Denali Commission

Financial Statements and
Independent Auditors' Report

September 30, 2006 and 2005

M.D. OPPENHEIM & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

DENALI COMMISSION

SEPTEMBER 30, 2006 AND 2005

TABLE OF CONTENTS

Page

M.D. OPPENHEIM & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
8403 Colesville Road, Suite 340 Silver Spring, Maryland 20910-6331
(301) 585-7990 FAX (301) 585-7975 www.mdocpa.com

To the Commission Members
Denali Commission
Anchorage, Alaska

Independent Auditors' Report

The Accountability of Tax Dollars Act of 2002 made the Denali Commission ("the Commission") subject to the annual financial statement requirements of the Chief Financial Officers Act of 1990, which requires agencies to report annually to Congress on their financial status and any other information needed to fairly present the Commission's financial position and results of operations.

The objectives of our audits are to express an opinion on the fair presentation of the Commission's financial statements, obtain an understanding of the Commission's internal control, and test compliance with laws and regulations that could have a direct and material effect on the financial statements.

We have audited the balance sheets of the Commission as of September 30, 2006 and 2005 and the related statements of net cost, changes in net position, budgetary resources, and financing for the years 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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.

As discussed in Note 1-G to the financial statements, the Commission changed its method of accounting for and reporting earmarked funds in fiscal year 2006 to adopt the provisions of the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards No. 27, *Identifying and Reporting Earmarked Funds*.

Opinion on Financial Statements

In our opinion the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net position of the Commission as of September 30, 2006 and 2005; and the net cost, changes in net position, budgetary resources, and reconciliation of net cost to budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Accompanying Information

Our audits were conducted for the purpose of forming an opinion on the Commission's financial statements taken as a whole. The information included in the Management Discussion and Analysis section of the Commission's annual financial statements is not a required part of the principal financial statements. The information is required by the Federal Accounting Standards Advisory Board and OMB Bulletin 06-03. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the information. However, we did not audit the information and express no opinion on it.

Report on Internal Control over Financial Reporting

In planning and performing our audits, we considered the Commission's internal control over financial reporting by obtaining an understanding of the Commission's internal control, determined whether these 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. 06-03. 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 objectives of our audits were not to provide assurance on internal control. Consequently, we do not provide 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 reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may, nevertheless, occur and not be detected. We noted certain matters, discussed in the following paragraphs, involving the internal control and its operations that we consider to be reportable conditions. However, the reportable conditions are not believed to be material weaknesses.

With respect to internal control related to performance measures included in the Management Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions as required by OMB Bulletin No. 06-03. Our procedures were not designed to provide assurance on internal control over reported performance measures, and accordingly, we do not provide an opinion on such controls.

Reportable Conditions

User Access to Accounting Software is Not Adequately Restricted

The Commission has a small staff of individuals who have access into the accounting system. From time to time, job responsibilities have been redefined since the accounting software was implemented, and an individual's user access has been modified to permit the performance of new duties. As a result, we found individuals with software access that permits the performance of incompatible duties. This occurred because there are no policies and procedures for granting and restricting access into the accounting software and for ensuring access restrictions are kept up-to-date. OMB Circular A-130 states that agencies should implement the practice of least privilege whereby user access is restricted to the minimum necessary to perform his or her job and to enforce a separation of duties so critical functions are divided among different individuals. We recommend that the Commission develop written policies and procedures to address the granting and restricting of user access and to periodically recertify user account management on the system. Management concurred with the finding and promptly implemented corrective action to address this weakness.

The Commission Members
Denali Commission

Lack of Timely Close Out of Grants

The Commission does not have written policies and procedures in place to ensure that expired grants are closed out timely. Our 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. Federal regulations for state and local government and not-for-profit organizations require that grant recipients submit within ninety days after the expiration of the grant all financial, performance, and other reports as required by the terms and conditions of the award. Without timely project review and financial reconciliation of expired grant awards, the Commission cannot ensure that the grant projects have been properly completed and the balance of all grant funds have been accounted for and recorded. We recommend that Commission program and financial management coordinate to develop written policies and procedures to ensure all grants are closed out timely. Management generally concurred with the finding and has initiated discussions to address the recommendation.

Status of Prior Year Internal Control Weakness

In FY 2004 we reported that grant expenditure balances were significantly misstated due to inaccurate and untimely reporting of grant costs by the grantees. The lack of accurate cost information resulted in the Commission not being able to adequately determine the excess cash balances held by its grantees. During FY 2005 the Commission took aggressive and effective steps to address these deficiencies. This finding has been closed.

Report on Compliance and Other Matters

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. 06-03. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to the Commission. Providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests of compliance with laws and regulations, described in the preceding paragraph, disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 06-03.

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

M.D. Oppenheim & Company, P.C.

November 10, 2006

DENALI COMMISSION
Balance Sheets
September 30

		2006		2005
ASSETS				
Intragovernmental assets				
Fund balance with Treasury (Note 1-C and 3)	$	215,044,178	$	205,832,144
Total intragovernmental assets		215,044,178		205,832,144
Other assets (Note 4)		5,188,658		12,265,843
TOTAL ASSETS	$	**220,232,836**	$	**218,097,987**
LIABILITIES AND NET POSITION				
Intragovernmental liabilities				
Accounts payable	$	8,943	$	12,637
Other intragovernmental liablities (Note 2 and 6)		3,083,082		4,302,929
Total intragovernmental liabilities		3,092,025		4,315,566
Accounts payable		31,891		
Other liabilities (Note 1-D, E and 5 and 6)		13,577,750		18,270,574
Total liabilities		**16,701,666**		**22,586,140**
Net position (Note 1-H and 8)				
Unexpended appropriations		1,106,382		-
Cumulative results of operations - earmarked fund		122,376		726,639
Cumulative results of operations		202,302,412		194,785,208
Total net position		**203,531,170**		**195,511,847**
TOTAL LIABILITIES AND NET POSITION	$	**220,232,836**	$	**218,097,987**

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

DENALI COMMISSION
Statements of Net Cost
Years ended September 30

		2006		2005
Program costs	$	108,511,978	$	79,190,375
Less: earned revenue (Note 9)		(62,061,544)		(66,602,297)
NET COSTS OF OPERATIONS	**$**	**46,450,434**	**$**	**12,588,078**

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

DENALI COMMISSION
Statements of Changes in Net Position
Years Ended September 30

	2006			2005
	Earmarked Fund (Note 8)	Other Funds	Total	Total
CUMULATIVE RESULTS OF OPERATIONS, BEGINNING	$ 726,639	$ 194,785,208	$ 195,511,847	$ 97,520,517
Budgetary financing sources (Note 1-I)				
Appropriations used		49,136,118	49,136,118	106,327,365
Transfers without reimbursement	4,227,257		4,227,257	4,252,043
Total financing sources	4,227,257	49,136,118	53,363,375	110,579,408
Net cost of operations	(4,831,520)	(41,618,914)	(46,450,434)	(12,588,078)
Net change	(604,263)	7,517,204	6,912,941	97,991,330
CUMULATIVE RESULTS OF OPERATIONS, ENDING	**122,376**	**202,302,412**	**202,424,788**	**195,511,847**
UNEXPENDED APPROPRIATIONS, BEGINNING		-	-	37,073,765
Budgetary financing sources (Note 1-I)				
Appropriations received		50,000,000	50,000,000	67,000,000
Appropriations transferred		750,000	750,000	2,789,600
Other adjustments		(507,500)	(507,500)	(536,000)
Appropriations used		(49,136,118)	(49,136,118)	(106,327,365)
Net change		**1,106,382**	**1,106,382**	**(37,073,765)**
UNEXPENDED APPROPRIATIONS, ENDING		**1,106,382**	**1,106,382**	**-**
NET POSITION	**$ 122,376**	**$ 203,408,794**	**$ 203,531,170**	**$ 195,511,847**

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

DENALI COMMISSION
Statements of Budgetary Resources
Years Ended September 30

	2006	2005
BUDGETARY RESOURCES		
Unobligated balance, brought forward, October 1	$ 20,606,121	$ 9,004,029
Budget authority:		
Appropriations received	54,227,257	71,252,043
Spending authority from offsetting collections		
Earned:		
Collected	62,061,544	70,002,297
Nonexpenditure transfers, net, actual	750,000	2,789,600
Permanently not available	(507,500)	(536,000)
Total budgetary resources	**$ 137,137,422**	**$ 152,511,969**
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 10-A)	$ 124,186,397	$ 131,905,849
Unobligated balance available	12,951,023	20,606,120
Unobligated balance not available	2	-
Total status of budgetary resources	**$ 137,137,422**	**$ 152,511,969**
CHANGE IN OBLIGATED BALANCES		
Unpaid obligated balance, brought forward, October 1	$ 184,925,974	$ 175,554,795
Obligations incurred	124,186,397	131,905,849
Less: gross outlays	(107,019,218)	(122,534,670)
Unpaid obligated balance, net, end of period	$ 202,093,153	$ 184,925,974
NET OUTLAYS		
Gross outlays	$ 107,019,218	$ 122,534,670
Less: offsetting collections	(62,061,544)	(70,002,297)
Net outlays	**$ 44,957,674**	**$ 52,532,373**

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

DENALI COMMISSION
Statements of Financing
Years Ended September 30

	2006	2005
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary resources obligated		
Obligations incurred	$ 124,186,397	$ 131,905,849
Less: spending authority from offsetting collections	(62,061,544)	(70,002,297)
Obligations, net	62,124,853	61,903,552
Total resources used to finance activities	**62,124,853**	**61,903,552**
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in budgetary resources obligated for goods and services ordered but not yet provided	(14,565,582)	(16,264,862)
Total resources used to finance items not part of the net cost of operations	**(14,565,582)**	**(16,264,862)**
Total resources used to finance the net cost of operations	**47,559,271**	**45,638,690**
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	81,685	-
Components not requiring or generating resources		
Other expenses not requiring budgetary resources	(1,190,522)	(33,050,612)
Total components that will not require or generate resources in the current or future periods	**(1,108,837)**	**(33,050,612)**
NET COSTS OF OPERATIONS	**$ 46,450,434**	**$ 12,588,078**

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 U.S. Secretary 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 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 ninety-five 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 U.S. Department of Health and Human Services, the U.S. Department of Agriculture's Rural Utilities Service, and the U.S. Department of Labor.

B. Basis of Accounting and Presentation

These 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 America .

(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 standard-setting body for the Federal Government. These financial statements present proprietary 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.

The financial statements for FY 2005 have been restated to conform with OMB Circular A-136.

C. Fund Balance with U.S. Treasury

Cash receipts and disbursements for operations are processed by the U.S. Department of Treasury. Funds held by the U.S. 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 Denali Commission participates in the Federal Employees Retirement System (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 Denali Commission does not recognize any of these costs in its financial statements as they are deemed to be immaterial.

G. Earmarked Funds

In 2006, the Denali Commission has accounted for revenue and other financing sources for earmarked funds separately from other funds. This new method was adopted in accordance with the provisions of the Federal Accounting Standards Advisory Board's Statement of Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds,* which became effective October 1,

2005. This new standard amended SFFAS No. 7, *Revenue and Other Financing Sources,* by:

- Elaborating the special accountability needs associated with dedicated collections;
- Separating dedicated collections into two categories – earmarked funds and fiduciary activity; and
- Defining and providing accounting and reporting guidance for earmarked funds.

In accordance with SFFAS No. 27, the Commission did not restate the prior period columns of the financial statement and related disclosures. See Note 8 for specific required disclosures related to the Commission's earmarked fund.

H. 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 includes the accumulated historical difference between expenses consuming budgetary resources and financing sources providing budgetary resources.

I. 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.

J. 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.

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 $2,597,712 and $3,700,000 as of September 30, 2006 and 2005, respectively.

Note 3 Fund Balance with U.S. Treasury

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

	2006	**2005**
Fund Balance:		
Appropriated Fund*	$ 212,552,865	$ 204,799,066
Trust Fund	2,491,313	733,029
Clearing Account	0	300,049
Total	$ 215,044,178	$ 205,832,144
Status of Fund Balance:		
Unobligated Balance	$ 12,951,025	$ 20,606,121
Obligated Balance Not Disbursed	202,093,153	184,925,974
Non-Budgetary	0	300,049
Total	$ 215,044,178	$ 205,832,144

*****Includes $2,597,712 and $3,700,000 in non-entity fund balances with U.S. Treasury as of September 30, 2006 and 2005, respectively.

Note 4 Other Assets

Other assets consist of advance payments to grantees. Advances included on the balance sheet are $5,188,659 and $12,265,843 as of September 30, 2006 and 2005, respectively.

Note 5 Liabilities Not Covered by Budgetary Resources

The unfunded accrued annual leave liability for the Commission reported as other liabilities on the balance sheet was $81,685 and $48,446 as of September 30, 2006 and 2005, 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.

Other liabilities at September 30 consist of the following:

	2006	2005
Intragovernmental		
Accrued services	$ 485,370	$ 302,880
Clearing account liability	0	300,049
Liability for pass-through funding	2,597,712	3,700,000
Total Intragovernmental liabilities	3,083,082	4,302,929
Accrued services	285,909	167,570
Accrued grants payable	11,337,461	16,704,469
Accrued salaries and benefits	1,872,695	1,350,089
Unfunded annual leave	81,685	48,446
Total other liabilities	$ 13,577,750	$ 18,270,574

Note 7 Operating Lease

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 future minimum lease payments required under this lease are as follows:

Year Ended September 30,	Amount
2007	$ 399,000
2008	407,000
2009	415,000
2010	351,000
Total	$ 1,572,000

Note 8 Earmarked Fund

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 use of the interest money is restricted to bulk fuel tank renovation or construction. The Commission accounts for and reports on the use of these funds separately through its annual budget execution reporting.

Condensed financial information for the year ended September 30, 2006 is:

Balance Sheet		
Assets		
Fund balance with Treasury	$	2,491,313
Total assets	$	2,491,313
Liabilities and Net Position		
Liabilities	$	2,368,937
Cumulative results of operations		122,376
Total liabilities and net position	$	2,491,313

Statement of Net Cost		
Program costs	$	4,831,520
Less: earned revenues		0
Net cost of operations	$	4,831,520
Statement of Changes in Net Position		
Net position, beginning of period	$	726,639
Net cost of operations		(4,831,520)
Revenue		4,227,257
Change in net position		(604,263)
Net position, end of period	$	122,376

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.

	2006	2005
Intragovernmental		
Costs	$ 3,000,933	$ 1,569,971
Less: revenue	(62,061,544)	(66,602,297)
Total net cost - intragovernmental	$ (59,060,611)	$ (65,032,326)
Public		
Costs	$ 105,511,045	$ 77,620,404
Less: revenue	0	0
Total net cost - public	$ 105,511,045	$ 77,620,404
Net cost of operations	$ 46,450,434	$ 12,588,078

Note 10 Status of Budgetary Resources

A. Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Statement of Budgetary Resources in 2006 and 2005 consisted of the following:

(Dollars in thousands)	**2006**	**2005**
Direct obligations		
Category A	$ 3,414	$ 4,811
Category B	58,711	58,969
Total direct obligations	62,711	63,969
Reimbursable obligations	62,062	68,126
Total obligations	$ 124,186	$ 131,906

B. Permanent Indefinite Appropriations

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

C. Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

The budget of the United States Government with actual amounts for the year ended September 30, 2006, has not been published as of the issue date of these financial statements. This document will be available in February 2007. A reconciliation of budgetary resources, obligations incurred and outlays, as presented in the statement of budgetary resources to amounts included in the budget of the United States Government for the year ended September 30, 2005 is shown below.

	2005		
(Dollars in Millions)	**Budgetary Resources**	**Obligations Incurred**	**Outlays**
Statement of Budgetary Resources	$ 153	$ 132	$ 123
Amounts in the Statement of Budgetary Resources not included in the budget	(3)		
Budget of the United States Government	$ 150	$ 132	$ 123

Note 11 Undelivered Orders at the End of the Period

The open undelivered orders for the Commission are $188,119,329 and $166,690,390 as of September 30, 2006 and 2005, respectively.