



*The Denali Commission
Performance and Accountability Report
Fiscal Year 2006*



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On the cover: Denali Commission Quarterly Meeting in May 2006 held at the Kluti-Kaah Memorial Hall in the community of Copper Center, located in Southeastern Interior Alaska. Pictured at the head table are the Commissioners, who meet at least twice per year to develop and monitor annual work plans that guide the activities of the Commission. At least one meeting per year is typically held in a rural community.

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Part I – Management Discussion and Analysis



Message from the Federal Co-Chair

The Denali Commission appreciates this opportunity to provide Congress, the Executive Branch and all Americans important information about the progress and programs undertaken on your behalf during the past year. We welcome your comments and feedback on *this FY 2006 Performance and Accountability Report*.

The Commission made great strides in carrying out its programs in FY 06. Most notably was our success in implementing our new mission of rural transportation. Through collaborative teamwork, the Commission established the Transportation Advisory Committee as required by law, determined program criteria and priorities, chose more than forty projects for investment following a public selection process, established working relationships with new program partners, and began to execute projects in several communities.

The Denali Commission's programs and projects touch the lives of virtually every Alaskan. Although we focus on the remote, frontier communities of our vast state, we also invest in more urban areas when the need is justified. Our legacy program promoting the safe and efficient delivery of energy for power and heating throughout rural Alaska is vital to the success of our communities. Our innovative efforts to bring renewable energy projects to rural Alaska meets the President's agenda to reduce our dependence on foreign oil, and cuts rural heating and electric bills where available. Our program to bring modern health care to the local level is a powerful story, where local residents, certified in the health care professions, work in modern clinics with state-of-the-art telemedicine programs. Our collaboration with the State of Alaska and many partner agencies saves the American taxpayer millions of dollars, and helps our communities be more viable for the future.

In FY 06, we released a national solicitation for a contractor to conduct an independent review and analysis of the performance, impacts, and outcomes of our programs and policies since the inception of the Commission. We are very pleased that the McDowell Group was selected to be our 3rd party evaluator. The McDowell Group began their work in September 2006, and we expect to include the results of this independent evaluation in the FY 07 Performance Accountability Report.

In the upcoming year, the Commission will undertake a revision of its five-year



**Federal Co-Chair
George J. Canelos**



Message from the Federal Co-Chair (continued)

Strategic Plan and Performance Measurement system to incorporate the results of the independent evaluation, the expanding responsibilities and changes in the mission of the Commission since its inception in 1998, and to incorporate more outcomes-based measures. We anticipate including more outcomes-based measures in the FY 07 Performance Accountability Report.

During FY 07, we will continue to emphasize partnering, innovation and imagination to help resolve many of Alaska's long-term challenges. We will also continue our commitment to accountability, transparency, high ethical standards, and results. We will also work to improve our funding decision-making by standardizing our processes across our numerous programs. For example, we will consider adding two new advisory committees to help drive wise funding decisions in our energy and job training programs.

The financial and performance data presented in this report are complete and reliable. Throughout the fiscal year, Commission leadership assesses the efficiency and effectiveness of the organization, looking for methods to improve those while preserving accountability. In accordance with requirements of the Federal Managers' Financial Integrity Act, I can provide an unqualified statement of assurance that management controls are in place and the Commission's financial systems conform to government wide standards. Action plans have been developed and are being implemented to remedy the two findings identified in the FY 2006 financial audit: defined roles in the financial management system and the grant close-out process. In addition, we are committed to our ongoing efforts to work with our external auditors to strengthen our fiscal management and accountability. A detailed discussion of the audit results, and the status of corrective actions are presented in this report.

In the coming years, the Denali Commission will continue to focus on capital infrastructure, government coordination, and job training, and will remain flexible enough to tackle new missions, such as rural Transportation. The Commission will continue to use the successful model of fostering partnerships and coordinating agency efforts to leave a legacy of sustainable solutions for the basic infrastructure and economic challenges facing rural Alaska.

Sincerely,



Federal Co-Chair

November 13, 2006



Overview of the Denali Commission

Overview of the Denali Commission

In 1998 Senator Ted Stevens focused National attention on the immense infrastructure and economic challenges faced by rural Alaskan communities by passing the Denali Commission Act. The Act became law on October 21, 1998 (Title III of Public Law 105-277, 42 USC 3121).

The Denali Commission is a federal-state partnership designed to provide critical utilities, infrastructure and support for economic development in Alaska by delivering federal services in the most cost-effective manner possible. 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.

Purpose:

- To deliver the services of the federal government in the most cost-effective manner practicable by reducing administrative and overhead costs.
- To provide job training and other economic development services in rural communities, particularly distressed communities (many of which have a rate of unemployment that exceeds 50%).
- To promote rural development and provide power generation and transmission facilities, modern communication systems, bulk fuel storage tanks, and other infrastructure needs.



Overview of the Denali Commission

Overview of the Denali Commission (continued)

The Commission Act required that seven leading Alaskan policy makers form a team as the Denali Commission:

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

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 decisions. 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 Commission is staffed by a small number of employees, together with additional personnel from partner organizations. The Commission relies upon a special network of federal, state, local, tribal and other organizations to successfully carry out its mission.



Overview of the Denali Commission

Denali Commission Work Plan

The 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 proposed 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 area 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 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.



Old (foreground) and new (background) Bulk Fuel Storage Facility tanks in the community of Deering, located in Northwestern Alaska. The Oil Pollution Act of 1990 created strict new standards for bulk fuel storage facilities in response to the Coast Guard's declaration it would no longer allow fuel deliveries to communities whose fuel tanks were leaking or otherwise contaminating the soil and water around them.



Overview of the Denali Commission

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 will 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.



Values of the Denali Commission

CATALYST FOR POSITIVE CHANGE

The Commission will be an organization through which agencies of government, including tribal governments, may collaborate guided by the people of Alaska, to aggressively do the right things in the right ways.

RESPECT FOR PEOPLE AND CULTURES

The Commission will be guided by the people of Alaska in seeking to preserve the principles of self-determination, respect for diversity, and consideration of the rights of individuals.

INCLUSIVE

The Commission will provide the opportunity for all interested parties to participate in decision-

making and carefully reflect their input in the design, selection, and implementation of programs and projects.

SUSTAINABILITY

The Commission will promote programs and projects that meet the current needs of communities and provide for the anticipated needs of future generations.

ACCOUNTABILITY

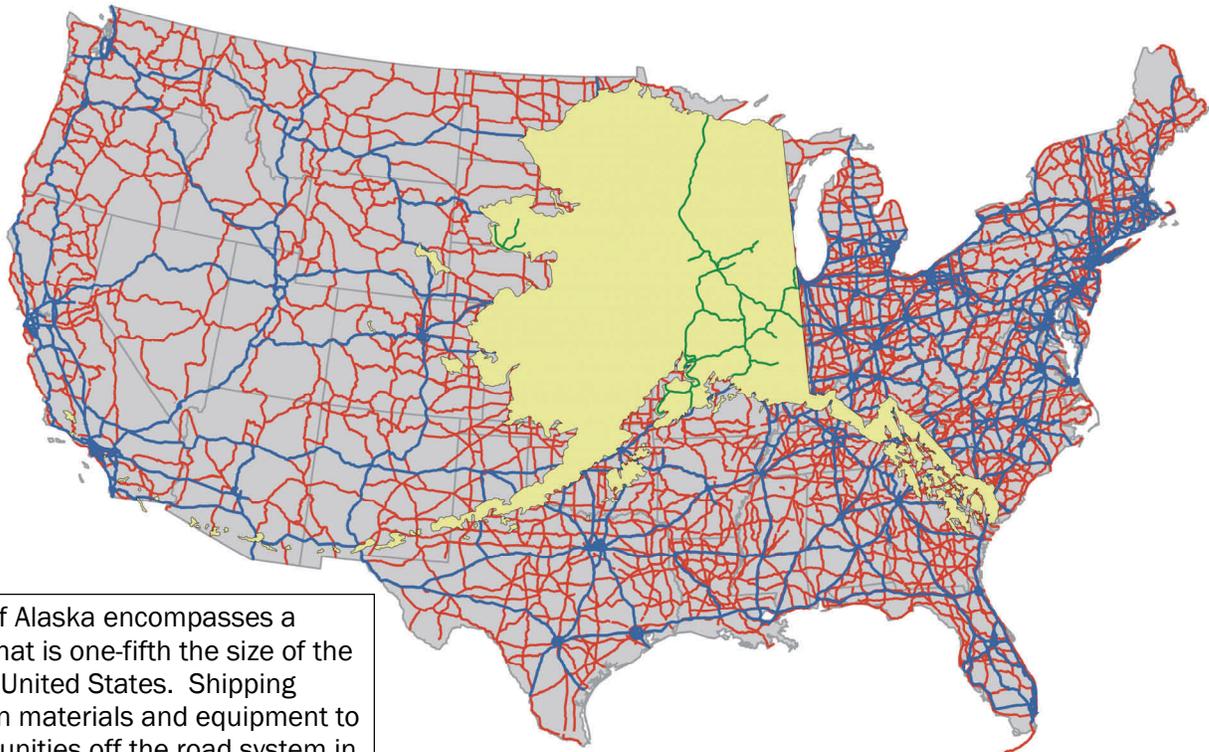
The Commission will set measurable standards of effectiveness and efficiency for both internal and external activities.



Overview of the Denali Commission

Challenges

The State of Alaska faces challenges like no other region of the United States.



The State of Alaska encompasses a landmass that is one-fifth the size of the contiguous United States. Shipping construction materials and equipment to rural communities off the road system in Alaska requires a combination of barge and/or air transport.

ISOLATION

Approximately 220 Alaskan communities are accessible only by air or small boat. Some village communities are separated by hundreds of miles from the nearest regional hub community or urban center. The roadway infrastructure, shown in green in the map above, is limited in capacity. The average community is over 1,000 miles from the state capital. Many communities do not have adequate infrastructure to accommodate a contractor's workforce.

GEOGRAPHY/CLIMATE

The State encompasses twenty percent of the landmass of the United States, encompassing 5 climatic zones from the arctic desert to moderate rain forests in the south. Alaska has more than 3,000 rivers, three million lakes, and 29,000 square miles of glaciers. Major earthquake fault lines in many populated areas require the highest construction standards.



Overview of the Denali Commission



Because most areas of the state are not accessible by road, communities along the coastline or major river systems typically receive deliveries of construction equipment and materials by barge, usually once or twice per year depending on weather. If the equipment and materials break down after they have arrived, the entire project can come to a halt until replacement parts or materials are barged or flown up from Seattle or Anchorage.

UNEMPLOYMENT

The economy of rural Alaska is a mix of government or government-funded jobs, natural resource extraction and traditional Alaska Native subsistence activities. Many rural Alaskans depend on subsistence hunting, fishing and gathering for a significant portion of their foods, but also depend on cash income to provide the means to pursue subsistence activities. Cash-paying employment opportunities in rural Alaska are scarce and are highly seasonal in many areas; unemployment rates exceed 50% in 147 communities.

HIGH COST AND LOW STANDARD OF LIVING

Many communities lack adequate sanitation or safe drinking water. Residents face high electric costs: 61 cents per kilowatt-hour for electricity in a few communities (average in rural Alaska is approximately 40 cents per kilowatt-hour which is over six times the National average of 6.75 cents) even with State subsidies.

The Commission determined that the scope and scale of infrastructure issues facing rural Alaska are staggering. Assessment of needs and refinement of estimates will be an ongoing process. The total of known infrastructure needs is estimated to be over \$13 billion. Training and economic development needs have not been quantified, but the unmet needs in these areas are also believed to be quite large. Consequently, it is imperative that efforts to address the most essential needs be both focused and strategic.



Overview of the Denali Commission

Implementation Guiding Principles

The Denali Commission uses the following guiding principles when developing strategic goals and work plans:

- ◆ Projects must be sustainable. To assist with the implementation of this policy, an Investment Strategy has been implemented to ensure that the level of funding provided by the Denali Commission to infrastructure projects in small, declining and/or environmentally threatened communities serves a public purpose and is invested in the most conscientious and sustainable manner possible.
 - ◆ The Denali Commission will generally not select individual projects for funding nor manage individual projects, but will work through existing state, federal or other appropriate organizations to accomplish its mission.
 - ◆ Projects in economically distressed communities will have priority for Denali Commission assistance.
 - ◆ Projects should be compatible with local cultures and values.
 - ◆ Projects that provide substantial health and safety benefit, and/or enhance traditional community values, will generally receive priority over those that provide more narrow benefits.
- ◆ Projects should be community-based and regionally supported.
 - ◆ Projects should have broad public involvement and support. Evidence of support might include endorsement by affected local government councils (municipal, tribal, etc.), participation by local governments in planning and overseeing work, and local cost sharing on an “ability to pay” basis.
 - ◆ Priority will generally be given to projects with substantial cost sharing.
 - ◆ Priority will generally be given to projects with a demonstrated commitment to local hire.
 - ◆ Denali Commission funds may supplement existing funding, but will not replace existing federal, state, local government, or private funding.
 - ◆ The Denali Commission will give priority to funding needs that are most clearly a federal responsibility.
 - ◆ Denali Commission funds will not be used to create unfair competition with private enterprise.



Additional Guiding Principles for Infrastructure

- ◆ A project should be consistent with a comprehensive community or regional plan.
- ◆ Any organization seeking funding assistance must have a demonstrated commitment to operation and maintenance of the facility for its design life. This commitment would normally include an institutional structure to levy and collect user fees if necessary, to account for and manage financial resources, and having trained and certified personnel necessary to operate and maintain the facility.

Additional Guiding Principles for Economic Development

- ◆ Priority will be given to projects that enhance employment in high unemployment areas of the State (economically distressed), with emphasis on sustainable, long-term local jobs or career opportunities.
- ◆ Projects should be consistent with statewide or regional plans.
- ◆ The Denali Commission may fund demonstration projects that are not a part of a regional or statewide economic development plan if such projects have significant potential to contribute to economic development

Additional Guiding Principles for Training

- ◆ Training should increase the skills and knowledge of local residents to become employed on jobs created by the Government's investment in public facilities in a community.



Denali Commission Programs

Program Highlight: Implementing a New Mission

In October 2005, President Bush signed the Safe, Accountable, Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), reauthorizing the nation's transportation programs. This Act authorized the Denali Commission to receive \$60 million for road projects and \$40 million (over five years) for waterfront development projects in rural Alaska in a new program titled the Denali Access System.

One of the program's most important features is the Transportation Advisory Committee made up of Alaska Native leaders and professional engineers. The nine member committee includes by law, four members who represent existing regional Native corporations, Native non-profit

entities tribal governments, and four members who represent rural Alaska regions or villages. The committee chair is Denali Commission Federal Co-Chair, George Canelos. Guidance from the committee and from the Alaska Federation of Natives representative at Denali Commission turned out to be a successful mechanism for selecting cost-effective projects that would have a high positive impact on rural transportation safety and quality of life.

Another key to success for the program has been the productive relationship Denali Commission established with Federal Highway Administration (FHWA) and Federal Transit Administration (FTA). FHWA and FTA help with program development



Four-wheeler in operation on the boardwalk in Tuntutuliak, located in western Alaska. In communities such as this that are built on tundra, boardwalks are an essential component of the transportation system within the community. Boardwalks elevate foot and vehicle traffic above the soggy tundra.



Denali Commission Programs

Program Highlight: Implementing a New Mission (continued)

has given Denali Commission a solid platform for developing program elements in FY 2007.

In its first round of work, the committee recommended and the Denali Commission approved 21 road projects and 21 waterfront development projects. By late summer 2006, project schedules and budgets had been refined, and the Denali Commission has invested in many of these projects which are currently underway. The remaining projects will be funded upon receipt of additional contract authority from FHWA and funding from FTA which is expected in early FY 07. Important partners in this program include, Alaska Department of Transportation and Public Facilities, FHWA, Kawerak, Incorporated, a tribal compact based in Nome, Alaska, and local communities.

The committee is now working on its FY 2007-2008 project selection process. The selection process and subsequent Denali Commission approval process will be complete in February 2007. These projects will be folded into the ongoing program management systems within the Denali Commission and its partner agencies.



Example of a gravel road system in rural Alaska. Pictured are roads in the community of Teller, located in Northwestern Alaska, the school is shown in the background. Note the mixed use of vehicles and four wheelers (to the left of the red truck) for transportation. Dust control is a high priority in communities with gravel or dirt road systems, as dust particulates contribute to respiratory and other health issues within these communities.

In FY 2007, Denali Commission will continue to develop its partnership with the Bureau of Indian Affairs (BIA) roads program. The goal is to develop a model for funding and managing tribal government projects. Denali Commission will use its current partnership with Kawerak, Inc., as a basis for the project development model.



Denali Commission Programs

GOVERNMENT COORDINATION: Program Update

As reflected in its enabling legislation, the Denali Commission has been charged with increasing the effectiveness of government programs by acting as a catalyst to coordinate the many federal and state programs that serve rural Alaska.

Beginning in 2000, the Commission led the way by committing 16 state and federal agencies to this effort in jointly signing a Memorandum of Understanding (MOU). This MOU outlines the role of agencies in coordinating resources and efforts in areas such as community planning, sustainability, information technology and data sharing and coordination of pre-construction activities. This MOU served as the basis for the creation of several multi-agency work groups and cooperative projects that have served to increase the agencies' collective effectiveness. These are examples of how the Denali Commission and other agencies can accomplish more for rural Alaska by working collaboratively rather than independently.

In 2003 the Commission led the effort to revise the MOU and bring even more agencies into this collaborative effort. Based in large part on the demonstrated benefits and successes of working together, the number of state and federal agencies who were signatory to the revised MOU more than doubled to 33. This increased commitment demonstrates the dedication of many state and federal public officials to Government Coordination for the benefit of Alaskans.

In addition to the MOU's with federal and state agencies, the Commission is committed to



On-site coordination discussion regarding technical details of geothermal drilling at the Chena Geothermal Power Plant, located in Interior Alaska. Pictured from left are Ron Miller, Executive Director, AIDEA; Michael Barry, AIDEA Board Chair; Mike Harper, Deputy Director of Rural Energy, AEA; George Cannelos, Denali Commission Federal Co-Chair; and Gwen Holdman, Chief Engineer & V.P. of New Development, Chena.

coordinating various efforts for improving communication by coordinating efforts on projects that have had a difficult track record as a result of bureaucratic road blocks. In August of 2006, for example, Senator Lisa Murkowski approached the Denali Commission to seek aid in the efforts of the community of Buckland receiving a water and sewer system. Currently Buckland does not have a piped water or sewer system, with the exception of the village washeteria and school. Extreme delays have plagued this project that initially received funding



Denali Commission Programs

GOVERNMENT COORDINATION: Program Update (continued)

eight years prior. The Denali Commission has taken the lead on coordinating efforts and bringing the concerned agencies to the table by meeting monthly to aggressively move this project forward. Through efforts like this, the Denali Commission can act as a liaison between agencies, bring them together by coordinating meetings, setting agendas and addressing problems as they arise. We hope to see construction begin in the spring of 2007 on this project.

The Pre-Development Pool was established in response to concerns with the viability of capital project proposals presented to the Denali Commission and funding partners.

In partnership with the Rasmuson Foundation—Alaska’s largest private foundation; and the Alaska Mental Health Trust—a State agency, the Denali Commission has funded the work of the Pre-Development Pool housed at the Foraker Group— a statewide non-profit organization, and in July 2006 signed a MOU with these entities.

The concept was designed to ensure the following:

- organizations proposing capital projects had the capacity to manage them,
- projects met a real need,
- projects were financially sustainable.

The Pre-Development Pool provides assistance to Denali Commission and partners by working with potential grantees on a statewide basis producing stronger and more sustainable project proposals.

This program will ensure that the projects presented to the Commission for funding are sustainable and will reduce the number of projects that require changes and additional funding during the construction process. By coordinating efforts, the Pre-Development Pool also reduces redundancy by bringing major funders to the table.

Coordination through this pool also brings major funders together through a program titled the Funders Forum. The Funders Forum brings major funder’s together for community meetings. At these gatherings, funders, like the Denali Commission, can interact with potential grantees and provide feedback on potential projects and plans. By working with other state, federal and private funders, the Commission can help communities better prepare for their future capital projects.

The Commission continues to make a difference in rural Alaska through Government Coordination. The Denali Commission looks forward to continuing its commitment to increase the effectiveness of government programs through collaboration among government entities, and acting as a catalyst for improving the delivery of government services across Alaska.



Denali Commission Programs

ENERGY: Program Update

In most rural Alaska communities electricity is expensive, unreliable, and almost solely dependent on diesel-powered generation. These communities also face critical threats to health and environment from non-code compliant, Bulk Fuel Storage Facilities. Deteriorating and leaking fuel tanks, some 50-60 years old, contaminate the water supplies and pose serious health and fire hazards.

Recognizing the critical role energy plays in the quality of life and economic development of Alaska's communities, the Denali Commission has made energy its primary infrastructure theme since 1999. In partnership with the State of Alaska and other energy organizations in the state, great strides are being made to develop safe and reliable energy infrastructure in Alaska while minimizing expenses.

The energy program primarily funds design and construction of replacement bulk fuel storage facilities, upgrades to community power generation and distribution systems, and a few energy cost reduction projects. The Commission works with the Alaska Energy Authority (AEA), Alaska Village Electric Cooperative (AVEC), and other rural partners to meet rural communities' fuel storage and power generation needs.



Wind energy farm in the community of Toksook Bay, located in Western Alaska. The use of wind energy and other renewable energy resources helps offset the need for diesel-powered energy, reducing costs and improving environmental and health conditions.



Denali Commission Programs

ENERGY: Program Update (continued)

Energy projects are generally selected from statewide deficiency lists. The Commission occasionally issues a Request For Proposals (RFP) for energy cost reduction projects as funding is available, but otherwise does not normally solicit project proposals.

Match funding and in-kind contributions are provided by many of the Commission's energy project recipients, but a cash match is not currently required (except a 10% match for wind projects). AVEC contributes 10% of the cost of all AVEC infrastructure. Business Operating Plans are required for most construction projects. Since its inception, the Commission has provided over \$300 million in support of energy projects.



Before (above) and after (below) photos of the Bulk Fuel Storage Facility in the community of Atka, located in the Aleutian Islands. Note the lack of spill containment, protective fencing, and adequate dispensing facilities in the old facility. The new tank farm is a code-compliant facility that reduces health and environmental threats from fuel spills.



HEALTH FACILITIES: Program Update



Sub-Regional Clinic in the community of Sand Point, located in the Aleutian Islands. As a sub-regional clinic, this facility also serves surrounding communities with additional medical services typically not available at the community clinic. Sub-regional clinics offer higher levels of care that can reduce the number of expensive medical trips to major cities such as Anchorage or Fairbanks.

When health crises arise, options are often extremely limited in rural Alaska. Health issues or emergencies that require hospital care often involve costly air transportation if the weather allows. For local health care, the typical rural community health facility is aging, small and inadequate to provide necessary services. In one of its earliest decisions, the Denali Commission designated rural health care as a top priority for

Commission support and is continuing its work to provide safe and appropriate infrastructure which will improve health care delivery for all Alaskans.

In 1999, Congress granted authority to the Denali Commission to address Alaska health care issues. This authority authorized the Denali Commission to plan, construct and equip health, nutrition and child



Denali Commission Programs

HEALTH FACILITIES: Program Update (Continued)

care projects across the state. Potential projects include hospitals, health care clinics, and mental health facilities including drug and alcohol treatment centers. In 2000, the Commission identified rural primary care facility needs in more than 288 rural communities, and estimated the cost of needed facilities to be \$253 million. The Commission is currently revising the remaining number of facilities needed and the estimated cost based on facilities that have already been completed by the Commission and other funders.

Through its Health Facilities Program, and in partnership with the US Department of Health and Human Services, Alaska Native Tribal Health Consortium, the Alaska Department of Health and Social Services, the Rasmuson Foundation, Indian Health Service, and the Alaska Mental Health Trust Authority, the Commission is working to ensure all Alaskans receive access to safe and reliable health care. This program funds planning, design, construction, and equipment purchase for primary care clinic infrastructure across the state, as well as repair and renovation projects. The program is guided by a Health Steering

In 2003, dedicated behavioral health and dental health space were added to the Commission's prototype for primary care clinics. Additionally, a focus on other social service related facilities resulted in the expansion of the health facilities program to include funding rural hospitals, behavioral health facilities, elder supportive housing facilities and domestic violence facilities.



Telemedicine cart in the King Cove clinic, located on the Aleutian Chain. Telemedicine equipment is used by local health care providers to video conference with physicians in urban centers to improve diagnosis and treatment of injuries and illnesses in the community health clinic.



Denali Commission Programs

WORKFORCE TRAINING: Program Update

The Denali Commission has placed job training at the center of its comprehensive plan for economic growth in rural Alaska. In just a few short years, the Commission has made significant strides in assisting rural residents with their job training needs. As the Commission funds projects for construction, it also builds sustainability into projects by training local residents to operate and maintain facilities.

Under this plan for economic growth, the Denali Commission partners with the Alaska Department of Labor and Workforce Development to manage the Denali Training Fund. The Denali Training Fund provides construction training and operations and maintenance training for local residents.

Funds are currently allocated to the following training programs:

The **Denali Training Fund**, managed by the State of Alaska Department of Labor, provides grant awards to any non-profit or for-profit, business or government agency with the capacity to provide or facilitate training. This training builds sustainability into construction projects by helping local residents learn to operate and maintain facilities after they are constructed.

Alaska Works Partnership (AWP) provides apprenticeship-based training in construction careers. AWP develops partnerships with employers, local municipalities, housing authorities, village councils, school boards, and others to increase local hire and provide jobs and career opportunities for rural Alaska residents.



Qualified heavy equipment operators are an essential skill for Denali Commission construction projects. Trainings such as this bring opportunities for higher-paying skilled employment for local residents, and a ready workforce for Denali Commission projects.



Denali Commission Programs

WORKFORCE TRAINING: Program Update (continued))



Allied Health Training student. Qualified medical personnel are essential to the successful operation of Primary Care Clinics constructed by the Denali Commission.

University of Alaska Allied Health Training offers opportunities for rural residents to earn a degree in health careers. The Commission's financial support has enabled the University to expand its course offerings tailored to rural students, such as radiology and physical therapy.

First Alaskans Institute supports internships and fellowship opportunities for Alaska Natives.

Associated General Contractors (AGC) of Alaska provides nationally recognized skills assessments for rural residents to help them be placed in jobs. AGC works with rural schools, helping students learn about construction careers.



On-site welder apprenticeship training in the community of Kotlik, located in western Alaska. Training was conducted in conjunction with construction of the Bulk Fuel Storage Facility and Power Plant in the same community, providing local training and employment as well as local knowledge and contribution to construction of facilities that will benefit their community and families.



Denali Commission Programs

ECONOMIC DEVELOPMENT: Program Update

The Denali Commission’s mission includes economic development. The Commission firmly believes that sustainable economic development for Alaska's rural communities will be generated in the private, commercial sector, not within government. To that end, the Commission supports the development of public infrastructure upon which the private sector creates jobs and wealth and helps ensure that good businesses and business ideas have a chance to become long-term, self-sustaining enterprises.

The Commission’s economic development program supports the development of community profile maps upon which community planning and public infrastructure development can be funded. The program also supports the Mini-Grant program which communities can use for community planning, and for feasibility studies, engineering, design, and implementation of projects that support economic development.

The Mini-Grant Program:

The Mini-Grant program, a partnership between the Denali Commission and the Alaska Department of Commerce, Community and Economic Development (DCCED), provides grants of up to \$30,000 for projects that will likely generate new income for the community, create permanent jobs, or otherwise have the potential to improve the community’s economy in a significant and long lasting way. Communities can use the funding for community planning, business planning, design, feasibility studies, or implementation of economic development projects, like purchasing equipment for a local arts cooperative or tribally-owned fish



The Alaska Marketplace competition brings visionaries, financiers, technical experts and entrepreneurs together for a statewide competition that leads to new economic opportunities in rural Alaska.

hatchery. Match funding is not required, but it helps strengthen the application. Funding decisions for the Mini-Grant program are dependent on annual federal appropriations and Commission priorities.

Business Financial and Technical Assistance

Patterned after the highly successful *Development Marketplace* started by the World Bank and implemented in over 20 countries, the *Alaska Marketplace* brings visionaries, financiers, technical experts and entrepreneurs together in an innovation competition where innovators “sell” their ideas to a jury comprised of representatives from the public and private sectors. The innovators pitch their ideas to a Grand Jury for a chance to be awarded thousands of dollars in seed money. Awards are intended to foster innovation and are made to the competition’s top business proposals on the basis of viability, sustainability, replicability and cost-effectiveness.



Denali Commission Programs

ECONOMIC DEVELOPMENT: Program Update (continued)

Initiative for Accelerated Infrastructure Development (Mapping):

The Denali Commission partners with local, state, and other federal agencies to accelerate the development of community profile maps needed for planning and infrastructure development. The DCCED will produce digital maps that will be available through DCCED when they are complete.

These maps will be easily updated as new information becomes available.

Because mapping groups of communities at one time lowers the unit cost of the maps, DCCED schedules work when a group of communities is ready with the required 50% match and contractors are available, beginning with aerial photography of the communities.



Digital map of the community of Hoonah, located in Southeast Alaska. Accurate surveys and mapping are essential to community planning and infrastructure development.



Denali Commission Programs

TRANSPORTATION: Program Update

The Denali Commission’s newest program, Transportation, has two primary elements, roads and waterfront development.

The road program, Denali Access System, is a result of changes to the Denali Commission Act of 1998 as amended, and passage of the 2005 SAFETEA-LU Act . The road program primarily targets the need for basic road improvements in rural Alaska. It also looks at opportunities to connect rural communities to one another and the state highway system, and opportunities to enhance rural economic development.

The waterfront development program, also authorized as part of the 2005 SAFETEA-LU Act, is designed to address port, harbor and other waterfront needs for rural communities.

On May 23, 2006, the Denali Commission approved the first generation of road and

waterfront development projects for the new Transportation Program. Denali Commission is working with the partner agencies listed below to execute design and construction of the projects as these organizations are experts at the requirements of SAFETEA-LU and Title 23 USC, which guide the Transportation Program.

A Transportation Advisory Committee (TAC) made up of rural Alaska leaders with experience in transportation development is a key statutory feature of the program, and a key element in the program’s success. The TAC guides the program and recommends projects to the Denali Commission for approval.

As the Transportation Program settles into its operational phase after a very successful start-up there are high expectations that the program, specifically targeting rural community transportation needs, will make a significant, positive impact.



All-terrain vehicles (four wheelers) are used in many rural communities as primary modes of transportation.

Partner Organizations

- State of Alaska, Department of Transportation
- Federal Highway Administration, Western Lands Division
- Kawerak, Inc., a tribal compact based in Nome and surrounding communities



President's Management Agenda

President's Management Agenda

Overview

The Government-wide initiatives of the President's Management Agenda are intended to improve the management and performance of the federal government. Although the Denali Commission is not one of the major agencies whose progress on attaining the objectives of the Agenda is measured and tracked by OMB, the Denali Commission continues to pursue achievement in these five areas: (1) Strategic Management of Human Capital; (2) Competitive Sourcing; (3) Improved Financial Performance; (4) Expanded e-Government; and (5) Budget and Performance Integration.

Initiative 1: Strategic Management of Human Capital

In FY 2006, the Commission has taken steps to establish a performance management system that rewards performance rather than longevity of service, that allows for flexibility of pay structure through pay-banding and that has an organizational structure that will reduce inefficiencies, overlapping functions and will result in making the most of the knowledge, skills and abilities of our staff.

Initiative 2: Competitive Sourcing

Through the use of competitive sourcing, under the OMB Center of Excellence of the Bureau of Public Debt, the Commission adheres to the use of market-based competition and choice. We utilized this competition to solicit an organization to evaluate the effectiveness of our program as a follow-up to the requirements of the PART to ensure that the Commission ends up with its desired results and outcomes.

Initiative 3: Improved Financial Performance

The Commission has received required financial audits over the last two years, both resulting in a clean opinion from our federal auditor. The current accounting system utilized by the agency provides timely, useful and reliable data for management decision throughout the fiscal year. This system has been highlighted on several occasions by the US Treasury Department, and private industry, as a low-cost, high performing system applicable to small federal agencies.



President's Management Agenda

President's Management Agenda (continued)

Initiative 4: Expanded e-Government

The Commission participates in promoting a citizen-centered electronic government through its program database that displays, through our federal website, all funds received, projects in process and completed, and reports on expenditures. This database offers the taxpayer a single point of access to view our activities on a daily basis thus reducing the amount of requests that the public needs to file in order to have their questions answered.

Initiative 5: Budget and Performance Integration

The Commission seeks to have full integration of our budget and performance thus ensuring a better performance measured by outcomes rather than outputs. The Commission through its ongoing performance evaluation will be able to determine when and where the federal dollars should be spent in order to maximize its impact. Along these lines, the Commission has entered into the Certificate of Excellence in Accountability Reporting of the Association of Government Accountability, to more effectively communicate our success and outcomes to the general public in a concise and meaningful way.



Bulk Fuel Storage Facility in the community of Kotlik, located in western Alaska. The tank farm is a welded steel platform on pilings and steel beams elevated about four feet above the tundra. Pilings are used in arctic areas containing permafrost, and the steel containment area protects the environment from fuel-spill contamination.



Financial Performance Overview

Financial Performance Overview

As of September 30, 2006 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 06-03 (*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 several federal appropriations, primarily the Energy and Water Appropriation. In FY 2006, the US Department of Agriculture’s Rural Development transmitted funds by appropriation transfer for solid waste program activities. Both of these sources are direct budget authority; funds are available until expended.

Denali Commission gained spending authority through expenditure transfers from the USDA (Rural Utilities Service). These funds are also available until expended.

The Department of Health and Human Services Health Resources Services Administration (HRSA) and the Department of Labor (DOL) transmitted limited year funds to Denali Commission via expenditure transfers. HRSA and DOL funds are annual (one-year) appropriations.

Finally, Denali Commission receives a portion of interest earned on the trust fund for the Trans-Alaska Pipeline Liability (TAPL) fund. In FY 2006, the Denali Commission received \$4.23 million to assist in efforts to make bulk fuel storage facilities in Alaska code-compliant.



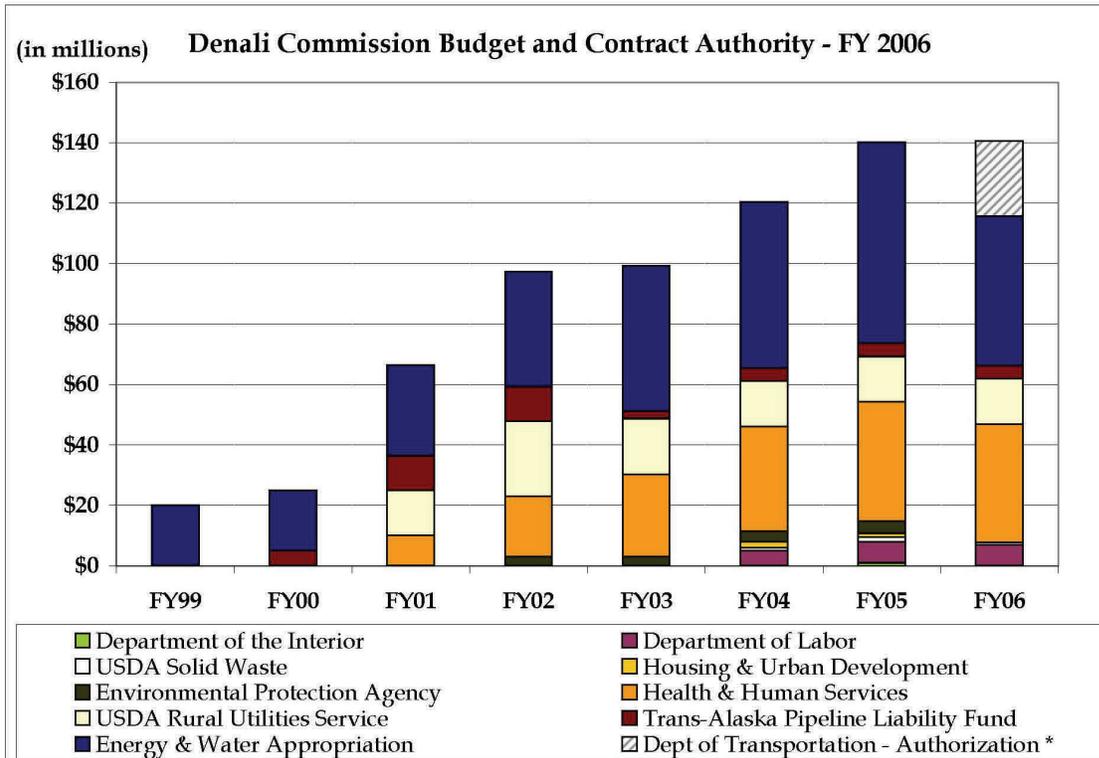
An aerial view of the community of Manokotak, located in western Alaska. Note the small boats used for transportation along the river system. A new Bulk Fuel Storage Facility is shown in the center of the photo.



Part I—Management Discussion and Analysis

Financial Performance Overview

SOURCES OF FUNDS (continued)



* Contract authority in the amounts of \$5.1 and \$12.9 were transferred from the Department of Transportation, Federal Highway Administration (FHWA) to the Commission in FY 2006. Also in FY 2006, an additional \$2.0 million from FHWA and \$4.9 million from the Federal

FY 06 Budget	
Direct Appropriations	\$50,750,000
Expenditure Transfers	62,061,545
TAPL interest	4,227,256
Rescission	(507,500)
Total Budget Authority	\$116,531,301



Part I—Management Discussion and Analysis

Financial Performance Overview

USES OF FUNDS BY FUNCTION

The Denali Commission incurred obligations of \$124.2 million in FY 2006 for program operations. An additional \$3.97 million was expended on administration (including personnel, office lease and office operations).

Unobligated funds in the amount of \$12.9 million were carried forward into FY 2007.

AUDIT RESULTS

The Denali Commission received an unqualified audit opinion on its FY 2005 financial statements. The auditors identified one finding, a material weakness, concerning a lack of controls over grant accounting and cash management. During FY 2006, the Commission implemented a paper reporting process (using Standard Form 269A), electronic internal tracking, training for recipients in cash management, and monitoring of cash management for quarterly grant expense reporting, and has resolved the weakness to the auditor's satisfaction.

The Denali Commission is proud to have earned another unqualified audit opinion on the FY 2006 financial statements. The auditor noted two findings, categorized as reportable conditions. They are user access to accounting software not being adequately restricted; and lack of timely close-out of grants.

FINANCIAL STATEMENT HIGHLIGHTS

The Denali Commission's financial statements summarize the financial activity and financial position of the agency.

The entire financial statements, footnotes, and the balance of the required supplementary information appear in Part III: Auditor's Report and Financial Statements. An overview of the principal statements follows.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principle 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 GAAP for Federal entities and the formats 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.



Part I—Management Discussion and Analysis

Financial Performance Overview

BALANCE SHEET

Assets

The Commission's assets were \$220.2 million as of September 30, 2006. This is an increase of \$2.4 million from the end of FY 2005. The assets reported in the Denali Commission's balance sheet are summarized in the accompanying table.

ASSET SUMMARY (in millions)		
	FY 2006	FY 2005
Fund Balance with Treasury and Cash	\$215.0	\$205.8
Other Assets, Public	5.2	12.0
Total Assets	\$220.2	\$217.8

The Fund Balance with Treasury represents the Denali Commission's largest asset of \$215.0 million as of September 30, 2006, an increase of \$9.2 million from the FY 2005 end-of-year balance. This balance accounts for 98 percent of total assets and represents appropriated funds, transfers in, and offsetting collections.

Liabilities

The Denali Commission's liabilities were \$16.7 million as of September 30, 2006, a decrease of \$5.7 million from the end of FY 2005. This decrease is an effect of improved grant management protocols over reported expenses and cash management, resulting in a decrease in grant payables.

LIABILITIES SUMMARY (in millions)		
	FY 2006	FY 2005
Accounts Payable, Intragovernmental	\$0	\$0
Other Intragovernmental Liabilities	3.1	4.3
Accounts Payable, Public	0	(0.2)
Other Public Liabilities	13.6	18.3
Total Liabilities	\$16.7	\$22.4

Net Position

The difference between total assets and total liabilities, net position, was \$203.5 million as of September 30, 2006. This is an increase of \$8.0 million (4% increase) from the FY 2005 year-end balance.

NET POSITION SUMMARY (in millions)		
	FY 2006	FY 2005
Total Net Position	\$203.5	\$195.5



Financial Performance Overview

STATEMENT OF NET COST

The Statement of Net Cost reports the net cost of conducting the Denali Commission programs during the reporting period. The accompanying table displays the net cost for FY 2005 and 2006. The increase (27% from FY 2005 to FY 2006) in net cost is a result of the decrease in grants payables.

NET COST (in millions)		
	FY 2006	FY 2005
Program Costs	\$108.5	\$79.2
Less Earned Revenue	(62.0)	(66.6)
Costs Not Attributable to Programs	0	0
Net Cost of Operations	\$46.5	\$12.6

STATEMENT OF CHANGES IN NET POSITION

Net position was \$203.5 million as of September 30, 2006. This is an increase of \$8.0 million (4% increase) from the FY 2005 year-end balance.

STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources shows \$137.1 million in budgetary resources for FY 2006 — comprised of direct appropriations, offsetting collections and nonexpenditure transfers. This is a decrease from FY 2005's total of \$152.5 million (a 9.8% decrease) primarily due to a decrease in the Energy & Water Appropriations amount.

STATEMENT OF FINANCING

The reconciliation that the Statement of Financing reflects ensures that the proprietary and budgetary accounts in the financial management system are in balance. The Statement of Financing takes budgetary obligations of \$62.1 million and reconciles to the net cost of operations of \$46.4 million by deducting non budgetary resources, costs not requiring resources, and financing sources yet to be provided.



Systems, Controls and Legal Compliance

Systems, Controls and Legal Compliance

MANAGEMENT ASSURANCES

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

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 Denali Commission conducted its assessment of the effectiveness of the [Agency's] internal control over the effectiveness and efficiency of 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 this evaluation, the Denali Commission can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2006 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.



George J. Canelos

Federal Co-Chair

Denali Commission

November 2006

REPORTABLE CONDITIONS

The auditor did, however, note two findings, reportable conditions, in the conduct of the audit.

1. User Access to Accounting Software is Not Adequately Restricted

In the course of the FY 2006 audit, the auditor noted that the Commission's financial management system allowed access to incompatible functions for individual users. The recommendation is for the Commission to develop written policies and procedures to address the granting and restricting of user access and to periodically recertify user account management on the system.

Corrective Action

Management concurred with the finding and was able to quickly correct this condition, and put in place a disinterested System Administrator position to certify roles and access. Although compensating manual controls are in place in this small agency, management will develop written policies and procedures to prevent the situation from re-occurring in the future.



Systems, Controls and Legal Compliance

Systems, Controls and Legal Compliance (continued)

2. Lack of Timely Close-Out of Grants

The auditor also identified a weak internal controls procedure to ensure timely close-out of grants. Adequate written policies and procedures are not present that dictate the grant close-out process and ensure timely close-out. The auditor recommends that the financial and program staff at the Commission coordinate to develop those written policies and procedures.

Corrective Action

Management concurs with this finding and has already begun the process of developing policies and procedures. Throughout FY 2007, the written procedures will be defined, implemented, tested and refined to resolve this internal controls weakness.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

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 mandated in the Federal Financial Management Improvement Act. Based on the auditor's assessment of the Commission's financial management system, the Commission can attest to being compliant with FFMIA.

PROMPT PAYMENT ACT

The Prompt Payment Act requires Federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. In FY 2006, 502 vendor invoices subject to the Prompt Payment Act were processed. The Commission had an on-time payment rate of over 90%. Interest penalties paid amounted to less than \$500. The Commission made over 93% of its vendor payments electronically.

IMPROPER PAYMENT INFORMATION ACT

The Denali Commission has no programs wherein the potential improper error rate exceeds both 2.5% of program payments and \$10 million.



Systems, Controls and Legal Compliance

Systems, Controls and Legal Compliance (continued)

OTHER MANAGEMENT INFORMATION, INITIATIVES AND ISSUES

In response to our last PART review, the Commission has procured a contractor to conduct an independent review and analysis of the performance, impacts, and outcomes of its programs and policies over the last six years. Programs to be reviewed include: Energy, Health, Training, Government Coordination, Multi-Use Facilities, Washeterias, Solid Waste, Economic Development, Elder Housing, Teacher Housing, and Domestic Violence. Major Commission policies to be evaluated include: Sustainability, Private Enterprise, Cost Containment, Open Door, and Investment. Also included at the policy review level are the Commission's Business Plan and Community Plan requirements. In all areas of inquiry, the contractor shall collect both quantitative statistical data, as well as qualitative perceptions of the impacts of the Commission's policies and programs from the people involved with or effected by the Commission's programs and projects.

In addition to the program evaluation, the Commission is also engaged in a revision of the Commission's 5-year Strategic Plan and Performance Measurement system that incorporates the expanding responsibilities and changes in the mission of the Commission since its inception in 1998. The revised Performance Measurement system will include more outcome-based measures that will better measure the impacts and effectiveness of the Commission's programs. The Commission's FY 07 Performance Accountability Report will include revisions to the Strategic Goals and Objectives of the Commission, along with revised Performance Measures.



Groundbreaking ceremony, using sawmill byproduct, for the wood-fired boiler in the community of Craig, located in Southeast Alaska. This Renewable Energy project will heat three public buildings with wood byproducts from nearby sawmills. This will reduce the community's dependence on fossil fuels by offsetting the amount of diesel fuel required for heating these facilities, and realize a fuel costs savings for the City of approximately \$90,000 annually.

Pictured from the left are Peter Crimp, Project Manager, AEA; Mark Rey, Undersecretary of Agriculture for Natural Resources and Environment; Paul McIntosh, Program Manager, Denali Commission; and Gerald Willis, Special Assistant to the Chief, USDA Natural Resources Conservation Service.



Part II – Fiscal Year 2006 Performance Goals and Indicators



Strategic Goals and Objectives

Strategic Goals and Objectives

In order to realize our vision for the people of Alaska, the Denali Commission established four specific goals have been set in order to meet the vast challenges faced with limited resources. The Denali Commission will then refine these four goals into more discreet, measurable objectives and metrics.

Goal #1: Physical Infrastructure

All Alaska, no matter how isolated, will have the physical infrastructure necessary to protect health and safety and to support self-sustaining economic development.

Goal #2: Acquire Skills and Knowledge

Local residents in Alaskan communities will be provided the opportunity to acquire the skills and knowledge necessary to be employed on the construction, operation and management jobs created by publicly funded physical infrastructure in their communities.

Goal #3: Provide Access to Financial and Technical Resources

Alaskans will have access to financial and technical resources necessary to build a cash economy to supplement the existing subsistence economy.



Setting piling for the Bulk Fuel Storage Facility in the community of Selawik, located in Northwestern Alaska. The use of piling is a common construction method in areas where permafrost exists. The depth of permafrost in the ground varies throughout the state, and piles are driven to the level of permanently frozen ground to establish a solid foundation for the structure.

Goal #4: Enhance and Improve the Delivery of Services

Federal and state agencies will simplify procedures, share information, and improve coordination to ensure equitable delivery of services to all Alaskan communities.



Strategic Goals and Objectives

Performance Measures

In FY 2006 the Denali Commission undertook two critical tasks related to performance measurement and results. First, the Commission procured the services of an independent evaluation contractor, McDowell Group, to perform a program evaluation. This effort will include evaluation of the Commission's infrastructure and training programs, and is designed to provide both qualitative and quantitative information regarding the success, effect and demonstrated outputs and outcomes of the Commission's programs and major federal investments in the state of Alaska. This effort will conclude in early spring 2007 and is intended to inform the Commission's second task of revising the existing strategic plan.

As a result of these efforts the output, outcome and performance measurement goals for

Commission programs are currently under revision and development. In addition, the Commission is moving aggressively to capture performance and outcome data on a fiscal year basis, rather than a calendar year basis. This is particularly challenging in Alaska when construction seasons are often no more than three or four months in length and project completion typically occurs across multiple fiscal years.

The Commission's 2006 Performance Accountability Report (PAR) incorporates output measurement based on prior fiscal year methodologies. Where possible, attempts to provide data and narrative regarding outcome measurement have been provided based on the revised performance measurement system,



Time-lapse photo of the midnight sun in the community of Barrow, the northernmost community in the United States. In Barrow, the sun does not set for 2 ½ months during the summer, and the sun does not rise for 2 ½ months during the winter.



Strategic Goals and Objectives

Strategic Goal: Physical Infrastructure

All Alaska, no matter how isolated, will have the physical infrastructure necessary to protect health and safety and to support self-sustaining economic development.

Objective 1.1 Energy facilities (bulk fuel storage, power generation, and transmission) will be constructed and upgraded at a significantly accelerated pace.

In FY06, the Commission continued addressing the critical Energy needs of Rural Alaska by continuing to invest in projects in the following areas:

- Bulk Fuel Storage Facilities
- Rural Power Systems
- Renewable Energy Projects
- Other Energy Projects (i.e. Interties, Efficiency Projects, and Consolidated Facilities)

With just one short construction season (June – Sept 2006) since FY06 appropriations were received by the Commission, the Commission has invested in numerous energy projects, and has made progress in completing these facilities. Facilities that are not completed as of this report will be completed within the next one to two years, depending on the current status of construction work on the project.

	Funded	In-Progress	Complete
Bulk Fuel, Design	1	1	0
Bulk Fuel, Construction	4	4	0
Bulk Fuel, Construction Completion	6	5	1
Rural Power Systems, Design	8	8	0
Rural Power Systems, Construction	6	5	1
Rural Power Systems, Construction Completion	4	3	1
Other Energy Projects, Design	2	2	0
Other Energy Projects, Construction	2	2	0
Other Energy Projects, Construction Completion	5	5	0
Renewable Energy Projects	5	5	0



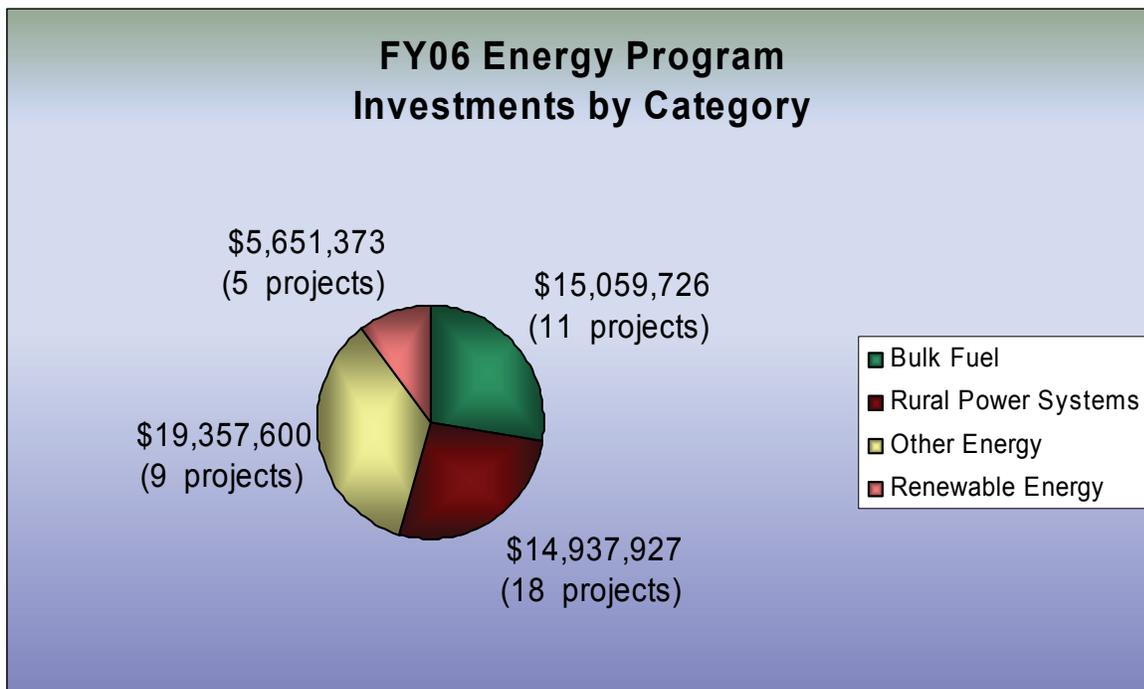
Strategic Goals and Objectives

Strategic Goal: Physical Infrastructure (continued)

The Commission uses a gated process whereby projects move through planning design and construction phases, which allows prioritization of investment in projects each year. Through this approach, the Commission is better able to direct its investments to projects ready to proceed to the next phase. In its planning cycles for construction projects, the Commission assumes that construction projects will take an average of two years to complete because:

- The short summer construction season, typically four to six months.
- Limited availability of construction materials. Many communities receive shipments by barge, often only once or twice per year.

Under the Energy Policy Act of 2005, the Commission also funded five Renewable Energy projects. Each project is unique to make the most efficient use of renewable energy resources that are locally available, such as wind, hydro, wood, and geothermal. These projects help to offset the bulk fuel needs in communities where viable renewable energy sources are available, reducing the need for bulk fuel storage and reducing the environmental and health hazards from fuel spills.



Strategic Goals and Objectives

Strategic Goal: Physical Infrastructure (continued)

All Alaska, no matter how isolated, will have the physical infrastructure necessary to protect health and safety and to support self-sustaining economic development.

Objective 1.2 All Alaskans will have reasonable access to primary health care services.

In FY06, the Commission continued addressing the critical health facility needs of rural Alaska by investing in projects in the following areas:

- Primary Care Clinics
- Replacement Hospital Designs
- Repair and Renovation
- Behavioral Health

With just one short construction season (June – Sept 2006) since FY06 appropriations were received by the Commission, the Commission has invested in numerous projects in the Health Facilities program, and has made progress in completing these facilities. Facilities that are not completed as of this report will be completed within the next one to two years, depending on the current status of construction work on the project.

The Commission uses a gated process to prioritize investment in projects each year. Through this approach, the Commission is better able to direct investments to projects ready to proceed to the next phase. In its planning cycles for construction projects, the Commission assumes that construction projects will take an average of two years to complete because:

- The short summer construction season, typically four to six months.
- Limited availability of construction materials. Many communities receive shipments by barge, often only once or twice per year.

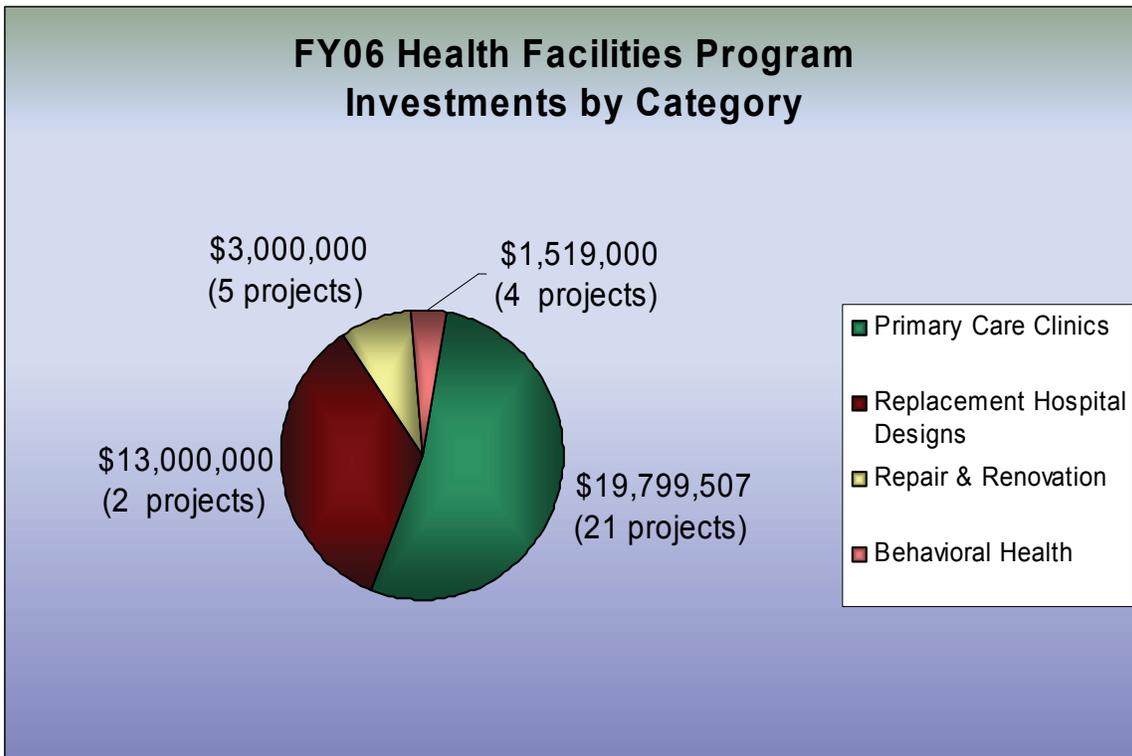
	Funded	In-Progress	Complete
Primary Care, Design	12	7	5
Primary Care, Construction	9	8	1
Replacement Hospital Designs	2	2	0
Repair and Renovation	5	3	2
Behavioral Health	4	4	0



Strategic Goals and Objectives

Strategic Goal: Physical Infrastructure (continued)

In FY06, the Commission helped to accelerate the replacement of rural Indian Health Service (IHS) hospitals located in Barrow and Nome. Through this investment, the Commission has leveraged a significant amount of future construction investment from IHS, and has accelerated the completion date of these facilities, improving health care services for residents of these communities and surrounding villages.



Strategic Goals and Objectives

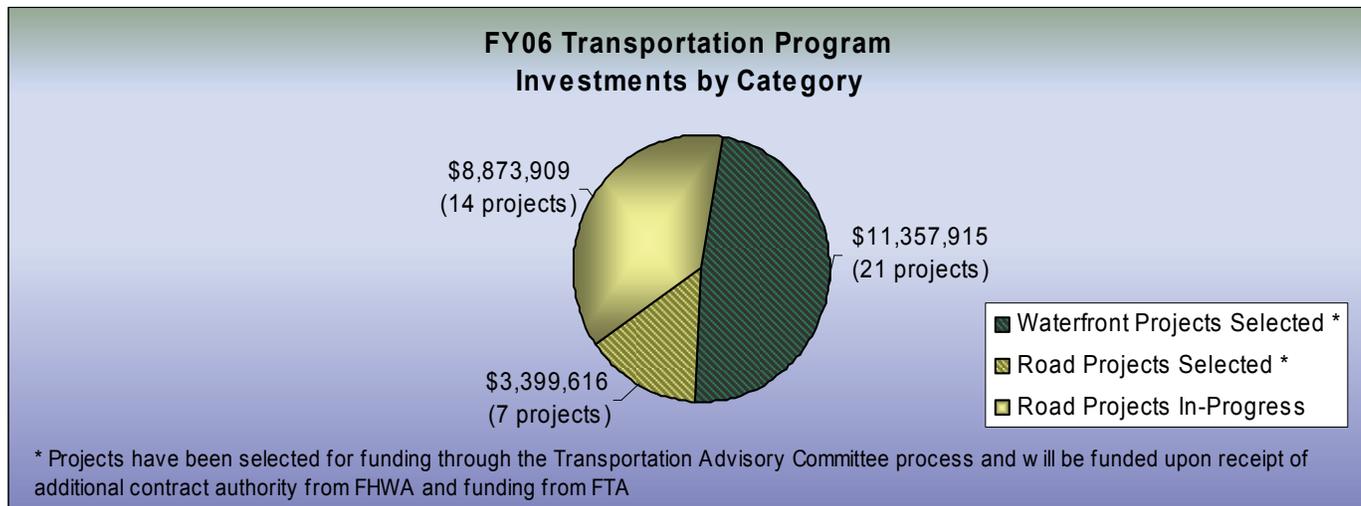
Strategic Goal: Physical Infrastructure (continued)

All Alaska, no matter how isolated, will have the physical infrastructure necessary to protect health and safety and to support self-sustaining economic development.

Objective 1.5 Construction of other basic physical infrastructure, including but not limited to, roads, ports, airports, and community facilities will be accelerated on a priority basis.

The Commission has made great strides in implementing its newest program: Transportation. Through collaborative efforts and teamwork, in this fiscal year the Commission established the Transportation Advisory Committee as required by law, selected over forty projects for investment as recommended through the Committee’s process, and projects are now underway in many of these communities. The Commission is encouraged by the success of this program in its first year, and looks forward to demonstrating the results of this program in the upcoming year.

Projects listed in the accompanying performance graph represent projects selected through the Transportation Advisory Committee process for investment with FY 2006 authorizations in SAFETEA-LU. The Commission has invested in many of these projects which are currently underway. The remaining projects will be funded upon receipt of additional contract authority from FHWA and funding from FTA which is expected in early FY 07.



Strategic Goals and Objectives

Strategic Goal: Acquire Skills and Knowledge

Local residents in Alaskan communities will have the opportunity to acquire skills and knowledge necessary to be employed on the construction, operation and management jobs created by publicly funded physical infrastructure in their communities

Objective 2.1 Local residents will have access to skills and knowledge training that is necessary for employment on publicly funded physical infrastructure in their communities.

The Commission invests in several successful training programs. Featured this year is the Denali Training Fund, managed by the State of Alaska Department of Labor (Alaska DOL).

Measuring Performance

The State of Alaska, Department of Labor, Research and Analysis prepares an annual Training Program Performance Report for the Alaska Workforce Investment Board (AWIB). This report looks at most major training programs in Alaska and identifies how successful those programs have been in terms of employment and earnings outcomes of the training participants.

Alaska Statute 23.15.580 (f), requires that Alaska DOL look at the percentage of former participants who have jobs one year after leaving the training program. Unemployment Insurance (UI) wage records submitted by employers are used to track training program

participants. The percentage of employed training program participants is determined by matching training program records with Alaska unemployment insurance wage records for months 7 to 12 (third and fourth quarter) following exit from the training program. Employment during the full year following exit from the program is also reported for each program. The same time period is used to determine post-training earnings of participants.

Because of the lag in availability of wage record information and the time period after exit that must be examined, Alaska DOL must wait at least one year following the exit date of the participant to report on employment and earnings outcomes.

Employment and Earnings Performance of Denali Training Fund Participants

Denali Training Fund participant exit records were examined from FY 2001 through the end



Strategic Goals and Objectives

Strategic Goal: Acquire Skills and Knowledge (continued)

of March 2006. Approximately 2,010 unique individuals exited the program one or more times during these five fiscal years. When looking at each fiscal year, approximately 2,460 exits occurred over the five year period.

- In all post-training periods with wage data, Denali Training Fund program exiters had aggregate total earnings that exceeded their pre-training earnings for a similar time period. For those with a final exit date in FY 2003, total earnings were 28% higher in the year following training than in the year prior to training.
- 1,803 (89.7%) of the 2,010 Denali Training Fund program exiters were likely still residents of the State of Alaska in 2005 as measured by receipt of an Alaska Permanent Fund Dividend in 2005.
- In FY 2005, Denali Training Fund program participants employed in Alaska earned about \$34.7 million dollars.

- Total earnings for Denali Training Fund program participants remained stable over the long term. Looking at those participants that had a final exit date in FY 2002, post-training total earnings were \$9.2M in the first year following exit, \$8.5M in the second year and \$9.0M in the third year following exit.

At least 86.6% of all former Denali Training Fund participants were employed in Alaska at some time in FY 2005 (as measured by a match with Alaska UI wage records).

- In FY 2005, former Denali Training Fund participants were employed in every industry sector. Top sectors include Public Administration (28.4%), Trade-Transportation-Utilities (12.4%), and Construction (11.7%). Note that Public Administration includes Native tribal governments and public funded projects managed by those governments.



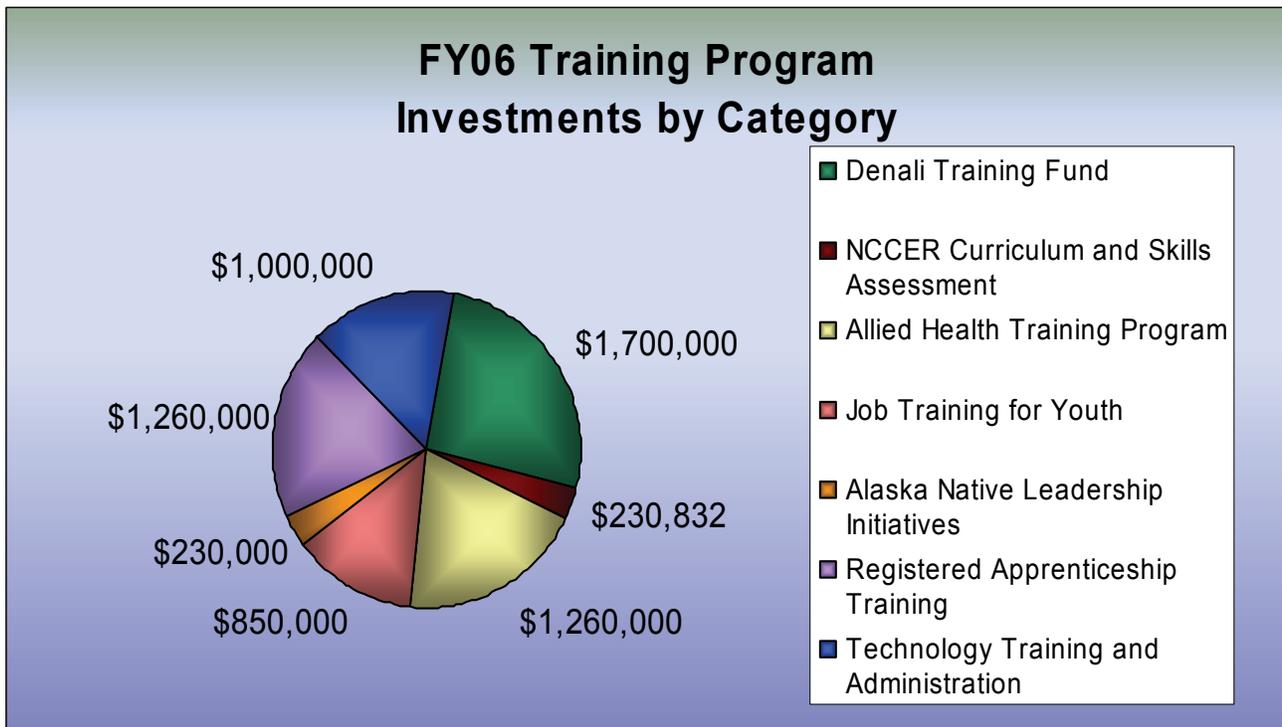
Strategic Goals and Objectives

Strategic Goal: Acquire Skills and Knowledge (continued)

- Top employers of former Denali Training Fund participants in FY 2005 include: AVCP Housing Authority, Bering Straits Regional Housing Authority, Lower Kuskokwim School District, Yukon Kuskokwim Health Corp., and Tanana Chiefs Conference.
- Top occupations for former Denali Training Fund participants in FY 2005 include: Construction laborers, Carpenters, Laborers and Freight/Stock and Material Movers, Operating

Engineers, Power Plant Operators, Water and Waste Treatment Plant Operators and Maintenance and Repair Workers.

The Denali Training Fund provides services to clients with residences throughout the state, but the vast majority of participants reside in rural areas. Top residence boroughs/census areas include: Bethel, Yukon-Koyukuk, Nome, Wade Hampton, Lake and Peninsula and Dillingham.



Strategic Goals and Objectives

Strategic Goal: Enhance and Improve the Delivery of Services

Federal and state agencies will simplify procedures, share information, and improve coordination to enhance and improve the efficiency of the delivery of services to Alaskans and the communities in which they reside.

Goal 4 Federal and state agencies will simplify procedures, share information, and improve coordination to enhance and improve the efficiency of the delivery of services to Alaskans and the communities in which they reside.

When the Denali Commission was created in 1998, Congress envisioned an agency which would deliver the services of the Federal Government in the most cost-effective manner practicable by reducing administrative and overhead cost. The Commission's administrative budget was statutorily limited to five percent of its overall budget. The Commission has consistently operated below its congressionally mandated administrative spending limit while maintaining a high level of accountability and efficiency.

To meet this strategic goal as well as the e-government objectives in the President's Management Agenda, the Commission has implemented two information technology solutions: the Project Database System and a customized version of the Microsoft Great Plains accounting software. Together, these systems have proven to be cost-effective solutions that provide public accountability and transparency of Commission projects.

The Project Database System is an on-line project management tool that is easily accessible through

the Commission's website (www.denali.gov), then click on the Project Database link. The Project Database System contains information about each project such as important project milestone dates, financial information including the amount of the Commission's investment and the amount of matching contributions, photos of the project, and progress and financial reports. The database is used by Commission staff, financial assistance award recipients, external auditors, and any other interested persons to access project information and produce detailed financial and project reports.

The database is updated in real-time by Commission staff and through on-line quarterly progress and financial reports submitted by Financial Assistance Award Recipients. This project data is linked to a series of performance indicator charts which display the progress of the Commission's programs in meeting the overall objectives of each program. The system also includes an interactive, navigable map of Alaska which shows every community where the Commission is funding projects.



Strategic Goals and Objectives

Strategic Goal: Enhance and Improve the Delivery of Services (continued)

In addition to being an accessible source of information for the public, the project database transformed the reporting process for funding recipients into a paperless process. Reports, photographs, and financial updates are all submitted online through a user-friendly, step-by-step process. This facilitates quicker and more streamlined reporting by Financial Assistance Award Recipients, reducing their paperwork burden, and serves as a centralized record keeping system.

In its early days, the Commission used the cost-effective software QuickBooks to manage its finances. However, as the Commission identified and responded to the needs of rural Alaska, the scope of the young agency’s work grew rapidly. By 2002, the complexity of the Commission’s finances had outgrown QuickBooks’ capabilities.

Replacing a financial management system can cost federal agencies several million dollars. The Commission sought a more cost-effective solution by contracting with a local information technology company and with the Financial Services Center of the U.S. Department of Veterans Affairs to develop a customized version of the Microsoft Great Plains accounting software.

Great Plains’ user-friendly interface allows staff members who are not accountants to enter data, and allows accountants to manage back-end book-keeping. Additionally, it can handle both the budg-

etary and proprietary accounts necessary for federal government accounting. It also possesses automated journal entry generation to help ensure accurate account selections, and can produce reports that are easy to use and meet federal reporting requirements.

Together, the Commission’s financial management and project database systems efficiently coordinate information about its activities. These systems are cost-effective means for the Commission to meet its congressionally mandated 5% limit on administrative expenses. They also illustrate commitments to finding innovative solutions in delivering government services, as well as accountability and transparency through sharing information.



Part III — Fiscal Year 2006 Financial Report



Message from the Director of Administration

As Director of Administration, I am pleased to present the financial statements of the Denali Commission in this Performance and Accountability Report. These statements fairly present the financial position of the Commission in fiscal year 2006. Even though the Commission is a small agency, we take pride in providing excellent financial stewardship of federal dollars entrusted to us by the American public.

The Commission is proud to report that our financial audit for this year, conducted by M.D. Oppenheim and Company, has resulted in an unqualified opinion about the adequacy of the financial statements. This independent audit provides the Commission with our third consecutive year of unqualified opinions. To earn this unqualified opinion, the Commission continues to maintain and annually review financial management guidelines; meet all applicable requirements of OMB Circular A-123; and takes proactive steps to ensure the integrity of its operations and financial management.

In order to meet these requirements, the Commission has recently implemented three Lines-of-Business through an OMB Center of Excellence, the Bureau of Public Debt of the US Treasury. This implementation of procurement, human resources and travel systems has strengthened the Commission with efficiency and effectiveness while adhering to proper federal regulations and requirements.

We at the Commission look forward to another fiscal year of improving in all possible areas of operational and financial management while increasing our capability through extensive use of the latest systems available to federal agencies and maintaining the advances that the Commission has achieved.



Director of Administration

November 13, 2006



Director of Administration
Corrine Eilo



Denali Commission

Financial Statements and Independent Auditors' Report

September 30, 2006 and 2005



Independent Auditor's Report



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



Affiliated Offices Worldwide



Independent Auditor's Report

The Commission Members
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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



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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.



Independent Auditor's Report

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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



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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.R. Oppenheim & Company, P.C.

November 10, 2006



Independent Auditor's Report

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 liabilities (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.



Independent Auditor's Report

**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.



Independent Auditor's Report

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

	Earmarked Fund (Note 8)	2006 Other Funds	Total	2005 Total
CUMULATIVE RESULTS OF OPERATIONS, BEGINNING	\$ 726,639	\$ 194,785,208	\$ 195,511,847	\$ 97,520,517
Budgetary financing sources (Note 1-l)				
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-l)				
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.



Independent Auditor's Report

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.



Independent Auditor's Report

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.



Independent Auditor's Report

DENALI COMMISSION
Notes to Financial Statements
Years Ended September 30, 2006 and 2005

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



Independent Auditor's Report

DENALI COMMISSION
Notes to Financial Statements
Years Ended September 30, 2006 and 2005

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.



Independent Auditor's Report

DENALI COMMISSION
Notes to Financial Statements
Years Ended September 30, 2006 and 2005

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 (FGLI), 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 FGLI 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*



Independent Auditor's Report

DENALI COMMISSION
Notes to Financial Statements
Years Ended September 30, 2006 and 2005

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.



Independent Auditor's Report

DENALI COMMISSION
Notes to Financial Statements
Years Ended September 30, 2006 and 2005

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
<u>Fund Balance:</u>		
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
 <u>Status of Fund Balance:</u>		
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.



Independent Auditor's Report

DENALI COMMISSION
Notes to Financial Statements
Years Ended September 30, 2006 and 2005

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:

	<u>2006</u>	<u>2005</u>
<u>Intragovernmental</u>		
Accrued services	\$ 485,370	\$ 302,880
Clearing account liability	0	300,049
Liability for pass-through funding	<u>2,597,712</u>	<u>3,700,000</u>
Total Intragovernmental liabilities	<u>3,083,082</u>	<u>4,302,929</u>
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	<u>81,685</u>	<u>48,446</u>
Total other liabilities	<u>\$ 13,577,750</u>	<u>\$ 18,270,574</u>



Independent Auditor's Report

DENALI COMMISSION
Notes to Financial Statements
Years Ended September 30, 2006 and 2005

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:

<u>Year Ended September 30,</u>	<u>Amount</u>
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



Independent Auditor's Report

DENALI COMMISSION
Notes to Financial Statements
Years Ended September 30, 2006 and 2005

Statement of Net Cost

Program costs	\$ 4,831,520
Less: earned revenues	0
Net cost of operations	<u>\$ 4,831,520</u>

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	<u>(604,263)</u>
Net position, end of period	<u>\$ 122,376</u>

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.

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

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:



Independent Auditor's Report

DENALI COMMISSION
Notes to Financial Statements
Years Ended September 30, 2006 and 2005

<u>(Dollars in thousands)</u>	<u>2006</u>	<u>2005</u>
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.

<u>(Dollars in Millions)</u>	<u>2005</u>		
	<u>Budgetary Resources</u>	<u>Obligations Incurred</u>	<u>Outlays</u>
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.



Part IV – Inspector General’s Statement



Part IV – Inspector General’s Statement

Inspector General’s Statement



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INSPECTOR GENERAL

November 3, 2006

MEMORANDUM FOR FEDERAL CO-CHAIR CANNELOS

From: Mike Marsh, Esq.
Inspector General

Subject: Management and Performance Challenges Facing the Denali Commission

For the behemoths of the federal system, the PAR often seems tolerated as a required ritual. But for small, distinctive agencies like the Denali Commission, it’s a national forum for telling their stories.

Here at the Denali Commission, production of the PAR is definitely more than a required ritual. At my urging, the Commission has invested in a peer review of its last PAR by an experienced panel from the Association of Government Accountants (AGA).

I have been impressed with the careful consideration that the federal co-chair, finance director, and program director have given the AGA critique. Those three have worked together in an exemplary collegial fashion to implement the advice after consulting further with AGA, OMB, and our outside auditor. And I recommend that they go through the AGA process again with this latest PAR.

I’ve been greatly encouraged by the Commission’s direction since last year’s report. Congress’ distinctive Alaskan experiment is taking important steps to be recognized as the little agency that *could* — rather than the little agency that *could have been*.

The Commission’s progress over the next year will reflect how it responds to the following four challenges.

EVOLVING GOALS

Congress created the Commission to provide the “other Alaska” with some of the basic local facilities that the rest of the nation has long taken for granted. The Commission’s strategic plan idealistically aspires 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 [emphasis added].”



Inspector General’s Statement

The Commission’s “legacy” programs provide clinics, powerhouses, and tank farms in some of the most challenging locations in America. In these difficult assignments, the agency must reconcile cost control, new technologies, and local preferences. The Commission’s successes preserve a part of rural America that might otherwise disappear forever.

However, the Commission also insists that applicants convincingly show “sustainability” over a facility’s lifetime. And the Commission’s strategic plan further cautions applicants that “[p]riority will generally be given to projects with substantial cost sharing.”

Such competing aspirations are challenged by the logistics of serving tiny, often unincorporated settlements that are far from any road system. Given that roughly half of the state’s communities have fewer than 300 people, many locations will have an inherently limited capacity to support their own facilities in the years after the Commission has given them the key. (Four of the remote facilities that I’ve recently inspected serve places with less than 100 residents.)

This squarely presents the policy issue as to whether the essence of our “legacy” programs is innovative rural electrification and health care — or, rather, methodically working down longstanding state lists to build as many structures in as many places as possible.

Another sensitive policy issue is the extent to which the Commission’s projects should be a shared effort — versus just provided. Long-run national support may be encouraged to the extent that projects are perceived more as inspired partnerships with other agencies and as community “barn raisings” — and less as seasonal cash injections and entitlements.

EVOLVING OUTCOMES

Larger agencies would envy the low incidence of FOIA requests at the Denali Commission. Its online public database continues to offer exemplary transparency as to what’s been built, where, for whom, and for how much (i.e., the *outputs*).

After eight years and 1,200 projects, it would be even better to know whether rural Alaska is indeed a better place to live. The Commission has retained a research firm that has begun to apply the full spectrum of social science techniques to report the *outcomes* resulting from all of this construction. The findings are anticipated by next summer.

EVOLVING STAFF

The Denali Commission exemplifies downsized, contracted-out, reinvented government (today’s “hollow state”). It distributes an annual budget of around \$130 million with less than 20 employees of its own. However, this aspiration to be a model of leanness can be taken to the point of starvation. For instance, the Commission currently assigns only one employee to its entire program for rural electrification and only one employee to its entire program for rural health care.



Inspector General’s Statement

This Faustian bargain frustrates exploration of the more creative collaborations that the Commission was designed to inspire. The agency simply needs to hire additional in-house talent (perhaps a “director of innovation”) that is dedicated to the detection of hidden opportunities.

EVOLVING COMMISSIONER ROLE

The Commission’s most untapped resource is the commissioners themselves. They’re no ordinary board. In the enabling act, Congress has assembled the most esteemed “dream team” of statewide experts since the drafting of the Alaska Constitution.

The commissioners’ energies have so far been focused upon the routine blessing of grant applications. However, once a more creative staff has spotted more potential players, the commissioners themselves may need to directly broker the cooperation of the missing. This will be a new role for the commissioners, but it seems quite consistent with the high level of diverse leadership specified in the statute.

The Commission is a pioneer among small agencies in establishing a financial management advisory committee that will help chart the path to a more informed public. The Commission’s CFO is actively collecting national expertise to assist this new group.

The long-term issue is whether these statutory commissioners will collectively evolve into Alaska’s think tank that brainstorms breakthroughs — the solutions-in-waiting that lie somewhere beyond the classic federal “just add money.”

FINALE

No matter how the Commission evolves, it should never forget its foundation to serve the “other Alaska” that most visitors never see. Memories will be enhanced to the extent that at least a meeting a year is traditionally held in a setting beyond urban centers.

Again, I’m very encouraged to see that the Commission is actively asking all the right questions. Alaskans look forward to reading some more of the answers same time and place next year.

Mike Marsh

Mike Marsh, Esq.
Inspector General



Appendix A—Members of the Commission



Members of the Commission



Federal Co-Chair

George J. Canelos is the Federal Co-Chair of the Denali Commission. Prior to his appointment in October 2005 by the Secretary of Commerce, he served as President of an Alaskan architecture and design firm, Director of the Heritage Land Bank for the

Municipality of Anchorage, and Commander of the Alaska Air National Guard, where he served as a Brigadier General.

Mr. Canelos has worked and lived in rural Alaska since arriving in the state in 1975 as a planner with the Alaska Department of Community & Regional Affairs. Over the years, he has completed planning and community development projects in over 50 communities. As owner of The Canelos Group, a multi-disciplinary firm, he led or participated in numerous comprehensive plans, transportation plans, economic feasibility studies, strategic planning, and land management. He served as Chief Operating Officer for Chugach Alaska, Inc., and as General Manager for Bethel Native Corporation.

Mr. Canelos chairs the Anchorage Community Land Trust, is Vice Chair of Anchorage Winter Cities, and is a member of Anchorage Rotary, the Urban Land Institute, the American Institute of Certified Planners, and the Veterans of Foreign Wars. He earned a B.A. in economics from Lewis & Clark College, and a Master of Regional Planning from the University of Pennsylvania.

State Co-Chair

Frank H. Murkowski, Governor of Alaska, serves as the State Co-Chair. Elected in 2002, Mr. Murkowski is Alaska's tenth governor. Prior to his election as Governor, Mr. Murkowski served Alaska in the U.S. Senate for 22 years.



Governor Murkowski was raised in Ketchikan, Alaska. He attended Santa Clara University and graduated from Seattle University with a major in economics. He served in the U.S. Coast Guard in Sitka and Ketchikan. After his tour of duty, Murkowski began his career in banking and was associated with the National Bank of Alaska for ten years. He then served Governor Walter J. Hickel as commissioner of the Department of Economic Development from 1966-1969. In 1971, he became president of the Alaska National Bank in Fairbanks. Mr. Murkowski served in the U.S. Senate from 1981 to 2002. During his tenure, he served as chairman of the Energy Committee and as Subcommittee Chairman of Pacific and East Asian Affairs on the Foreign Relations Committee. He also served on the Committees of Finance, Indian Affairs, and Veterans Affairs.

Governor Murkowski has been an active member in professional and community organizations including the Alaska State Chamber of Commerce, Alaska Bankers Association, Young Presidents Organization, Elks, American Legion, and Pioneers of Alaska.



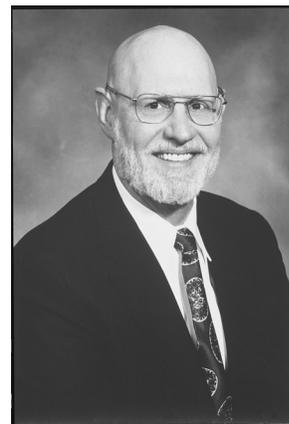
Members of the Commission



Richard Cattanach
Executive Director
Associated General
Contractors of Alaska

Richard Cattanach is Executive Director of the Associated General Contractors of Alaska. A Certified Public Accountant by training, Mr. Cattanach has been a university professor, a university administrator, a banker, and a contractor.

He received his Bachelor of Science in Business Administration from the University of Wisconsin, a Masters of Science in Business Administration from the University of Denver, and a Doctorate of Philosophy from Arizona State University. Mr. Cattanach has served on many boards and has received numerous awards for his work on behalf of the construction industry. Mr. Cattanach was appointed to serve as Denali Commissioner in September 2001.



Mark Hamilton
President
University of Alaska

Mark R. Hamilton became the twelfth President of the University of Alaska on August 10, 1998. Prior to accepting the chief leadership position of the University, Hamilton was a U.S. Army Major General in charge of recruiting.

Hamilton received his Bachelor of Science degree from the U.S. Military Academy at West Point and his Masters Degree in English Literature from Florida State University. He is also a graduate of the Armed Forces Staff College and of the U.S. Army War College. During his thirty-one years of active duty, Hamilton was assigned to various locations around the globe, including two tours in Alaska. He received the Army's highest peacetime award, the Distinguished Service Medal; and the Armed Forces' highest peacetime award, the Joint Distinguished Service Medal.



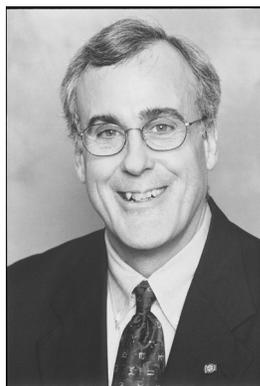
Members of the Commission

Julie Kitka
President
Alaska Federation of
Natives



Julie E. Kitka serves as President of the Alaska Federation of Natives at the pleasure of a thirty-seven member Board of Directors representing the thirteen regional Alaska Native Claims Settlement Act corporations, the twelve regional non-profit tribal associations and the villages.

She represents AFN before the U.S. Congress, federal agencies, the Alaska State Legislature and state agencies on Alaska Native issues of statewide importance. Ms. Kitka began working at AFN in late 1981 and has held numerous positions within the organization including Special Assistant-Human Resources, Congressional Lobbyist and Vice-President. She earned a Bachelor's Degree in Business Administration from Alaska Pacific University in Anchorage.



Kevin Ritchie
Executive Director
Alaska Municipal
League

Kevin Ritchie is Executive Director of the Alaska Municipal League/Alaska Conference of Mayors, a coalition of 142 cities and boroughs representing approximately 97% of the population of Alaska. He is also an adjunct assistant professor in the Masters of Public Administration Program at the University of Alaska Southeast.

His background includes: Manager of the City and Borough of Juneau; Director of the Division of Personnel/Equal Employment Opportunity for the State of Alaska; Executive Director of the Juneau Economic Development Council; and VISTA Volunteer for the Tacoma Urban League, Minority Concerns Task Force. He is a past member of the Board of Directors of the National League of Cities, a member of the Area Discipline Committee for the Alaska Bar Association and a Past President and Charter Member of the Juneau Gastineau Rotary Club.



Members of the Commission

Gary Brooks

Alaska State
AFL-CIO Representative



Gary Brooks is recently retired after serving 18 years as Business Manager/Financial Secretary of the International Brotherhood of Electrical Workers (IBEW), Local Union 1547. He has been a member of the IBEW since 1972 and has served in a number of positions since that time. He served as Chairman of the Alaska Electrical Pension Trust; Chairman of the Electrical Apprenticeship Trust; Secretary-Treasurer of the Health and Welfare Trust; as well as President, Treasurer and member on the IBEW Executive Board. Commissioner Brooks has also served as Vice-President of the Alaska AFL-CIO, Treasurer of the Alaska Works Partnership and was appointed to the Alaska Human Resource Investment Council in 1994.



Appendix B—Glossary of Terms and Commonly Used Acronyms



Appendix B—Glossary of Terms and Commonly Used Acronyms

AEA—Alaska Energy Authority

AFN - Alaska Federation of Natives

AGA—Association of Government Accountants

AGC- Associated General Contractors of Alaska

AIDEA—Alaska Industrial Development and Export Authority

Alaska DOL—State of Alaska, Department of Labor

ANTHC - Alaska Native Tribal Health Consortium

AVCP - Association of Village Council Presidents

AVEC— Alaska Village Electric Cooperative

AWIB - Alaska Workforce Investment Board

AWP - Alaska Works Partnership

BIA—Bureau of Indian Affairs

Bulk Fuel Storage Facility –Bulk Fuel Storage Facilities are used to store for the six-to-thirteen month supply of diesel fuel required to meet the power generation and home heating needs for a rural Alaska community through the winter season.

Bush – Rural Alaska communities, typically not on the road system.

Boardwalk – A wooden sidewalk raised above muskeg, tundra or taiga.

DCCED - Alaska Department of Commerce, Community and Economic Development

DOL - U.S. Department of Labor

FFMIA—Federal Financial Management Improvement Act

FHWA - Federal Highway Administration

FMFIA—Federal Manager’s Financial Integrity Act

FOIA—Freedom of Information Act

Four Wheeler – An all-terrain vehicle.

FTA – Federal Transit Administration



Appendix C—Glossary of Terms and Commonly Used Acronyms

HRSA — Health Resources Services Administration

HUD - Housing and Urban Development

IHS - Indian Health Service

MOU— Memorandum of Understanding

Multi-Use Facility - A facility used to consolidate essential community services (current or planned), eliminate the duplication of services and increase the efficiency with which services are delivered.

PAR—Performance Accountability Report

Permafrost – Permanently frozen soil.

RFP—Request for Proposals

SAFETEA-LU - Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users

TAC - Transportation Advisory Committee

TAPL - Trans-Alaska Pipeline Liability fund

Tundra – An area where tree growth is hindered by permafrost, low temperatures and short growing seasons. Typically the surface is boggy due to a high water table.

UI—Unemployment Insurance

USDA—United States Department of Agriculture

Washeteria – An up-graded version of a small, public facility serving as the local watering point where people can obtain treated drinking water. In larger communities or as funding has become available, the watering point expands to Washeteria status by including a coin-operated laundromat with showers and toilets.

