastructure. Funding for the projects is provided from general federal appropriations as well as funds from the USDA Rural Utilities Service, and Federal Transit Authority.

The Denali Commission is a party to allocation transfers with other federal agencies as a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. The Denali Commission receives allocation transfers, as the child, from the Federal Highway Administration under the Department of Transportation.

Trust Funds are credited with receipts that are generated by terms of a trust agreement or statute. At the point of collection, our receipts are unavailable until appropriated by the U.S. Congress. The Trust Fund included in our financial statements includes the Trans-Alaska Pipeline Liability Fund, which is managed by the U.S. Treasury Bureau of the Public Debt, and assists the efforts to make bulk fuel tanks in Alaska EPA code-compliant.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. Denali Commission manages two General Fund accounts.

General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees and other miscellaneous receipts for services and benefits.

B. Basis of Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of the Commission. The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the Denali Commission in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* and the Commission accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control The Commission's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Budgets and Budgetary Accounting

Congress usually enacts appropriations to permit the Commission to incur obligations for specified purposes. In fiscal years 2011 and 2010, the Commission was accountable for General Fund appropriations. The Commission recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants and transfers from the USDA Rural Utilities Service and Federal Transit.

D. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

E. Revenues & Other Financing Sources

Congress enacts annual, multi-year, and no-year appropriations to be used, within statutory limits, for operating, capital and grant expenditures.

Appropriations are recognized as a financing source when expended. Revenues from service fees associated with reimbursable agreements are recognized concurrently with the recognition of accrued expenditures for performing the services.

The Commission recognizes as an imputed financing source, the amount of accrued pension and post-retirement benefit expenses for current employees paid on our behalf by the Office of Personnel Management (OPM).

F. Taxes

The Commission, as a Federal entity, is not subject to Federal, State, or local income taxes, and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

G. Fund Balance with Treasury

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. The Commission does not maintain cash in commercial bank accounts or foreign currency balances.

H. Accounts Receivable

Accounts receivable consists of amounts owed to the Commission by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

I. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

J. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by the Commission as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation or other funding. Liabilities for which an appropriation has not been enacted or other funds received are, therefore, classified as not covered by budgetary resources. There is no certainty that the appropriation will be enacted. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities.

K. Accounts Payable

Accounts payable consists primarily of amounts owed to other Federal agencies and the public for contracts for goods or services, such as leases, utilities, telecommunications and consulting and support services.

L. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used.

M. Accrued Workers' Compensation and Unemployment Insurance

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the the Commission employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the Commission terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the DOL for compensation to recipients under the FECA reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

N. Retirement Plans

The Commission employees participate in the Federal Employees Retirement System (FERS). Employees hired as of January 1, 1987 1987 are automatically covered by the FERS program. FERS offers a savings plan to which the Commission automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS participants, Commission also contributes the employer's matching share of Social Security.

The Commission recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the Commission for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The Commission recognizes the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM upon the employees retirement.

The Commission does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of OPM.

O. Other Post-Employment Benefits

The Commission employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided the Commission with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The Commission recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the Commission through the recognition of an imputed financing source.

P. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Q. Expired Accounts and Cancelled Authority

Unless otherwise specified by law, annual authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account in which the annual authority is placed is called the expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period but not previously reported. At the end of the fifth expired year, the expired account is cancelled.

NOTE 2. NON-ENTITY ASSETS

The Denali Commission Act of 1998 states that one of the purposes of the Commission is to deliver the services of the federal government in the most cost-effective manner practicable by reducing administrative and overhead costs. In the spirit of this legislation, the Commission has offered a service to other federal agencies whereby a federal agency may utilize the Commission to make payments to non-federal organizations in Alaska on the agency's behalf. No fee is collected for this service. Amounts received from the State of Alaska, but not disbursed, are recorded on the Balance Sheet in the Fund Balance with Treasury line and are offset by a liability on the Other Liabilities line. This balance is $2,920,345 and $3,785,500 as of September 30, 2011 and September 30, 2010, respectively.

NOTE 3. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2011 and 2010, were as follows:

	2011	2010
Fund Balances:		
Trust Funds	$ 11,632,274	$ 13,511,561
Appropriated Funds	96,921,216	145,380,128
Deposit Funds (State of Alaska, Note 2)	2,920,345	3,758,500
Total	$ 111,473,835	$ 162,650,189
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 901,918	$ 10,684,395
Unavailable	79,320	12,727,976
Obligated Balance Not Yet Disbursed	107,572,252	135,479,318
Non-Budgetary FBWT	2,920,345	3,758,500
Total	$ 111,473,835	$ 162,650,189

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the cash balance on hand.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2011 and 2010, were as follows:

		2011		2010
Intragovernmental				
Accounts Receivable	$	13,248	$	13,248
Total Intragovernmental Accounts Receivable	$	13,248	$	13,248
With the Public				
Accounts Receivable	$	46,640	$	40,264
Total Public Account Receivable		46,640		40,264
Total Accounts Receivable	$	59,888	$	53,512

The accounts receivable is primarily made up of grant monies that are expected to be returned to the Commission.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2011 and 2010.

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the Commission as of September 30, 2011 and 2010, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

		2011		2010
Intragovernmental – FECA	$	1,355	$	1,355
Unfunded Leave		67,232		73,288
Deferred Lease Liabilities		-		239
Total Liabilities Not Covered by Budgetary Resources		68,587		74,882
Total Liabilities Covered by Budgetary Resources		8,404,976		11,852,405
Total Liabilities	$	8,473,563	$	11,927,287

FECA represents the unfunded liability for actual workers compensation claims and unemployment benefits paid on the Commission's behalf and payable to the DOL.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2011 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	$ -	$ 1,355	$ 1,355
Payroll Taxes Payable	20,802	-	20,802
Other Accrued Liabilities	1,000	-	1,000
Total Intragovernmental Other Liabilities	$ 21,802	$ 1,355	$ 23,157
With the Public			
Payroll Taxes Payable	$ 2,616	$ -	$ 2,616
Accrued Funded Payroll and Leave	223,876	-	223,876
Unfunded Leave	67,233	-	67,233
Other Accrued Liabilities Grants	5,090,480	-	5,090,480
Deposit Fund Liability (State of Alaska)	2,647,135	273,210	2,920,345
Total Public Other Liabilities	$ 8,031,340	$ 273,210	$ 8,304,550

Other liabilities account balances as of September 30, 2010 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	$ -	$ 1,355	$ 1,355
Payroll Taxes Payable	18,228	-	18,228
Other Accrued Liabilities	45,980	-	45,980
Total Intragovernmental Other Liabilities	$ 64,208	$ 1,355	$ 65,563
With the Public			
Payroll Taxes Payable	$ 2,760	$ -	$ 2,760
Accrued Funded Payroll and Leave	71,712	-	71,712
Unfunded Leave	73,288	-	73,288
Other Accrued Liabilities Grants	7,843,877	-	7,843,877
Deposit Fund Liability (State of Alaska)	3,362,304	396,196	3,758,500
Total Public Other Liabilities	$11,353,941	$ 396,196	$11,750,137

NOTE 7. OPERATING LEASE

The Commission occupies office space under a lease agreement that is accounted for as an operating lease. The lease term begins on October 1, 2002 and expires on October 1, 2012. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense for Fiscal Years 2011 and 2010 were $402,228 and $433,882, respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year		Building
2012	$	487,920
2013		487,920
2014		487,920
2015		406,600
Total Future Payments	$	1,870,360

The operating lease amount does not include estimated payments for leases with annual renewal options.

NOTE 8. EARMARKED FUNDS

The Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 established the annual transfer of interest from the Oil Spill Liability Trust Fund to the Denali Commission. The Coast Guard and the Environmental Protection Agency enlist the assistance of the Commission to help in bringing bulk fuel tanks in Alaska up to environmental and safety standards as set by the two agencies. The Commission accounts for and reports on the use of these funds separately through its annual budget execution reporting.

		2011		2010
Balance Sheet				
ASSETS				
Fund Balance with Treasury	$	11,632,274	$	13,511,561
Total Assets	$	11,632,274	$	13,511,561
LIABILITIES AND NET POSITION				
Other	$	1,878	$	445,837
Cumulative Results of Operations		11,630,396		13,065,724
Total Liabilities and Net Position	$	11,632,274	$	13,511,561
Statement of Net Cost				
Program Costs	$	8,465,269	$	3,282,711
Less: Earned Revenues		-		-
Net Cost of Operations	$	8,465,269	$	3,282,711
Statement of Changes in Net Position				
Net Position Beginning of Period	$	13,065,724	$	9,205,566
Net Cost of Operations		(8,465,269)		(3,282,711)
Other Revenue		7,029,941		7,142,869
Change in Net Position		(1,435,328)		3,860,158
Net Position End of Period	$	11,630,396	$	13,065,724

NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and intragovernmental exchange revenue represent goods and services exchange transactions made between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2011	2010
Total Intragovernmental costs	$ 3,669,631	$ 2,935,233
Total Public costs	57,627,035	57,498,076
Total Net Cost	$ 61,296,666	$ 60,433,309

NOTE 10. IMPUTED FINANCING SOURCES

The Commission recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees that are attributable to OPM. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2011 and 2010, respectively, imputed financing was as follows:

	2011	2010
Office of Personnel Management	$ 106,806	$ 118,881
Total Imputed Financing Sources	$ 106,806	$ 118,881

NOTE 11. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include FY11 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2012 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/*. The 2012 Budget of the United States Government, with the "Actual" column completed for 2010, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 12. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2011 and 2010 consisted of the following:

	2011	2010
Direct Obligations, Category A (Admin)	$ 10,095,729	$ 4,298,448
Direct Obligations, Category B (Program)	32,094,924	49,635,045
Reimbursable Obligations, Category B (Program)	639,698	68,228
Total Obligations Incurred	$ 42,830,351	$ 54,001,721

Category A apportionments distribute budgetary resources by fiscal quarters.

Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.

NOTE 13. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the fiscal years ended September 30, 2011 and 2010, undelivered orders amounted to $102,087,358 and $127,385,479, respectively.

NOTE 14. CUSTODIAL ACTIVITY

The Commission's custodial collection primarily consists of Freedom of Information Act requests or interest earned. While these collections are considered custodial, they are neither primary to the mission of the Commission nor material to the overall financial statements. The Commission's total custodial collections are $629 and $56,641 for the years ended September 30, 2011, and 2010, respectively.

NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Commission has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

	2011	2010
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 42,830,351	$ 54,001,721
Spending Authority From Offsetting Collections and Recoveries	(12,700,677)	(41,675,134)
Net Obligations	30,129,674	12,326,587
Other Resources		
Imputed Financing From Costs Absorbed By Others	106,806	118,881
Net Other Resources Used to Finance Activities	106,806	118,881
Total Resources Used to Finance Activities	30,236,480	12,445,468
Resources Used to Finance Items Not Part of the Net Cost of Operations	31,066,564	47,998,092
Total Resources Used to Finance the Net Cost of Operations	61,303,044	60,443,560
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	(6,378)	(10,251)
Net Cost of Operations	$ 61,296,666	$ 60,433,309

Inspector General's Perspective on Management & Performance Challenges Facing the Denali Commission

Denali Commission
510 L Street, Suite 410
Anchorage, AK 99501

907.271.1414 *tel*
907.271.1415 *fax*
888.480.4321 *toll free*
www.denali.gov

INSPECTOR GENERAL

INSPECTOR GENERAL'S PERSPECTIVE ON MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE DENALI COMMISSION

The OMB-required *Performance and Accountability Report* (the "PAR") is largely a book authored by the agency's management. However, OMB reserves one of the final sections for the inspector general's perspective:

> *The PAR shall include a statement prepared by the agency's Inspector General (IG) summarizing what the IG considers to be the most serious management and performance challenges facing the agency and briefly assess the agency's progress in addressing those challenges.*

The PAR itself — rituals versus readers

The PAR is one of those federal mandates that seemed like a good idea at the time. However, particularly at larger agencies, annual production of the voluminous document has over the years taken on a life of its own — where the ritual of requirements can overshadow the reassurance of readers. Cynics stereotype it as yet another expensive government study in which seldom has so much, meant so little, to so few.

OMB itself publicly acknowledges the need to re-examine the hopes for the PAR. And each year the national trade association for federal accountants[1] offers agencies the antidote of its CEAR[2] review process, in which a blue-ribbon panel of CPAs will critique an agency's PAR as a meaningful public product. Though the Denali Commission may be smallest agency to volunteer for such a review, Denali's Office of Inspector General (OIG) pays for it in hopes of enhancing public confidence in the agency's audit (a key component of each PAR).

But one must, of course, always be careful what one asks for. When the judges have their scores on the CEAR review panel, their pages of critique pull no punches — as Denali saw last year in this frustrated observation:

> *We also want to point out that the CEAR program provides many useful recommendations for improving Performance and Accountability Reports and Agency Financial Reports. Many of these recommendations have not been reflected in the reports that Denali submits for review each year. Denali might*

[1] The Association of Government Accountants (AGA) in Alexandria, Virginia.

[2] The Certificate of Excellence in Accountability Reporting (see *www.agacgfm.org/performance/cear/*).

> *want to examine why, absent addressing the matters identified in the recommendations, it is continuing to participate in the program.*

And since Denali's OIG requested (and paid for) the panel's review, the following comment seems well taken:

> *[W]e assume that the OIG also wants to improve Denali's accountability and transparency. Hence, by providing the recommendations to the Inspector General (and the auditor), and that Denali's response to the comments submitted with its FY 2011 report will reflect his actions in regard to those comments [sic].*

With this in mind, Denali OIG arranged for staff from the CEAR review program to directly confer with the agency head, the CFO, and OIG's contract auditor that conducts the annual financial audit. Based on these meetings and the panel's critiques over several years, three recurring themes emerge that OIG will attempt to paraphrase: (1) management needs to publicly disclose program-by-program spending in the financial statements; (2) management needs to demonstrate its results through meaningful performance metrics; (3) management's PAR narratives need to tell an inspiring story of maximized public benefit from diminished congressional funding.

And these three criticisms offer a useful framework for the following discussion by OIG of the most significant challenges facing Denali's management.

The need for a meaningful public story:
<u>Disclosing the costs of Denali programs that have come and gone</u>

As noted by the CEAR review panel, Denali's management has traditionally lumped together the costs of all programs as a single "gross costs" total in the PAR's financial statement for the year's "cost of operations."[3] While this technically meets the legal and accounting minimums, it tells public readers only whether the agency's *overall* spending has changed since prior years.

That overall total fails to show public readers how the specific programs entrusted to Denali have varied over the agency's life span with changing congressional priorities and support. Denali started in the late 1990s with only around $20 million and a mission to replace leaking fuel tanks. In the agency's heyday, it had annual congressional support of well over $100 million for clinics, training, housing, community centers, transportation, and rural electrification. Congressional support today has dwindled down close to the startup funding, and now only the latter two programs receive new money.

Regardless of a reader's policy priorities and preferences, the audited financial statements in the PAR should clearly reveal how the agency's work has changed over time. Nevertheless, the format of an agency's financial statements is a matter that lies within the discretion of its management. Each year, OIG's independent auditor opines on the financial statements presented by management. Neither OIG nor the auditor tell management what to write.

---

[3] The Statement of Net Cost.

The need for a meaningful public story:
Disclosing what progress has been made with what's been given

OIG agrees with the CEAR reviewers that meaningful performance metrics tell the reader about progress in addressing social conditions, not just the number of new buildings opened at government expense. But there's no simple answer to the question as to why management can't measure like they mean it.

Congress has given Denali around $1 billion over the past 13 years, but the PAR has yet to quantitatively show that all this construction has improved the access to health care, the affordability of fuel and electricity, or the placement in long-term employment.

But this is not new material. For years, OIG's reports to the agency head and Congress have cited this shortcoming. For instance, OIG's *Semiannual Report to Congress* (November 2007) stated:

> *Compounding the issue is the lack of an Alaskan consensus as to the role of evaluation among planners, social scientists, and the commission's own staff. The following are some of the justifications offered by various parties around the state for the lack of outcome measurements for programs like the Denali Commission: (1) outcomes are not measurable; (2) criteria (bench-marks) are not available; (3) assistance is a right (or reparation) given the policy area or the history; (4) data is not available; (5) data collection should be specified up front; (6) grantees should do their own evaluations; (7) Congress funds physical uses rather than results; (8) evaluations are the inspector general's problem.*

EXHIBIT 1 KEY QUESTIONS FROM DENALI'S DECADE AND A BILLION
Are better clinic buildings resulting in better health care?
Are Denali-provided power plants resulting in cheaper "bush" electricity?
Are Denali-provided tank farms resulting in cheaper "bush" fuel?
Is training for construction projects resulting in long-term careers?
Are Denali-provided facilities reducing — versus extending — the dependence on future federal funding?
Has Denali pioneered "silver bullet" solutions applicable to other states?
Do projects function as capacity-building "barn raisings" (versus mere short-term cash infusions)?
Has Denali leveraged rural schools as the major local facility?
Has Denali effectively partnered with the military as the state's largest employer?
Has Denali effectively leveraged federal single audits as a grants monitoring tool?
Has Denali strengthened regional hubs as an alternative to urban migration?
Has Denali pioneered interventions for troubled projects (versus just adding money)?
Is Denali helping coastal communities benefit from the opening of new arctic shipping routes?
Have Denali projects preserved "priceless" qualities of Alaska that are valued by the rest of the nation?

And a sidebar in OIG's *Semiannual Report to Congress* (May 2010) detailed the continuing uncertainty over outcomes as "key questions from Denali's decade and a billion." That chart is repeated here verbatim as Exhibit 1.

In fairness to Denali's management, it has from time to time attempted to retain contractors for evaluations of its programs. Despite the effort, the studies too often reflect beneficiaries' preference for further funding (inputs) more than the metrics of a better life (outcomes). For instance, OIG's *Semiannual Report to Congress* (Nov. 2007) noted:

> *During FY 2007, the commission contracted with a research firm for a $200,000+ review of the agency's accomplishments. That review detailed the agency's structure, the buildings built, the populations trained, and the interviewees that were pleased to get the commission's funding. The review did not measure the degree to which the commission's projects are making "bush" Alaska a better (e.g., healthier) place to live.*

Management also realistically recognizes the tenuous linkage between rigorous studies of good works and the funding that is ultimately awarded through the competitive national politics of the congressional process. Academics and auditors have also long bemoaned the reality that the raw politics of bringing home the bacon can easily trump the most artfully crafted accountability reports.

Management has also arguably faced mixed signals from Congress as to what should be measured to demonstrate obedience to congressional intent. On one hand, Denali has inherited the longstanding federal goal of promoting universal basic "infrastructure" throughout the states — the assumption that all Americans are entitled to certain basics of life regardless of where they live. For instance, the FCC tax on consumers for the Universal Service Fund spreads the cost of a basic household phone around the country (the assumption that every American should be able to dial 911).

In fact, Denali's original strategic plan idealistically aspired that *"[a]ll Alaska, no matter how isolated, will have the physical infrastructure necessary to protect health and safety and to support self sustaining economic development."* And counts of buildings erected could arguably be an appropriate metric to assess the progress in extending infrastructure to the far reaches of the nation.

On the other hand, past OIG reports have noted management's reluctance to employ metrics that would candidly disclose the small size of the communities that are often served by its grants. But the truth is out there: projects throughout Denali's subject areas have often been awarded to tiny settlements with less than 200 people.

For instance, OIG's *Semiannual Report to Congress* (May 2010) found that 43 of the 139 projects in Denali's transportation program had been for improvements in locations with a population of less than 200 (examples were Elfin Cove and False Pass, pop. 30 and 39). The same report listed 13 power plants and tank farms that Denali had installed in hamlets with a population of 100 or less (examples were Lime Village and Nikolski, est. pop. of 28 and 31). OIG further listed eight clinics built in places with a population of 100 or less (examples were Alatna and Beaver, pop. of 41 and 64).

In the same report to Congress, OIG further noted that Denali's program for rural electrification (power plants and tank farms) sent most of its funding to a state agency and a utility cooperative that served only a fraction of the state's population. For instance, the cooperative served around 50 of the most challenging locations that together represented less than 4% of Alaska's population.

In short, one of Denali's most difficult and uncomfortable issues has always been the size of community that warrants public support (versus self-support). While national lore may abstractly decry construction to "nowhere," the choices are very real — and very serious — for rural families that must go without what most of America takes for granted.

However, Congress has sent mixed messages over the years as to what it expects Denali to accomplish. To the extent that the goal has been universalization of the nation's "infrastructure," Denali's counts of construction in colorful bar charts may be a fair performance measure.

In contrast, proof that life is good remains elusive if Congress intends the "Other Alaska" to vanish from the ranks of the "Other America" (which inspired creation of regional commissions in the first place). Those mixed messages continue to frustrate Denali's development of meaningful measures, with complexities that the passing snapshot of a CEAR review shouldn't be expected to recognize.

The need for a meaningful public story:
One last look — or a retooled mission?

Denali's management has consistently, and persistently, written about (1) the great need in bush Alaska, (2) the tough logistics of building out there, and (3) the tougher challenge of continuing to do it when Congress no longer sends the money. The CEAR reviewers seem to nevertheless expect an inspiring story of management's ingenuity in doing the most with what little it gets.

Management has in fact published its public report on *Sustainable Rural Communities*,[4] with its excellent discussion of the complications of extending America's basic facilities into rural Alaska. That publication shows Denali's maturing role in Alaska "government coordination" — the diplomatic magic of applying Denali's lessons-learned to help better-funded agencies do their best in the bush. Nevertheless, while Denali's management has now quite effectively told its story, Congress has still decided to send its money elsewhere.

Congress sent Denali an FY 2011 base appropriation of just under $11 million — which Congress then neutralized with a $15 million rescission. The uncertain mechanics of paying back Denali's "debt" ultimately required the safe harbor of a Comptroller General's interpretation as to how the rescission legislation should be legally implemented in practice.[5] (In effect, Denali claimed that it had already spent the money.) Suffice it to say, meaningful planning was frustrated for much of FY 2011 — including public confidence in the annual "work plan" that the enabling act envisions as a blueprint for the best use of available funding.

[4] Denali Commission, *Sustainable Rural Communities* (July 2010) at *www.denali.gov* (use the website's *programs* link to *government coordination — documents*).

[5] See GAO, *Denali Commission—Fiscal Year 2011 Rescission*, # B-322162 at *www.gao.gov*.

Another anticipated source of significant Denali funding has been Congress' continuing resolutions for the transportation funding that originated in SAFETEA-LU (where Congress created Denali's transportation program). Unfortunately, disputes have also arisen over this funding — disputes that have also required Comptroller General interpretations to resolve.[6]

Since Denali's new funding has effectively declined to approximately its startup level, Congress may simply be signaling that the experiment has run its life cycle and shouldn't expect perpetual appropriations. If that be the case, Congress should at least leave Denali with the unmistakable statutory authority to diversify its funding from nonfederal sources and from reimbursement for services to other agencies.[7] In short, if Congress decides from a policy perspective not to fund the Denali Commission, Congress should at least give the agency the legal ability to fend for itself.

It's now been almost a decade since Congress first required small agencies to produce audited financial statements[8] (which triggers the OMB requirement that these agencies produce an annual PAR report). But when an agency's annual "budget authority available" falls below $25 million, the statute allows OMB to grant exemptions.[9] In other words, the agency is deemed so insignificant on the federal scene that the costs of an annual audit (and a PAR report) simply outweigh any public benefit.

To the extent that the Denali Commission is now fading into the federal sunset of agencies that lie below the horizon of $25 million, this could conceivably be its last audit, its last PAR report, and its last CEAR review.

MIKE MARSH, CPA, ESQ.
INSPECTOR GENERAL

---

[6] See GAO, *Denali Commission—Transfer of Funds Made Available through the Federal Transit Administration's Appropriations*, # B-319189 at *www.gao.gov;* GAO, *Denali Commission—SAFETEA-LU Funding,* # B-322481 (pending for decision).

[7] See discussions at Denali OIG, *Semiannual Report to Congress* (May 2010), pages 6-9 at *www.denali-oig.org* and GAO, *Denali Commission—Authority to Receive State Grants,* # B-319246 at *www.gao.gov.*

[8] See the Accountability of Tax Dollars Act of 2002, P.L. 107-289.

[9] See 31 USC 3515(e)(1).

Other Accompanying Information: Appendix A

FY 2011 Work Plan Process Documents

Appendix A: Denali Commission FY11 Work Plan Process

Denali Commission
510 L Street, Suite 410
Anchorage, AK 99501

907.271.1414 *tel*
907.271.1415 *fax*
888.480.4321 *toll free*
www.denali.gov

Memo

To: Ben Roberts, Federal Office of Management and Budget
From: Joel Neimeyer, Federal Co-Chair, Denali Commission
Subject: Denali Commission 2011 Annual Workplan and $15 Million Agency Rescission
Date: September 19, 2011

This memo is a follow up to my separate conversations today with you, the Commission's attorney (Mr. Howard Martin), and with the Commission's point of contact with the Office of the Secretary, US Department of Commerce (Ms. Sandi Walters). The following is offered.

1. Attached is US Government Accountability Office - Comptroller General Opinion B-322162 (dated 9-19-11).
2. It is the intent of the Commission to return $15M to the US Treasury before the end of Fiscal Year 2011. The Commission will deobligate $10.15M from existing grants. The balance of $4.85M will come from projects that were obligated since October 1, 2010 – these project funds will be deobligated and then the projects will be "replenished" with FY11 Energy and Water funding.
3. As you know, the Commission prepared a 2011 annual work plan and did follow the public process that allowed for a 30-day public notice period. We now find ourselves in a situation that the annual work plan must be amended to reflect the use of $4.85M of Fiscal Year 2011 funding to address the $15M rescission question. A draft amended annual work plan is attached that outlines the strategy to accomplish this.
4. However, given these exigent circumstances there is insufficient time for the 30-day public comment period for the amended annual work plan and still obligate Fiscal Year 2011 funding by September 30, 2011.
5. It is recommended, therefore, to complete a combined 2011/2012 annual work plan in Fiscal Year 2012. Such a document can record the "time-constrained" decisions made at the end of Fiscal Year 2011 for public comment and perhaps influence consideration of FY2012 funding priorities for the Commissioners. I do take comfort that the 2011 annual work plan (not the amended work plan) has already been through the public comment period.

Please advise if you find this a satisfactory solution for the Commission to obligate Fiscal Year 2011 funding and yet strive for a robust public comment process.

cc: Sandi Walters, US Economic Development Administration
Howard Martin, Federal Aviation Administration

Appendix A: Denali Commission FY11 Work Plan Process

GAO
Accountability * Integrity * Reliability

Comptroller General
of the United States

United States Government Accountability Office
Washington, DC 20548

Decision

Matter of: Denali Commission—Fiscal Year 2011 Rescission

File: B-322162

Date: September 19, 2011

DIGEST

Section 1477 of the Department of Defense and Full-Year Continuing Appropriations Act, 2011, rescinds $15 million of the unobligated balance of amounts appropriated to the Denali Commission in fiscal year 2010 or earlier. If the Commission is currently unable to satisfy the full amount of the rescission, the Commission must use deobligated balances as they become available until it has rescinded the full $15 million specified by section 1477.

DECISION

The Inspector General of the Denali Commission requests a decision under 31 U.S.C. § 3529(a) regarding the application of section 1477 of the Department of Defense and Full-Year Continuing Appropriations Act, 2011, and what actions the Commission might take in order to comply with the rescission enacted in section 1477. Pub. L. No. 112-10, Div. B, title IV, 125 Stat. 38, 131 (Apr. 15, 2011). Letter from Inspector General, Denali Commission, to Managing Associate General Counsel, GAO, June 17, 2011 (Request Letter). Section 1477 applies to the unobligated balance of amounts appropriated to the Commission in fiscal year 2010 or earlier. As explained below, section 1477 constitutes permanent law. If the Commission is currently unable to satisfy the full amount of the rescission, the Commission must use deobligated balances as they become available, even if in subsequent fiscal years, until it has rescinded the full $15 million specified by section 1477.[1]

[1] Our practice when issuing decisions is to obtain the views of the relevant agency in order to establish a factual record and the agency's legal position on the subject matter of the request. GAO, *Procedures and Practices for Legal Decisions and Opinions*, GAO-06-1064SP (Washington, D.C.: Sept. 2006), *available at* www.gao.gov/products/GAO-06-1064SP. In addition to information the Inspector
(continued...)

Appendix A: Denali Commission FY11 Work Plan Process

BACKGROUND

Congress established the Denali Commission as a federal agency in the Denali Commission Act of 1998. Pub. L. No. 105-277, §§ 301–309, 112 Stat. 2681-637 to 2681-641 (Oct. 21, 1998), *as amended*.[2] The Commission operates exclusively in, and for the benefit of, the State of Alaska for the purposes of: (1) delivering the services of the federal government in the most cost-effective manner practicable by reducing administrative and overhead costs; (2) providing job training and other economic development services in rural communities; and (3) promoting rural development, providing power generation and transmission facilities, modern communication systems, water and sewer systems and other infrastructure needs. *Id.* § 302. The Commission executes its mission in this regard by making grants of federal funds consistent with its statutorily required annual work plan, described below. *Id.* § 305(d); *see also* Request Letter.

The Commission has seven Commissioners. Six Commissioners are, by statute, officials of the State of Alaska or Alaska organizations. *Id.* § 303(b). The seventh Commissioner is a federal official who serves as the Federal Co-chair and is appointed by the Secretary of Commerce to a four-year term. *Id.* § 303(b)(2)(B); § 303(c).

The Commissioners' statutory role is to propose annually a work plan that addresses rural and infrastructure development and job training needs. *Id.* § 304(a). The Commission solicits project proposals from local governments and other entities for the Commissioners' consideration in developing the work plan. *Id.* The Commissioners submit to the Federal Co-chair a report outlining their proposed plan and suggesting funding priorities. *Id.* The Federal Co-chair publishes the proposed work plan in the Federal Register for public comment. *Id.* § 304(b). Not later than 30 days after the end of the public comment period, the Federal Co-chair approves, disapproves, or partially approves the work plan. *Id.* The Commissioners revise and resubmit the work plan as necessary. *Id.* Once the Federal Co-chair approves the work plan, the Commission, acting through the Federal Co-chair, may award grants and make payments necessary to carry out the plan. *Id.* § 305(d).

To finance the grants, the Commission generally receives no-year appropriations, with amounts remaining available until expended. *See, e.g.*, Energy and Water

---

(...continued)
General provided in the request letter, the Commission provided us with a letter the Federal Co-chair sent to the Office of Management and Budget on June 17, 2011, requesting clarification regarding section 1477 and containing additional factual information. Federal Co-chair Letter to OMB.

[2] *See* 42 U.S.C. § 3121 note.

Appendix A: Denali Commission FY11 Work Plan Process

Development and Related Agencies Appropriations Act, 2010, Pub. L. No. 111-85, title IV, 123 Stat. 2845, 2877 (Oct. 28, 2009) ("For expenses of the Denali Commission including the purchase, construction, and acquisition of plant and capital equipment as necessary and other expenses, $11,965,000, to remain available until expended. . . ."). Section 1477 of the Department of Defense and Full-Year Continuing Appropriations Act, 2011, provides that "[o]f the unobligated balances from prior year appropriations available for 'Independent Agencies, Denali Commission', $15,000,000 is rescinded." Pub. L. No. 112-10, div. B, title IV, § 1477, 125 Stat. 38, 131 (Apr. 15, 2011). On April 15, 2011, the date section 1477 was enacted, the Commission's unobligated balance of prior year appropriations was $1,187,098. Federal Co-chair Letter to OMB. The Federal Co-chair directed Commission staff to return this amount to the Treasury in accordance with section 1477. *Id.*

DISCUSSION

The Inspector General has asked for our views on the scope of section 1477 with respect to the Commission's existing grant obligations and what actions the Commission might take in order to comply with the $15 million rescission enacted in section 1477. When construing a statute, the starting point is the language of the statute, the words of which are the primary vehicle for Congress to express its intent. *See Aldridge v. Williams*, 44 U.S. (3 How.) 9, 24 (1845). It is the goal of statutory construction to determine and give effect to the intent of the enacting legislature. *See Philbrook v. Glodgett*, 421 U.S. 707, 713 (1975); *United States v. American Trucking Ass'ns, Inc.*, 310 U.S. 534, 542 (1940). If the meaning of the statute is clear from its language, that meaning is applied without further inquiry; this is known as the plain meaning rule. *Robinson v. Shell Oil Co.*, 519 U.S. 337, 340–341 (1997).

There are three elements to the rescission enacted by section 1477. First, section 1477 enacts a rescission of "prior year appropriations available for 'Independent Agencies, Denali Commission.'" Clearly, with the phrase "prior year appropriations," the rescission targets amounts enacted before fiscal year 2011; by its terms, section 1477 does not rescind amounts from appropriations enacted in fiscal year 2011 or subsequent fiscal years.

Second, section 1477 rescinds amounts from the Commission's "unobligated balances." The unobligated balance is that portion of the appropriation not yet obligated for an authorized purpose.[3] GAO, *A Glossary of Terms Used in the*

---

[3] An agency incurs an obligation when it makes a definite commitment that creates a legal liability on the part of the government or takes an action that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of the United States. *See* B-300480, Apr. 9, 2003; GAO, *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP (Washington, D.C.: Sept. 2005), at 70. When the Federal Co-chair signs a grant award, the Commission incurs a legal

(continued...)

Appendix A: Denali Commission FY11 Work Plan Process

Federal Budget Process, GAO-05-734SP (Washington, D.C.: Sept. 2005), at 72. In the case of no-year appropriations like those received by the Commission, unobligated balances are carried forward from one fiscal year to the next until obligated or specifically rescinded by law. *Id.* According to the Commission, as of the date of the rescission's enactment, the unobligated balance of prior year appropriations was $1,187,098. Federal Co-chair Letter to OMB. The Commission properly returned this amount to the Treasury in accordance with section 1477.

Third, section 1477 enacted a rescission in the amount of $15 million. To date, the Commission has returned only $1,187,098, a difference of $13,812,902. Agencies are expected to give maximum possible effect to congressional intent expressed in legislative language. *See* B-220682, Feb. 21, 1986; B-193282, Dec. 21, 1978. Accordingly, we look at actions that may be available to the Commission for the purpose of giving maximum effect to Congress's rescission of $15 million. Possible actions include the deobligation of unneeded grant funds, adjusting recorded obligations by substituting fiscal year 2011 funds for prior-year appropriations to free up prior-year balances for rescission, and the cancellation of grants.

It is not unusual for an agency to deobligate unneeded grant funds in the regular grant close-out process. As part of its grant management responsibilities, the Commission closes out each grant at the end of the grant period. *See* OMB Circular No. A-102, *Grants and Cooperative Agreements with State and Local Governments*, § 3(a) (Aug. 29, 1997); OMB Circular No. A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, subpart D, § 71 (Sept. 30, 1999). Generally, within 90 days after the end of the grant period, a grantee submits all financial, performance and other reports as required by the terms and conditions of the award. OMB Cir. No. A-110, at § 71(a). The grantee must refund any balances of unused award money, if any, that the grantee is not authorized to retain. *Id.*, at §§ 71(b), 71(d). In this regard, the Commission must apply to the rescission all amounts appropriated in fiscal year 2010 or earlier that it had obligated to grants but that it deobligates as a result of the regular close-out process of existing grants.[4]

(...continued)
obligation. *See* B-316372, Oct. 21, 2008 (Denali Commission incurred a $400,000 obligation when it transmitted a notice of grant award to the Alaska Department of Commerce).

[4] No-year moneys deobligated as a result of grant close-outs are treated as unobligated balances of the appropriation that had been obligated. *See generally*, B-211323, Jan. 3, 1984; B-200519, Nov. 28, 1980; 40 Comp. Gen. 694, 696 (June 14, 1961).

Appendix A: Denali Commission FY11 Work Plan Process

The Commission must apply deobligated grant balances from prior year appropriations to the $15 million rescission, regardless of whether grant close-out occurs in fiscal year 2011 or beyond. Although section 1477 was enacted in an appropriations act, section 1477 is permanent. Typically, annual appropriations act provisions are presumed to be effective only for the fiscal year covered by the act because appropriations acts are, by their nature, nonpermanent legislation. B-319414, June 9, 2010; 31 U.S.C. § 1301(c). However, a provision in an appropriations act will be considered to be permanent if the statutory language or the nature of the provision makes clear that Congress intended the provision to be permanent. B-319414; B-309704, Aug. 28, 2007; B-288511, Aug. 22, 2001. Congress, of course, has the power to enact permanent legislation in an appropriations act. *See Robertson v. Seattle Audubon Society*, 503 U.S. 429, 440 (1992).

While the clearest indication that Congress intended a provision to be permanent is the presence of "words of futurity," that is not the only indication of permanence. B-309704. In B-319414, we concluded that an appropriations act provision requiring Amtrak to develop and implement certain guidance[5] was permanent even though it included no words of futurity. We held that the prospective character of the language indicated an intention of permanence, as well as the fact that the provision did not restrict the use of appropriations enacted in the act. We noted that to read the provision as expiring at the end of the fiscal year could create the absurd result of Amtrak never having to develop guidance if it failed or neglected to do so by the end of the fiscal year.

Similarly, we view the language of section 1477 as permanent in nature. It is not a restriction on the use of the appropriations enacted in the appropriations act; rather, it requires the Commission to take a specific substantive action, *i.e.,* rescind $15 million of unobligated balances from prior year appropriations. Further, understanding that at present the Commission has been able to return only $1,187,098 to the Treasury, we are unwilling to interpret section 1477 as expiring at the end of this fiscal year when there apparently are opportunities for ensuring the rescission of the entire $15 million beyond the end of fiscal year 2011.

Another action that may be available to the Commission to satisfy the rescission is grant cancellation. The Commission may be able to recoup deobligated grant amounts if an award is terminated in whole or in part. *See* OMB Circular A-110, at § 61(a)(2). However, both parties must agree on the conditions of termination, including the effective date and how much of the award is to be terminated. *Id.* The Commission indicated that a subset of the $15 million may be recoverable through cancellation of some existing grants. Request Letter. We defer to the Commission's discretion regarding the appropriateness of canceling existing grants. We do not

---

[5] Pub. L. No. 111-117, div. A, title I, § 159(b)(1), 123 Stat. 3034, 3061 (Dec. 16, 2009).

Appendix A: Denali Commission FY11 Work Plan Process

view the language of section 1477 as compelling the Commission to cancel grants and deobligate amounts from existing, properly incurred grant obligations. The Commission's work plan is, of course, a consideration in assessing the propriety of canceling any properly awarded grant. It is through the work plan process that the Commission identifies programmatic priorities.

The Commission also asked whether it could adjust its grant obligations by substituting funds appropriated in fiscal year 2011 for funds appropriated in prior fiscal years. The Commission advises us that by deobligating amounts of prior year appropriations awarded to grants in early fiscal year 2011, prior to the enactment of the rescission on April 15, 2011, it will free up prior year appropriations to help meet the $15 million rescission. Telephone Conversation with Chief Financial Officer, Denali Commission (Sept. 7, 2011). Under these circumstances, we have no legal objection to adjusting those obligations by deobligating the prior year amounts and substituting appropriations enacted in fiscal year 2011. The Commission would then apply the amounts deobligated in this manner to the rescission.

CONCLUSION

Section 1477 imposes an affirmative requirement on the Commission to rescind $15 million of unobligated balances from appropriations enacted in fiscal years 2010 or earlier. If the Commission is currently unable to satisfy the $15 million rescission, it must rescind deobligated, prior year amounts as they become available, even if in a subsequent fiscal year.

Lynn H. Gibson
General Counsel