Agency Financial Report (AFR)

Financial Section

Financial Performance Overview

Message from the Director of Administration

It is my honor to present the Denali Commission's FY 2007 financial statements as an integral part of the financial performance overview. I am pleased to report that, for the fourth consecutive year, independent auditors have rendered an unqualified opinion on our financial statements, stating that the statements do present fairly, in all material aspects, the assets, liabilities, and net position of the Commission for the year ending September 30, 2007. This year's audit was conducted by Brown & Company from Largo, Maryland.

The Denali Commission is nine years young. And the innovative collaboration of the Commission continues to contribute to the sustainable development of Alaskan communities. To support that endeavor, we strive to maintain a trustworthy, honest and transparent financial management environment.

The Finance team at Denali Commission takes seriously the stewardship of American taxpayers' dollars and attaining the highest standards of federal financial management. We are proud of resolving a material weakness reported on our FY 2005 audit: lack of controls over grant recipient cash management. This year, cash management was strengthened by requiring all grant recipients to submit timely quarterly financial status reports or reimbursement requests. Dedicated finance staff carefully review each report for accuracy and validity, and work with the recipients to correct cash management discrepancies.

Two reportable conditions identified in the FY 2006 audit were also addressed in FY 2007. Access over the financial management system was fortified by instituting additional controls, refined roles, and a disinterested System Administrator. This condition was fully resolved. The second condition, untimely grant close-out's, also garnered considerable focus from staff this year. Bolstered by additional staff resources, the Grants team re-prioritized the awards ready to close, and they developed new close-out procedures and timelines jointly with the Program team.

Director of Administration
Corrine Eilo

Message from the Director of Administration (continued)

Denali Commission is proud to support the President's Management Agenda. In our efforts to advance many of the initiatives, the Commission recently implemented our third OMB-approved Line of Business. Denali Commission now utilizes the expertise and uniform systems of the US Treasury Bureau of the Public Debt for eTravel, Human Resources and Procurement. FY 2007 saw the commencement of work to transition to our fourth Line of Business – US Department of Health and Human Services' GrantSolutions system. Transition is anticipated in FY 2008. Finally, we have recently launched an assessment of the four approved Financial Management Lines of Business. We expect to make a selection and collaborate to achieve conversion to their FSIO-approved financial system within the next two fiscal years.

As the Denali Commission continues to serve the needs of Alaskans, we put into practice what embodies our values: trustworthiness, integrity, honesty and transparency. In the end, the success of any of the internal control, financial management, and performance measurement systems put in place is the degree to which fiscal integrity is upheld over time, and Alaskan lives are enriched.

Corrine E. Eilo
Director of Administration

DENALI COMMISSION
ANCHORAGE, ALASKA

Financial Statements and
Independent Auditor's Report
September 30, 2007 and 2006

BROWN & COMPANY CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

DENALI COMMISSION
ANCHORAGE, ALASKA

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BROWN & COMPANY CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Office of the Inspector General
Denali Commission
Anchorage, AK

We have audited the accompanying balance sheet of the Denali Commission (the Commission) as of September 30, 2007 and the related statements of net cost, changes in net position and budgetary resources for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Commission as of September 30, 2006 were audited by other auditors whose report dated November 10, 2006, expressed an unqualified opinion on those statements. We have considered internal control over financial reporting in place as of September 30, 2007; and we have examined compliance with selected provision of laws and regulations.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements.* Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Denali Commission as of September 30, 2007 and 2006, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with U.S. Government Auditing Standards and OMB Bulletin No. 07-04, we have also issued a report dated October 30, 2007 on our consideration of the Commission's internal control over financial reporting and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The information in "Management's Discussion & Analysis" is presented for the purpose of additional analysis and is required by OMB Circular No. A-136, revised Financial Reporting Requirements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

Brown & Company

Largo, Maryland
October 30, 2007

BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL

Office of the Inspector General
Denali Commission
Anchorage, AK

We have audited the financial statements of the Denali Commission (the Commission) as of and for the year ended September 30, 2007 and have issued our report thereon dated October 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in U.S Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the Commission's internal control over financial reporting by obtaining an understanding of the Commission's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiency. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, Significant Deficiency is a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. Material Weakness is a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. We noted one matter, discussed in the following paragraph, involving internal control and its operations that we consider to be a significant deficiency. However, the significant deficiency is not believed to be material weakness.

Lack of Grants Management and Reconciliation

The commission does not have written policies and procedures in place to ensure that grants are managed and reconciled timely and properly. Without properly managing and reconciling the grants, the Commission cannot ensure that the balance of all grant funds have been accounted for and recorded. We recommend that the Commission program and financial management coordinate to develop written policies and procedures to ensure all grants are managed and reconciled properly.

Status of Prior Year Internal Control Weakness

In FY 2006 audit, the auditor found that the commission did not have written policies and procedures in place to ensure the expired grants are closed out timely. The audit testing found grant closeout reports that were not submitted by the grantee within ninety days of grant expiration, and the Commission's internal closeout process took up to a year to complete once final reports were received. This condition occurred because the informal closeout process followed by the Commission in its early years is no longer adequate to handle the increased volume of grant awards now managed. The Commission has taken steps to address the internal control weakness and improved the grant close out process. Based on the testing we performed in FY 2007, grants that were closed did show status of closed by the Commission. We recommend that the Commission should develop grant management policies and procedures.

In addition, with respect to internal control objective related to the performance measures included in the "Management's Discussion & Analysis," we obtained an understanding of the design of internal controls relating to the existence and completeness assertions, and determined whether they have been placed in operation as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide opinion on internal control over reported performance measures, and, accordingly, we do not express an opinion on such controls.

This report is intended solely for the information and use of the management of the Commission, the Office of Inspector General, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Brown & Company

Largo, Maryland
October 30, 2007

Financial Statements and Independent Auditor's Report

BROWN & COMPANY CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

Office of the Inspector General
Denali Commission
Anchorage, AK

We have audited the financial statements of the Denali Commission (the Commission) as of and for the year ended September 30, 2007, and have issued our report thereon dated October 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements.*

The management of the Commission is responsible for complying with laws and regulations applicable to the Commission. As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Commission.

The results of our tests of compliance disclosed no reportable instances of noncompliance with other laws and regulations discussed in the preceding paragraph that are required to be reported under U.S. Government Auditing Standards or OMB Bulletin No. 07-04.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion. However, we noted no noncompliance with laws and regulations, which could have a direct and material effect on the determination of financial statement amounts.

This report is intended solely for the information and use of the management of the Commission, the Office of Inspector General, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Brown & Company

Largo, Maryland
October 30, 2007

DENALI COMMISSION
Balance Sheets
As of September 30, 2007 and 2006

	2007	2006
ASSETS		
Intragovernmental assets		
Fund balance with Treasury	$234,103,418	$215,044,178
Total intragovernmental assets	234,103,418	215,044,178
Other assets (Note 4)	3,053,932	5,188,658
TOTAL ASSETS	**$237,157,350**	**$220,232,836**
LIABILITIES AND NET POSITION		
Intragovernmental liabilities		
Accounts payable	$ 0	$ 8,943
Other intragovernmental liabilities (Note 2 and 6)	2,752,078	3,083,082
Total intragovernmental liabilities	2,752,078	3,092,025
Accounts payable	37,123	31,891
Other liabilities (Note 1, 5 and 6)	6,596,580	13,577,750
Total liabilities	**9,385,781**	**16,701,666**
Net position (Note 1 and 8)		
Unexpended appropriations	844,326	1,106,382
Cumulative results of operations – earmarked fund	4,205,698	122,376
Cumulative results of operations	222,721,545	202,302,412
Total net position	**227,771,569**	**203,531,170**
TOTAL LIABILITIES AND NET POSITION	**$237,157,350**	**$220,232,836**

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

DENALI COMMISSION
Statements of Net Cost
For the Years Ended September 30, 2007 and 2006

	2007	2006
Program costs	$94,706,828	$108,511,978
Less: earned revenue (Note 9)	(64,397,987)	(62,061,544)
NET COSTS OF OPERATIONS	**$30,308,841**	**$ 46,450,434**

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

Financial Statements and Independent Auditor's Report

DENALI COMMISSION
Statements of Changes in Net Position
For the Years Ended September 30, 2007 and 2006

	2007			2006		
	Earmarked Fund	Other Funds	Total	Earmarked Fund	Other Funds	Total
CUMULATIVE RESULTS OF OPERATIONS, BEGINNING	$ 122,376	$ 202,302,412	$202,424,788	$ 726,639	$194,785,208	$195,511,847
Budgetary financing sources (Note 1)						
Appropriations used	0	50,514,002	50,514,002		49,136,118	49,136,118
Transfers without reimbursement	4,201,398	0	4,201,398	4,227,257		4,227,257
Other Financing Source		95,897	95,897			
Total financing sources	4,201,398	50,609,899	54,811,297	4,227,257	49,136,118	53,363,375
Net cost of operations	(118,076)	(30,190,765)	(30,308,841)	(4,831,520)	(41,618,914)	(46,450,434)
Net change	4,083,321	20,419,134	24,502,456	(604,263)	7,517,204	6,912,941
CUMULATIVE RESULTS OF OPERATIONS, ENDING	**4,205,698**	**222,721,546**	**226,927,244**	**122,376**	**202,302,412**	**202,424,788**
UNEXPENDED APPROPRIATIONS, BEGINNING		1,106,382	1,106,382		-	-
Budgetary financing sources (Note 1)						
Appropriations received		49,509,446	49,509,446		50,000,000	50,000,000
Appropriations transferred		742,500	742,500		750,000	750,000
Other adjustments					(507,500)	(507,500)
Appropriations used		(50,514,002)	(50,514,002)		(49,136,118)	(49,136,118)
Net change		**(262,056)**	**(262,056)**		**1,106,382**	**1,106,382**
UNEXPENDED APPROPRIATIONS, ENDING		**844,326**	**844,326**		**1,106,382**	**1,106,382**
NET POSITION	**$4,205,698**	**$ 222,721,546**	**$227,771,569**	**$ 122,376**	**$203,408,794**	**$203,531,170**

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

DENALI COMMISSION
Statements of Budgetary Resources
For the Years Ended September 30, 2007 and 2006

	2007	2006
BUDGETARY RESOURCES		
Unobligated balance, brought forward, October 1	$ 12,951,025	$ 20,606,121
Budget authority		
Appropriations received	53,710,843	54,227,257
Spending authority from offsetting collections		
Earned:		
Collected	64,397,986	62,061,544
Nonexpenditure transfers, net, actual	742,500	750,000
Permanently not available		(507,500)
Total budgetary resources	**131,802,354**	**$137,137,422**
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 10)	95,424,236	124,186,397
Unobligated balance available	36,378,118	12,951,023
Unobligated balance not available	0	2
Total status of budgetary resources	**131,802,354**	**137,137,422**
CHANGE IN OBLIGATED BALANCES		
Unpaid obligated balance, brought forward, October 1	202,093,153	184,925,974
Obligations incurred	95,424,236	124,186,397
Less: gross outlays	(99,792,091)	(107,019,218)
Unpaid obligated balance, net, end of period	197,725,298	202,093,153
NET OUTLAYS		
Gross outlays	99,792,091	107,019,218
Less: offsetting collections	(64,397,987)	(62,061,544)
Net outlays	**$ 35,394,104**	**$ 44,957,674**

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

DENALI COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

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 Department of Health and Human Services, the USDA Rural Utilities Service and the Department of Labor. Matching funds comprise approximately 41 percent of total project costs.

B. Basis of Accounting and Presentation

The accompanying financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources and reconciliation of net cost to budgetary obligations of the Commission as required by the Accountability of Tax Dollars Act of 2002. These financial statements have been prepared from the books and records of the Commission in accordance with accounting principles generally accepted in the United States of American (GAAP) and the form and content requirements of the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official

DENALI COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

standard-setting body of the Federal Government. These financial statements present propriety and budgetary information.

The financial statements should be read with the realization that they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources and legal authority.

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

C. Fund Balance with Treasury

Cash receipts and disbursements for operations are processed by the Department of Treasury. Funds held by the Department of Treasury represent funds available for operations.

D. Liabilities Not Covered by Budgetary Resources

Liabilities represent the amount of monies or other resources that are likely to be paid by the Commission as the result of a transaction or event that has already occurred. No liability can be paid by the Commission absent an appropriation. Liabilities for which an appropriation has not been enacted and for which there is no certainty that an appropriation will be enacted are classified as liabilities not covered by budgetary resources.

E. Accrued Benefits

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. At least once a year, the balance in the accrued annual leave account is adjusted to reflect current pay rates of cumulative annual leave earned but not taken. Sick and other types of leave are expensed as taken.

F. Retirement and Other Benefit Plans

The Commission participates in the Federal Employees Retirement System

DENALI COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

(FERS) for federal employees, which is administered by the United States Office of Personnel Management (OPM). The Commission makes contributions at rates applicable to agencies of the federal government. The contributions do not equal the full service cost of the pension expense, which is the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period. The measurement of service costs requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM. The excess of total pension expense over the amount contributed by the Commission and Commission employees represents the amount which must be financed directly by OPM.

Several employees also participate in the Federal Employees Health Benefit plan (FEHB) and the Federal Employees Group Life Insurance program (FEGLI), also administered by OPM. The Commission pays the cost of current employees. Post-retirement benefits are paid by OPM.

The Commission does not report in its financial statements FERS, FEHB or FEGLI assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees.

The Commission does not recognize any of these costs in its financial statements as they are deemed to be immaterial.

G. Net Position

Unexpended appropriations include the unobligated balances and undelivered orders of the Commission's appropriated funds. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that appropriation is closed, five years after the appropriations expire. Multi-year appropriations remain available to the Commission for obligation in future periods. No-year appropriations are available until expended. Cumulative results of operations include the accumulated historical difference between expenses consuming budgetary resources and financing sources providing budgetary resources.

H. Financing Sources

The Commission receives annual, no-year and multi-year Federal appropriations to fund program grants and its operations. Funds are available until expended or until the time period expires. Intragovernmental funds transferred from other Federal agencies are used to carry out Commission programs.

DENALI COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

I. Use of Estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect certain amounts and disclosures included in the financial statements. Accordingly, actual results may differ from those estimates.

J. Allocation Transfers

The Commission is a party to allocation transfers with Federal Highway Administration 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 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 (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived.

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 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 Intragovernmental Liabilities line. This balance is $2,389, 045 and $2,597,712 as of September 30, 2007 and 2006, respectively.

DENALI COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

Note 3 – Fund Balance with U.S. Treasury

Funds with U.S. Treasury at September 30 consisted of the following:

	2007	2006
Fund Balance		
Appropriated Fund*	$ 229,898,006	$212,552,865
Trust Fund	4,205,411	2,491,313
Status of Fund Balance		
Unobligated Balance	$ 36,378,118	$ 12,951,025
Obligated Balance Not Disbursed	197,725,299	202,093,153
Non-Budgetary	0	0
Total	$ 234,103,417	$215,044,178

*Includes $2,389,045 and $2,597,712 in non-entity fund balance with Treasury as of September 30, 2007 and 2006, respectively.

Note 4 – Other Assets

Other Assets consist of advance payments to grantees. Advances included on the balance sheet are $3,053,932 and $5,188,659 as of September 30, 2007 and 2006, respectively.

Note 5 – Liabilities Not Covered by Budgetary Resources

The unfunded accrued annual leave liability for the Commission reported as other liabilities on the balances sheet was $76,744 and $81,685 as of September 30, 2007 and 2006 respectively.

Note 6 Other Liabilities

Current other liabilities on the balance sheet for the Commission are for accrued payables to vendors and grantees and for accrued salaries payable to staff. The non-current unfunded annual leave liability is described in Note 5.

DENALI COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

Other liabilities at September 30 consist of the following:

	2007	2006
Intragovernmental		
Accrued Services	$ 363,033	$ 485,370
Clearing Account Liability	0	0
Liability for Pass-through Funding	2,389,045	2,597,712
Total Intragovernmental	$ 2,752,078	$ 3,083,082
Public		
Accrued Services	$ 279,078	$ 285,909
Accrued Grants Payable	6,210,089	11,337,461
Accrued Salaries and Benefits	67,792	1,872,695
Unfunded Annual Leave	76,744	81,685
Total Public	$ 6,633,703	$13,577,750

Note 7 Operating Leases

The Commission's lease for its office commenced on February 1, 2003 and extends through July 31, 2010. It provides for increases in annual base rent of 2 percent per year beginning August 1, 2003, and every year thereafter for the remainder of the lease term. The lease future minimum lease payments required under this lease are as follows:

Year Ended September 30,	Amount
2008	$ 407,000
2009	415,000
2010	351,000
Total	$ 1,173,000

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.

DENALI COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

Condensed financial information for the year ended September 30, 2007 is:

Balance Sheet	
Assets	
Fund balance with Treasury	$4,205,411
Total assets	$4,205,411
Liabilities and Net Position	
Liabilities	$ 0
Cumulative results of operations	4,205,411
Total liabilities	$4,205,411
Statement of Net Cost	
Program costs	$ 118,076
Less: earned revenues	
Net cost of operations	$ 118,076
Statement of Changes in Net Position	
Net position, beginning of period	$ 122,376
Net cost of operations	(118,076)
Revenue	4,201,398
Change in net position	4,083,321
Net position, end of period	$4,205,698

Note 9 Intragovernmental Costs and Exchange Revenue

Intragovernmental costs and revenue from Federal entities are for purchases of goods and services. There is no exchange revenue with the public.

	2007	2006
Intragovernmental		
Costs	$ 2,741,880	$ 3,000,933
Revenue	64,397,987	62,061,544
Public		
Costs	$ 91,964,948	$105,511,045

DENALI COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

Note 10 Status of Budgetary Resources

A. Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Statement of Budgetary Resources in 2007 and 2006 consisted of the following:

(Dollars in thousands)	2007	2006
Direct obligations		
Category A	$1,378	$3,414
Category B	36,523	58,711
Total direct obligations	37,901	62,125
Reimbursable obligations	57,523	62,062
Total obligations	$95,424	$124,187

B. Permanent Indefinite Appropriations

The Commission's permanent indefinite appropriations include the trust fund. These funds are described in Note 8.

Note 11 Undelivered Orders at the End of the Period

The open undelivered orders for the Commission are $190,805,307 and $188,119,329 as of September 30, 2007 and 2006, respectively.

DENALI COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

Note 12 Reconciliation of Net Cost of Operations to Budget

DENALI COMMISSION
Statement of Financing
Years Ended September 30

	2007	2006
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	$ 5,424,236	$ 124,186,397
Less: Spending Authority from Offsetting Collections and Recoveries	(64,397,987)	(62,061,544)
Obligations Net of Offsetting Collections and Recoveries	31,026,249	62,124,853
Net Obligations	31,026,249	62,124,853
Other Resources		
Imputed Financing from Costs Absorbed by Others	95,897	0
Other Resources	0	
Net Other Resources Used to Finance Activities	95,897	0
Total Resources Used to Finance Activities	**31,122,146**	**62,124,853**
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services	(551,250)	(14,565,582)
Total Resources Used to Finance Items not Part of the Net Costs of Operations	**(551,250)**	**(14,565,582)**
Total Resources Used to Finance the Net Cost of Operations	**30,570,895**	**47,559,271**
Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	(4,942)	81,685
Components not requiring or generating resources		
Total Components that Will Not Require or Generate Resources	(257,113)	(1,190,522)
Total Components that Will Not Require or Generate Resources in the Current Period	**(262,054)**	**(1,108,837)**
Net Cost of Operations	**$ 30,308,841**	**$ 46,450,434**