



Denali Commission Agency Financial Report (AFR) Fiscal Year 2016

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KIVALINA, ALASKA
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PHOTO BY SHAKIRA MACK

Agency Financial Report (AFR)

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Agency Financial Report (AFR)

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Message from the Federal Co-Chair

November 15, 2016

Enclosed is the Denali Commission Fiscal Year (FY) 2016 Agency Financial Report (AFR). The AFR represents the first of a three-part Performance and Accountability Report (PAR) for the agency. The Denali Commission (Commission) has presented performance and accountability data and analysis in three parts for the past several years in an effort to increase the accessibility and clarity of this information to stakeholders – the Executive Branch, Congress, constituents, and the general public.

The AFR acquaints readers with the Commission’s mission, goals and accomplishments. It also reviews the organizational structure, operations, budget authority and the programmatic applications and results of federal appropriations for FY 2016.

Since the inception of the Denali Commission in 1998, the agency has concentrated on its mission to work with partners to develop basic public infrastructure, opportunity, and quality of life in Alaska communities. To progress toward this mission, the Commission has formulated three major goals:

- To modernize and develop stronger and sustainable infrastructure in rural Alaska
- To promote the resiliency of rural Alaska communities, and
- To fortify accountability policies and procedures.

The Denali Commission Act of 1998, as amended (Act), is different than most other Congressional authorities for other Federal programs. The Act envisions an independent agency that can serve as a “think tank” to identify priority needs in rural Alaska and then use agency funds (leveraged with other sources) to implement solutions. Granted, cabinet level agencies invest significantly in rural Alaska, but these agencies manage programs (designed for 50 states and 6 territories) which at times may not align well with rural Alaska needs. An example, is the Commission’s health facilities program that identifies the minimum square footage for a rural village clinic, which the agency then funds based upon this spatial need. Whereas, other agencies may have a funding cap that would allow communities, where it is cheaper to construct, to build a larger clinic (i.e. southeast Alaska construction costs are 30% less than northwest Alaska costs due to higher logistical costs).

The pillars of Commission’s investment strategy over the past 17 years can be summarized as follows:

Investments must be tailored to the needs of rural Alaska - versus other factors such as grant writing skills, capacity of applicants to carry out projects, etc.,

Owner/operators for prospective capital project investments must demonstrate that both the grant applicant and the proposed project are sustainable,

Complement, but not duplicate the work of other Federal and State agencies, and

Maintain, sustain and protect existing community infrastructure (a more recent investment strategy).

Message from the Federal Co-Chair

The agency implemented a major restructuring starting in FY 2015 and ending in FY 2016 due to two primary drivers – i) the significant reduction in agency annual appropriations, and ii) the assignment from the White House to serve as the lead coordinating agency for village relocation and protect in place solutions for rural Alaska communities facing the threats due to flooding, erosion and permafrost degradation. Staffing changes include replacing three full-time “legacy” program staff with a high level Sr. Program Advisor and the development of an Environmentally Threatened Community (ETC) program team including three detailees from other agencies and a term employee. It is our intent to augment the new staff with contractors and focused cooperative agreements with program partners.

Recent evolution of the agency’s investments is a result of Commissioners’ recognition of the aging of billions of dollars of rural Alaska infrastructure. The goal of the Commission is to improve the business practices of owner/operators to better maintain the existing infrastructure to last its service/design life. We believe that investments towards refurbishment, repair, deferred maintenance, and other administrative capacity development activities will in the long-term reduce the demand on Federal and State agencies for new capital projects. In FY 2016 we have begun investments towards maintaining, sustaining and protecting core infrastructure. Of note, recent ETC program investments are consistent with the agency’s efforts of protecting core infrastructure.

Three years ago Congress passed the Moving Ahead for Progress in the 21st Century (MAP-21) legislation (P.L. 112-141). MAP-21 provides the Commission authority to accept conditional gifts from other federal or non-federal organizations. This ability to accept and administer other agencies’ program funds offers an opportunity both to other agencies and to the Commission. The first MAP-21 initiative is a partnership with the Administration for Children and Families (ACF), which manages a Grants Center of Excellence (COE). ACF and the Commission are working together to ease the pathway of entry to the COE for smaller agencies.

As the Federal Co-Chair of the Denali Commission, it is my pleasure to present this AFR to the public, our partners, and policymakers. I attest to the reliability and completeness of financial and performance data in this report, and can confirm that our annual audit has identified no material internal weaknesses. (You are welcome to review the entire audit, which is contained in this document.)



Joel Neimeyer

Management Discussion and Analysis

Overview of the Denali Commission

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

Management Discussion and Analysis

Vision, Mission and Organizational Structure

Vision

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

Mission

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

Goal Areas

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

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

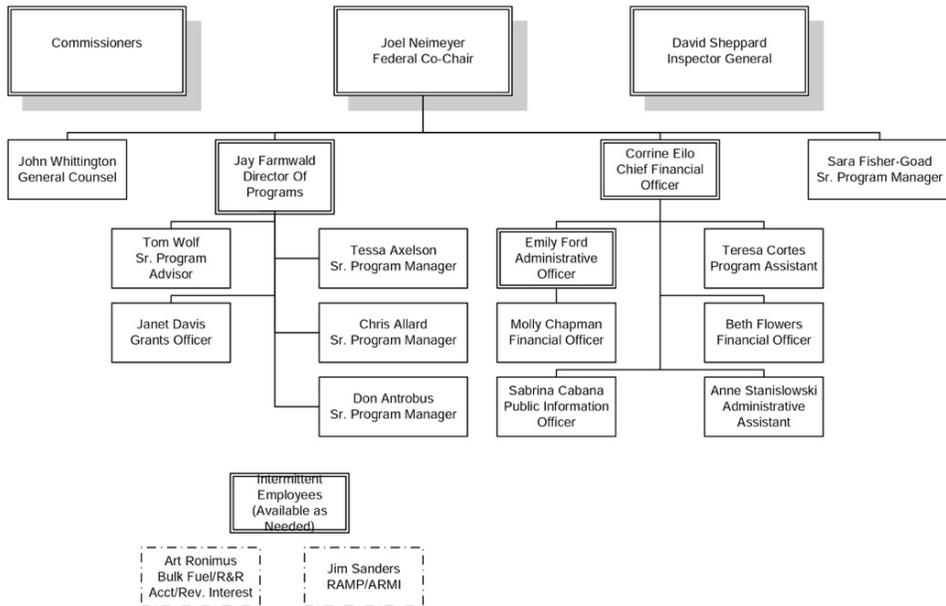
Staffing

The Commission is staffed by a small number (less than 25) of employees. The Commission relies upon a special network of federal, state, tribal, local, and other organizations to successfully carry out its mission.

Staffing changes during FY 2016 reflect the agency restructuring of moving from a grant-making organization to an organization that serves as a “think tank” with implementation abilities. The latter model is more appropriate in times of reduced funding and with an agency goal of influencing the investment strategies of other funders towards critical rural Alaska needs (i.e. maintaining, sustaining and protecting existing infrastructure). Several full time employees were hired in FY 2016 including a Senior Program Advisor, a Grants Management Officer, an Administrative Officer, an Administrative Assistant and a Sr. Program Manager. In addition, a Sr. Program Manager has joined the agency as a detailee from the Alaska Native Tribal Health Consortium. These new hires replaced five staff members who left the organization at the end of FY 2015 and in FY 2016. As of September 2016, the Commission had 16 full-time equivalent positions.

Management Discussion and Analysis

Organizational Chart



As of September 19, 2016

Management Discussion and Analysis

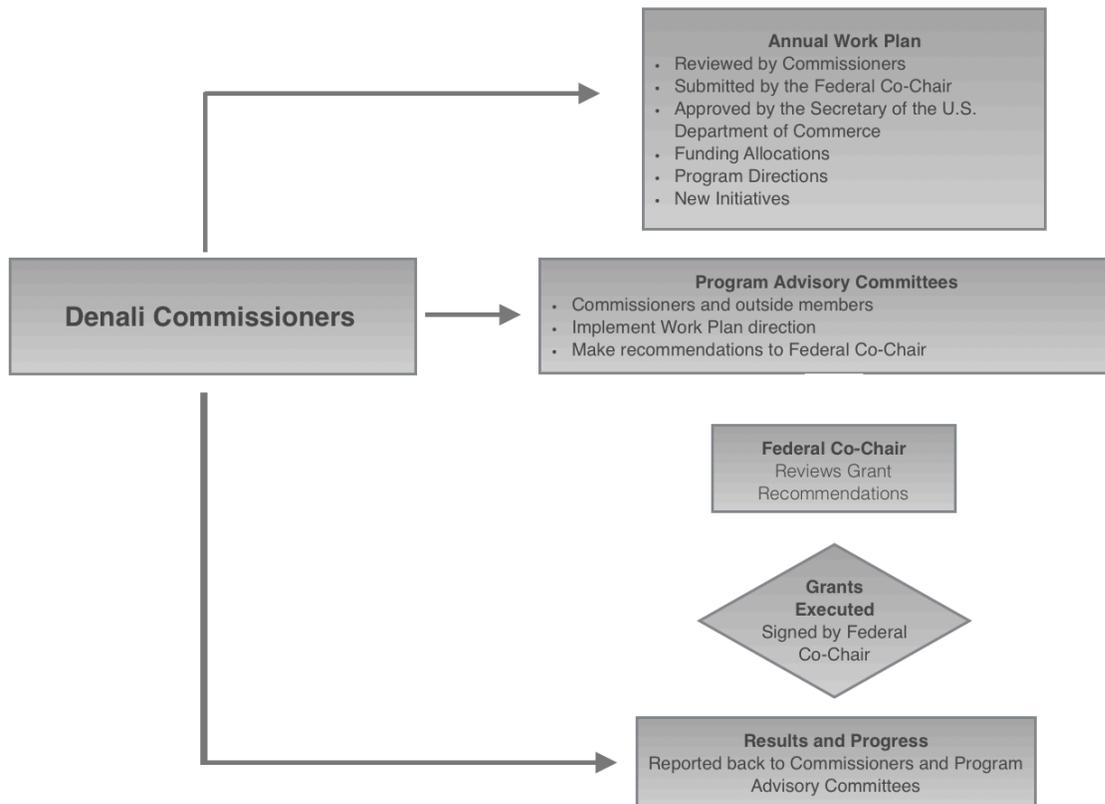
Denali Commissioners

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

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

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

* The Governor has delegated this authority to the Lieutenant Governor.



Management Discussion and Analysis

Work Plan

The Denali Commission Act outlines specific duties of the Commission primarily focused upon the development and implementation of an annual work plan. The Commission must develop an annual work plan that solicits project proposals from local governments and other entities and organizations, and provides for a comprehensive work plan for rural and infrastructure development and protection.

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

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

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

The Fiscal Year 2016 Work Plan

Following the normal course of events described above, Commissioners initially submitted the FY 2016 proposed work plan to the Federal Co-Chair in March 2016. That proposed work plan was published for 30 days in the Federal Register on April 26, 2016 and public comments were solicited. Comments were received but no material changes resulted, and the Plan was submitted to the Secretary of Commerce.

In FY 2016 the agency implemented a three-phase annual work plan approach. First, the Commissioners in a work session (February 4, 2016) identified general funding levels for specific programs. Second, the agency held a public hearing (March 1, 2016) and accepted written comments up to March 16, 2016. A transcript of the verbal comments and all the written comments were then provided to Commissioners on March 25, 2016. Commissioners reconvened in a public meeting on March 31, 2016 to consider public comments and then voted on the FY 2016 work plan. The FY 2016 work plan was then published in the Federal Register on April 26, 2016 and two comments were received that did not materially impact the proposed agency investments. The FY 2016 work plan was submitted to the Secretary of Commerce on June 3, 2016 and was approved by the Secretary on August 5, 2016.

The FY 2016 Work Plan outlined the Commission's intentions to allocate \$8.6M to the Energy Program, \$7.2M to the Transportation Program, \$6.6 million to the Environmentally Threatened Community Program, and \$2.1 million for administrative costs.

The full FY 2016 Work Plan can be found in the Other Accompanying Information section of this document.

Management Discussion and Analysis

Summary of Performance

In FY 2016 no project specific earmarks were provided in any appropriations to the Commission. The Energy and Water Appropriations (commonly referred to as Commission “Base” funding) are no-year funds eligible for use in all programs.

While the Base funds may be applied to any Commission program area, all other appropriations and transfers are restricted. Where restrictions apply, the funds may be used only for specific program purposes.

A comprehensive discussion of all FY 2016 program activities and performance will be provided in the Annual Performance Report (APR), to be submitted in accordance with OMB Circular A-11, in February 2017. A summary of performance is presented here.

Functional Uses of FY 2016 Budgetary Resources

The FY 2016 Commission budgetary authority primarily funded and administered the following program and functional areas:

Energy Program

- Bulk Fuel Storage – new and refurbished
- Community Power Generation and Rural Power System Upgrades
- Energy Cost Reduction Projects
- Energy Maintenance and Improvement Projects and Activities

Transportation Program

- Barge Landings and Mooring Points

Environmentally Threatened Communities

- Projects and Activities for the communities of Newtok, Kivalina, Shishmaref, and Shaktoolik
- Other Projects and Activities for communities identified in GAO Report 09-551
- Statewide Activities and Support

Administration

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



SELAWIK WIND TURBINES

Management Discussion and Analysis

Summary of Performance

FY 2016 Performance by Goal Area

Denali Commission grants are customarily issued when Congress makes appropriations and when the agency annual Work Plan is approved by the Secretary of Commerce. Upon Secretary of Commerce approval and signature, grant documents were issued during the final quarter of the fiscal year. Due to these timing challenges, most of the newly established projects were only just begun by the end of the fiscal year, and construction projects, for example, may only have progressed to the materials ordering phase. These circumstances make linking the FY 2016 budget to performance results in the same fiscal year difficult. Therefore, as in last year's Annual Financial Report (AFR), the Commission will present performance activities and achievements *conducted* in FY 2016 here and more fully in the Agency Performance Report, which will be submitted in February 2017.

The Denali Commission has deep roots in infrastructure development and has primarily been a grant-making agency, having contributed substantially to numerous energy, health, transportation and other construction projects in the state since 1998.

The Goal Areas of the Commission and the work conducted by the agency in FY 2016 reveal a conscious reflection on the Commission's past, present and future by agency leadership and the Denali Commissioners. During the 16 years of the Commission's existence, federal budget authority has been as low as \$10 million, has expanded to as much as \$140 million a year, and in FY2016 was \$22.5 million. The changing budget has mandated a meditation on the past focus of the agency and what a lower funding base means.

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

Goal Area Two: Promote the sustainability of rural Alaska communities

Goal Area Three: Fortify accountability policies and procedures

The Goal Areas are reflective of the past and the historic work of the Commission as a grant-making agency largely contributing to capital projects. In addition, though, the Goal Areas point the agency toward a future that mandates contemplation of *community* sustainability through initiatives that have systemic impacts for rural Alaska. As the agency's resources change, the relative emphasis on each of these Goal Areas will shift over time.

In FY 2016, was a transitional year for the agency. Historically, we have placed most of our investments in Goal Area One (i.e. capital infrastructure projects). Approximately, one-third of our investments were for the integration of mooring points (a transportation investment) into the bulk fuel program (an energy investment) – this is the first year we have intentionally tied these two “Goal Area One” programs together (as discussed further below). Approximately, one third of our investments were for our new environmentally threatened community (ETC) program and maintenance and improvement activities for existing energy infrastructure (both Goal Area Two investments). Lastly, a third of our investments could be considered as consistent with our historic investments into Goal Area One for typical community energy projects.

Management Discussion and Analysis

Summary of Performance

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

In this document we are highlighting the refinement/expansion of the agency's long-standing bulk fuel program which was the first legacy program at the Commission. In 2010/11 the agency embarked on constructing barge mooring points as part of the agency's new waterfront development program. In time, we identified the interconnection between the agency's bulk fuel program and mooring point efforts.

Accordingly, in 2014 the Government Accountability Office (GAO) issued Comptroller General Opinion #B-323365 entitled: "Denali Commission – Amounts Available for Bulk Fuel Storage Tanks". We raised to GAO the question of the extent of bulk fuel repair and replacement improvements allowed by statute. Namely, we were interested in redefining the bulk fuel program to include the supply chain of fuel delivery as part of the fuel storage infrastructure. This supply chain includes the fuel barge, a mooring point at the side of the river or coastline, a marine pipeline header and the bulk fuel tank farm. Mooring points are an important part of the bulk fuel system because the mooring points allow fuel barges to safely tie-off while fuel is being pumped into the bulk fuel storage tanks. Without a mooring point the tug vessel powering the fuel barge intentionally grounds the fuel barge on a river or shoreline embankment and keeps pressing the barge against the embankment while the barge off-loads fuel to the bulk fuel storage tanks. This practice is not as safe as tying-off the barge to a mooring point and increases the risk of a fuel spill. This practice also increases river erosion and shoaling problems.

Based upon GAO's conclusions, in FY2016 the agency sought Congressional authority to expand the use of Trans-Alaska Pipeline Liability (TAPL) interest funds (see - section 329(b) of Public Law No. 105-277, Division A, § 101(g)) to provide improvements to barge mooring points and barge landing sites to facilitate pumping fuel from fuel transport barges into bulk fuel storage tanks. Congress provided this expanded authority beyond the existing authority to repair and replace bulk fuel storage tanks in Alaska.

As a result of Congressional action the Commissioners in the FY2016 Work Plan committed a significant portion of the TAPL program to development of barge mooring points into our long-standing bulk fuel programming. In 2016 the Commission also elected to continue our historic investments for new rural power system upgrades (i.e. power generation and transmission systems) and new bulk fuel farms.

In FY 2016 the Commission continued our investments into community power systems and bulk fuel farms. We also worked with program partners to shift our investments towards refurbishment and repairs (less costly) of existing systems as opposed to building new power and fuel storage systems. This reflects the agency's goal of continuing to impact communities despite fewer available funds.

Management Discussion and Analysis

Summary of Performance

Goal Area Two: Promote the sustainability of rural Alaska communities

The Commission has learned from our rich history of capital infusion into singular infrastructure projects across Alaska. As the agency transitions away from these large investments, the Commission looks to the future and what our original mission means for Alaska. From a past of assessing a *project's* sustainability potential to looking at an entire community's sustainability is what this Goal Area embodies. This Goal Area is less tangible than the bricks-and-mortar of Goal Area One. The work in this Goal Area entails a closer look at Alaska's rural communities and making tough choices about which investments will have the highest return on investment.

Residents in rural Alaska villages have told the Commission what they need to be more sustainable and self-reliant. They need a prosperous economy, safe and affordable housing, health care, effective governance and infrastructure management—all with an overarching need to have safe and affordable energy solutions.

In FY2016 at the direction of the Commissioners and with the encouragement from other cabinet level agencies, the agency embarked upon developing the new ETC program. The central theme of this new program is to identify the highest need communities (i.e. the communities facing the highest risk from flooding, permafrost degradation and erosion) and assign resources to develop scopes and budgets for necessary and appropriate responsive activities and projects. The Commissioners identified the 31 communities in the GAO Report 09-551 as the primary need for the agency's ETC investments.

Of these 31 communities, four are facing relocation due to environmental threats including Newtok, Kivalina, Shishmaref and Shaktoolik. Newtok will in four years or less no longer be a viable community with the likely condemnation of the school and airport due to river bank erosion (at an estimated 70 to 80/feet/year). The latter three communities face significant destruction from a 100-Year winter storm occurring at high tide, which has not yet occurred. Historically, the communities were protected from winter storms by shore-bound ice, but the ice develops later each year which leaves the three communities exposed to potentially catastrophic flooding.

The remaining 27 communities face environmental threats less grave, but still potentially damaging to the overall resiliency of the community.

Overall, the agency has begun developing investment strategies, relationships with the communities and other stakeholders and embarking upon identifying appropriate solutions for each community in question.

Management Discussion and Analysis

Summary of Performance

The agency is moving towards investments which are about maintaining, sustaining and protecting core infrastructure as well as in some instances protecting the community in question. As this is relatively new to the agency, we anticipate growing pains and lessons to be learned and new solutions attempted and we look forward to reporting on these elements in future years.

Goal Area Three: Fortify accountability policies and procedures

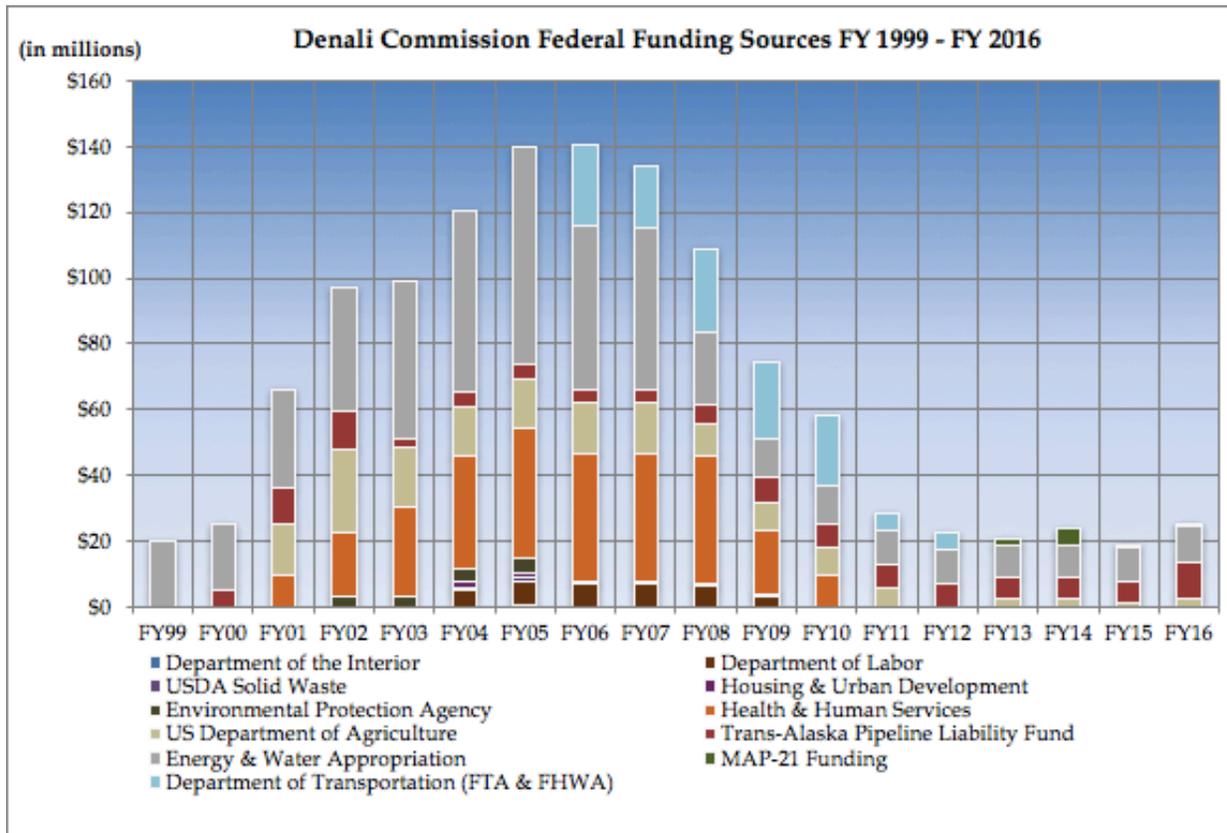
In FY 2016, the Denali Commission continued to make good progress on fortifying accountability systems of our own agency and those of our partner entities by demonstrating an active commitment to the newly enacted Uniform Guidance. Our progress included the implementation of our “Recipient Guidelines and Requirements” to all grantees of the Commission along with our Recipient Self Assessment Risk Analysis for potential grantees. The Commission will continue to participate in these accountability efforts via our participation as an active member of the Single Audit Roundtable which is arranged semi-annually by the American Institute of Certified Public Accountants.

Finally, of note under this Goal Area is the accomplishment of the Commission unmodified audit opinion for FY 2016. This continues to produce a measurable result of the Commission’s commitment to accountability.

Management Discussion and Analysis

Financial Performance Overview

As of September 30, 2016 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 were conducted in accordance with auditing standards generally accepted in the United States of America, OMB Bulletin 07-04 (Audit Requirements for Federal Financial Statements) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.



Management Discussion and Analysis

Financial Performance Overview

Sources of Funds

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

Public Law 112-141, the Moving Ahead for Progress in the 21st Century Act (MAP-21), granted authority to accept funding from both federal and non-federal sources to carry out the purposes of the Denali Commission Act.

Finally, the Commission is the recipient of a portion of the interest earned on the trust fund for the Trans-Alaska Pipeline Liability (TAPL) fund. In FY 2016, \$6.22 million was transferred to the Commission to assist in efforts to make bulk fuel tanks in Alaska code-compliant.

Budget Authority	FY 2016
Appropriations Received	\$11,000,000
Nonexpenditure Transfers	\$6,223,410
Offsetting Collections	\$10,792,428
Total Budget Authority	\$28,015,838

In FY 2016, Denali Commission's total budgetary resources were \$38.13 million, which includes \$6.00 million in unobligated balances brought forward and \$4.11 million in recoveries of prior year obligations.

Uses of Funds by Function

The Denali Commission incurred obligations of \$37.17 million in FY 2016 for program and administration operations. Unobligated funds in the amount of \$0.95 million were carried forward, for obligation in FY 2017.

Management Discussion and Analysis

Financial Statement Highlights

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

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 USC 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the 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.

Balance Sheet

Assets

The Commission’s assets were \$78.08 million as of September 30, 2016. This is an increase of \$5.94 million from the end of FY 2015. The Commission’s largest asset, Fund Balance With Treasury, increased due to a rise in receivable amounts to the Denali Commission. The assets reported on the Commission’s balance sheet are summarized in the accompanying table.

Assets Summary	FY 2016	FY 2015
Fund Balance With Treasury	\$78,078,714	\$72,138,879
Other Intragovernmental Assets	-	-
Accounts Receivable, Public	611	929
Other Accounts Receivable, Public	239	775
Total Assets	\$78,079,564	\$72,140,583

Management Discussion and Analysis

Financial Statement Highlights

Liabilities

The Denali Commission's liabilities were \$4.75 million as of September 30, 2016, an increase of \$2.25 million from the end of FY 2015. The increase in liabilities is attributed to a rise in pending reimbursements in relation to 2015. The liabilities reported on the Commission's balance sheet are summarized in the accompanying table.

Liabilities Summary	FY 2016	FY 2015
Accounts Payable, Intragovernmental	\$257,152	\$14,794
Other Intragovernmental Liabilities	265,656	831,366
Accounts Payable, Public	40,880	90,905
Other Liabilities, Public	4,187,188	1,564,061
Total Liabilities	\$4,750,876	\$2,501,126

Net Position

The difference between total assets and total liabilities, net position, was \$73.33 million as of September 30, 2016. This is an increase of \$3.69 million from the FY 2015 year-end balance. The net position reported on the Denali Commission's balance sheet is summarized in the accompanying table.

Net Position Summary	FY 2016	FY 2015
Unexpended Appropriations	\$3,634,392	\$11,514,554
Cumulative Results of Operations	69,694,296	58,124,903
Total Net Position	\$73,328,688	\$69,639,457

Management Discussion and Analysis

Financial Statement Highlights

Statement of Net Cost

The Statement of Net Cost reports the cost of conducting the Denali Commission programs during the reporting period. The accompanying table displays the net cost for FY 2016 and FY 2015. These costs consist of approximately \$7.52 million of intragovernmental costs and \$16.91 million in public costs.

Net Cost	FY 2016	FY 2015
Program Costs	\$24,424,829	\$28,572,602
Less: Earned Revenue	-	-
Total Net Costs of Operations	\$24,424,829	\$28,572,602

Statement of Changes in Net Position

The net position for the year ended September 30, 2016 was \$73.33 million, an increase of \$3.69 million from FY 2015. This increase is primarily due to a change in spending patterns in FY 2016.

Statement of Budgetary Resources

The Statement of Budgetary Resources reflects the budget authority that the Denali Commission possesses and compares the status of that budget authority. The Commission had \$38.13 million in total budgetary resources for FY 2016 – comprised of direct appropriations, nonexpenditure transfers from other federal agencies, and an unobligated balance available from FY 2015. During the fiscal year, \$37.17 million was obligated for program and administrative functions; \$0.95 million in funds were carried forward, and will be available for obligation in FY 2017. Net outlays in FY 2016 amounted to \$11.17 million.

Analysis of Systems, Controls and Legal Compliance

Financial Performance Overview

Federal Managers' Financial Integrity Act (FMFIA)

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

FMFIA Statement of Assurance

The Denali Commission management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). I am able to provide an unqualified statement of assurance of the agency's compliance with the FMFIA. The Commission's internal controls provide for effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations. Assessments have been conducted in regard to the internal controls over financial reporting. The Commission attests the reasonable assurance that the internal controls over financial reporting comply with the requirements of the FMFIA.

Further, evaluations tested the effectiveness of the internal control over operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of these evaluations, the Denali Commission can provide reasonable assurance that its internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2016, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

Finally, the US Treasury, Bureau of Fiscal Service (BFS) (Denali Commission's Financial Management Line of Business partner) engages a contractor to independently review its financial management systems in accordance with OMB Circular A-127, Financial Management Systems. Based on the results of this review, BFS and therefore the Denali Commission can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of the FMFIA as of September 30, 2016.

Analysis of Systems, Controls and Legal Compliance

Financial Performance Overview

Federal Financial Management Improvement Act (FFMIA)

The Federal Financial Management Improvement Act (FFMIA) is designed to advance Federal financial management by ensuring that Federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers. Compliance with the FFMIA provides the basis for the continuing use of reliable financial management information by program managers, and by the President, Congress and the public.

FFMIA Compliance Determination

The Commission utilizes the services of US Treasury BFS and its financial management system. Annual audits of their system indicate that the system complies with federal financial management systems requirements, standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and U.S. Standard General Ledger (USSGL) at the transaction level. The annual financial audit confirms this finding.

Goals and the supporting financial systems strategies

As a small agency, the Commission has arrived at the conclusion that human and financial resources internal to the agency are not sufficient to meet the increasing federal standards for financial systems and the costs involved. Therefore, in 2009, the Commission outsourced our financial management system and transactional level activities to the U.S. Treasury BFS. This strategy has proven effective and efficient and allows this small agency to assure the President, Congress and the public that federal budget authority entrusted to the Commission is executed responsibly and with full accountability.



Joel Neimeyer
Federal Co-Chair

Financial Section

Chief Financial Officer's Letter

November 15, 2016

The Denali Commission is pleased to have once again achieved an unmodified opinion on the agency's consolidated financial statements from our financial auditors for FY 2016. This audit result meets the highest rating possible for a federal agency. It serves to demonstrate that the Commission considers its transparent and complete financial reporting to be of the utmost importance. As always, the Commission prides itself on good stewardship of taxpayer dollars while meeting our mission as defined in our enabling statute. Our sound internal controls and continued compliance with all federal regulations and laws exhibit our commitment to excellent financial standards well into our second decade of operations.

The Commission continues its efforts in supporting the President's Management Agenda of increasing the use of shared services by federal agencies across the Government. The Administration's new central governance board on shared services, under the General Services Administration, is expected to execute an aggressive plan throughout this fiscal year that will contribute to this goal. The Commission, with its ongoing partnership with the Department of Health and Human Services, hopes to further develop grant management solutions for federal agencies of all sizes. The end result of reduced costs and more efficient program delivery within the government's massive grants program is a goal that has been sought after for many years.

The Commission looks toward a successful FY 2017 as we continue to serve all Alaskans (and Americans) with the same drive and enthusiasm that we had at this agency during its inaugural year.

Best regards,



Corrine Eilo
Chief Financial Officer

Financial Section

Inspector General Transmittal Letter



Denali Commission
Office of Inspector General
Anchorage, AK 99501

November 18, 2016

MEMORANDUM FOR: Denali Commission Commissioners

A handwritten signature in blue ink, appearing to read "David Sheppard".

FROM: David Sheppard
Inspector General

SUBJECT: FY 2016 Financial Statements
Final Report No. DCOIG-17-002-A

I am pleased to provide you with the attached audit report in which SB & Company, LLC, an independent public accounting firm, presented an unmodified opinion on the Denali Commission's fiscal year 2016 financial statements. SB & Company performed the audit in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin 15-02, *Audit Requirements for Federal Financial Statements*.

In its audit of the Commission, SB & Company

- identified no instances of deficiency or material weakness in internal control over financial reporting;
- identified no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or OMB audit guidance; and
- determined that the financial statements were fairly presented in all material respects and in conformity with U.S. generally accepted accounting principles.

My office oversaw the audit performance, including the review of SB & Company's report and related documentation and inquiries of its representatives. Our review disclosed no instances where SB & Company did not comply, in all material respects, with U.S. generally accepted government auditing standards. As differentiated from an audit in accordance with these standards, our review was not intended to enable us to express any opinion on the Commission's financial statements. Therefore, we do not express any opinion on the Commission's financial statements, conclusions about the effectiveness of internal control, or conclusions on compliance with laws, regulations, contracts, and grant agreements. SB & Company is solely responsible for the attached audit report, dated November 7, 2016, and the conclusions expressed in it.

We appreciate the cooperation and courtesies the Commission extended to both SB & Company and my office during the audit. If you wish to discuss the contents of this report, please call me at (206) 220-7970.

Financial Section

Inspector General Transmittal Letter

Attachment

cc: Corrine Eilo, Chief Financial Officer, Denali Commission
David Smith, Deputy Inspector General, U.S. Department of Commerce

Financial Section

Report of Independent Public Accountants



SB & COMPANY, LLC
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Office of the Inspector General and the Denali Commission

Report on the Financial Statements

We have audited the accompanying balance sheets of the Denali Commission (the Commission) as of September 30, 2016 and 2015 and the related statements of net cost, changes in net position and budgetary resources for the years then ended and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Commission's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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; 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. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Financial Section

Report of Independent Public Accountants



SB & COMPANY, LLC
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Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of September 30, 2016 and 2015, and its net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board and OMB Circular A-136, *Financial Reporting Requirements*. This required information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The other information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated November 7, 2016 on our consideration of the Commission's internal control over financial reporting and over compliance, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope and results of our testing of that and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance.

Hunt Valley, Maryland
November 7, 2016

A handwritten signature in black ink that reads "SB & Company, LLC".

Financial Section

Report of Independent Public Accountants



SB & COMPANY, LLC
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**INDEPENDENT PUBLIC ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Office of the Inspector General and the Denali Commission

We have audited in accordance with the 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. 14-02, *Audit Requirements for Federal Financial Statements* the financial statements of the Denali Commission (the Commission) as of and for the year ended September 30, 2016, and the related notes to the financial statements which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting and compliance (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Financial Section

Report of Independent Public Accountants



SB & COMPANY, LLC
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Limitation of Internal Control

Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with controls may deteriorate.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We did not test compliance with all laws and regulations applicable to the Commission. We limited our tests of compliance to those provisions of laws and regulations OMB audit guidance requires that we test that we deemed applicable to the financial statements for the fiscal year ended September 30, 2016. We caution that noncompliance may have occurred and may not have been detected by these tests, and that such testing may not be sufficient for other purposes. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB audit guidance.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunt Valley, Maryland
November 7, 2016

SB & Company, LLC

Financial Section

Financial Statements

DENALI COMMISSION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2016 AND 2015



Financial Section

Financial Statements



**DENALI COMMISSION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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Agency Financial Report (AFR)

Financial Section

Financial Statements

**DENALI COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2016 AND 2015
(In Dollars)**

	2016	2015
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 3)	\$ 78,078,714	\$ 72,138,879
Total Intragovernmental	78,078,714	72,138,879
Accounts Receivable, Net (Note 4)	611	929
Other	239	775
Total Assets	\$ 78,079,564	\$ 72,140,583
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 257,152	\$ 14,794
Other (Note 6)	265,656	831,366
Total Intragovernmental	522,808	846,160
Accounts Payable	40,880	90,905
Other (Note 6)	4,187,188	1,564,061
Total Liabilities (Note 5)	\$ 4,750,876	\$ 2,501,126
Net Position:		
Unexpended Appropriations - Other Funds	\$ 3,634,392	\$ 11,514,554
Cumulative Results of Operations - Funds from Dedicated Collections (Note 8)	19,736,455	18,845,286
Cumulative Results of Operations - Other Funds	49,957,841	39,279,617
Total Net Position	\$ 73,328,688	\$ 69,639,457
Total Liabilities and Net Position	\$ 78,079,564	\$ 72,140,583

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

Financial Section

Financial Statements

**DENALI COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)**

	2016	2015
Program Costs:		
Gross Costs (Note 9)	\$ 24,424,829	\$ 28,572,602
Less: Earned Revenue	-	-
Net Program Costs	\$ 24,424,829	\$ 28,572,602
Net Cost of Operations	\$ 24,424,829	\$ 28,572,602

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

Agency Financial Report (AFR)

Financial Section

Financial Statements

DENALI COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016		2016		2016
	Funds from Dedicated Collections		All Other Funds		Consolidated Total
Cumulative Results of Operations:					
Beginning Balances	\$ 18,845,286	\$	39,279,617	\$	58,124,903
Budgetary Financing Sources:					
Appropriations Used	-		18,879,900		18,879,900
Transfers In/Out Without Reimbursement	6,223,410		10,792,428		17,015,838
Other Financing Sources (Non-Exchange):					
Imputed Financing Sources (Note 10)	-		98,484		98,484
Total Financing Sources	6,223,410		29,770,812		35,994,222
Net Cost of Operations	(5,332,241)		(19,092,588)		(24,424,829)
Net Change	891,169		10,678,224		11,569,393
Cumulative Results of Operations	\$ 19,736,455	\$	49,957,841	\$	69,694,296
Unexpended Appropriations:					
Beginning Balances	-	\$	11,514,554	\$	11,514,554
Budgetary Financing Sources:					
Appropriations Received	-		11,000,000		11,000,000
Other Adjustments	-		(262)		(262)
Appropriations Used	-		(18,879,900)		(18,879,900)
Total Budgetary Financing Sources	-		(7,880,162)		(7,880,162)
Total Unexpended Appropriations	-	\$	3,634,392	\$	3,634,392
Net Position	\$ 19,736,455	\$	53,592,233	\$	73,328,688

	2015		2015		2015
	Funds from Dedicated Collections		All Other Funds		Consolidated Total
Cumulative Results of Operations:					
Beginning Balances	\$ 15,873,812	\$	28,600,865	\$	44,474,677
Budgetary Financing Sources:					
Appropriations Used	-		24,796,954		24,796,954
Transfers In/Out Without Reimbursement	6,361,916		10,994,067		17,355,983
Other Financing Sources (Non-Exchange):					
Imputed Financing Sources (Note 10)	-		69,891		69,891
Total Financing Sources	6,361,916		35,860,912		42,222,828
Net Cost of Operations	(3,390,442)		(25,182,160)		(28,572,602)
Net Change	2,971,474		10,678,752		13,650,226
Cumulative Results of Operations	\$ 18,845,286	\$	39,279,617	\$	58,124,903
Unexpended Appropriations:					
Beginning Balances	-	\$	26,327,169	\$	26,327,169
Budgetary Financing Sources:					
Appropriations Received	-		10,000,000		10,000,000
Other Adjustments	-		(15,661)		(15,661)
Appropriations Used	-		(24,796,954)		(24,796,954)
Total Budgetary Financing Sources	-		(14,812,615)		(14,812,615)
Total Unexpended Appropriations	-	\$	11,514,554	\$	11,514,554
Net Position	\$ 18,845,286	\$	50,794,171	\$	69,639,457

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

Financial Section

Financial Statements

DENALI COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 5,997,075	\$ 3,215,016
Recoveries of Prior Year Unpaid Obligations	4,106,773	7,863,960
Other changes in unobligated balance	9,769	15,317
Unobligated balance from prior year budget authority, net	10,113,617	11,094,293
Appropriations	17,223,410	16,361,916
Spending authority from offsetting collections	10,792,428	10,994,067
Total Budgetary Resources	\$ 38,129,455	\$ 38,450,276
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 12)	\$ 37,174,635	\$ 32,453,201
Unobligated balance, end of year:		
Apportioned, unexpired account	954,820	3,452,805
Unapportioned, unexpired accounts	-	2,544,270
Unexpired unobligated balance, end of year	954,820	5,997,075
Unobligated balance, end of year (total)	954,820	5,997,075
Total Budgetary Resources	\$ 38,129,455	\$ 38,450,276
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 65,205,225	\$ 68,670,089
New obligations and upward adjustments (Note 12)	37,174,635	32,453,201
Outlays (gross)	(21,969,574)	(28,054,105)
Recoveries of Prior Year Unpaid Obligations	(4,106,773)	(7,863,960)
Unpaid Obligations, End of Year (Gross)	76,303,513	65,205,225
Uncollected payments:		
Uncollected Customer Payments, Federal Sources, Brought Forward, October 1	-	(1,000,000)
Change in Uncollected Payments, Federal Sources	-	1,000,000
Memorandum entries:		
Obligated Balance, Start of Year	\$ 65,205,225	\$ 68,670,089
Obligated Balance, End of Year	\$ 76,303,513	\$ 65,205,225
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 28,015,838	\$ 27,355,983
Actual offsetting collections	(10,802,197)	(12,025,046)
Change in Uncollected Payments, Federal Sources	-	1,000,000
Recoveries of prior year paid obligations	9,769	30,979
Budget Authority, net, (total)	\$ 17,223,410	\$ 16,361,916
Outlays, gross	\$ 21,969,574	\$ 28,054,105
Actual offsetting collections	(10,802,197)	(12,025,046)
Agency outlays, net	\$ 11,167,377	\$ 16,029,059

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

Financial Section

Financial Statements



DENALI COMMISSION NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Denali 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 Denali Commission reporting entity is comprised of Trust Funds, General Funds, Special Funds and General Miscellaneous Receipts.

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

statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. The Denali Commission receives allocation transfers, as the child, from the Federal Highway Administration under the Department of Transportation.

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

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

Special Funds are receipt accounts credited with collections earmarked by law but included in the Federal funds group rather than classified as trust fund collections.

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

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the Denali Commission. The

Financial Section

Financial Statements

Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follow the rules for the Budget of the United States Government.

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

C. Basis of Accounting

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

D. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the Denali Commission's funds with Treasury in expenditure, receipt, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The Denali Commission does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand.

E. Accounts Receivable

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

F. Advances and Prepaid Charges

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

G. Liabilities

Liabilities represent the amount of funds likely to be paid by the Denali Commission as a result of transactions or events that have already occurred.

Financial Section

Financial Statements

The Denali Commission reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities With the Public represents funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, actuarial FECA, and the amounts due to Treasury for collection and accounts receivable of civil penalties and FOIA request fees.

H. Annual, Sick, and Other Leave

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

annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 100%.

I. Accrued and Actuarial Workers' Compensation

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

J. Other Post-Employment Benefits

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

Financial Section

Financial Statements

K. Use of Estimates

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

L. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The Denali Commission recognized imputed costs and financing sources in fiscal years 2016 and 2015 to the extent directed by accounting standards.

NOTE 2. NON-ENTITY ASSETS

The Denali Commission Act of 1998 states that one of the purposes of the Commission is to deliver the services of the federal government in the most cost-effective manner practicable by reducing administrative and overhead costs. In the spirit of this legislation, the Commission has offered a service to other federal agencies whereby a federal agency may utilize the Commission to make payments to non-federal organizations in Alaska on the agency's behalf. No fee is collected for this service. Amounts received from the State of Alaska, but not disbursed, are recorded on the Balance Sheet in the Fund Balance with Treasury line and are offset by a liability on the Other Liabilities line. This balance is \$482,877 and \$599,075 as of September 30, 2016 and September 30, 2015, respectively.

Financial Section

Financial Statements

NOTE 3. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2016 and 2015, were as follows:

	2016	2015
Fund Balances:		
Trust Funds	\$ 21,980,837	\$ 18,997,127
Special Funds	-	20,000
Appropriated Funds	55,615,000	52,522,677
Other Fund Types	482,877	599,075
Total	\$ 78,078,714	\$ 72,138,879
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 954,820	\$ 3,452,805
Unavailable	-	2,544,270
Obligated Balance Not Yet Disbursed	76,303,513	65,205,225
Temporary Sequestration-TAPL	337,504	337,504
Non-Budgetary FBWT	482,877	599,075
Total	\$ 78,078,714	\$ 72,138,879

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

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

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

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NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2016 and 2015, were as follows:

	2016	2015
With the Public		
Total Public Accounts Receivable	\$ 611	\$ 929
Total Accounts Receivable	\$ 611	\$ 929

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2016 and 2015.

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the Commission as of September 30, 2016 and 2015, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2016	2015
Intragovernmental – FECA	\$ 1,355	\$ 1,355
Unfunded Leave	74,679	81,579
Deferred Lease Liabilities	-	(262)
Total Liabilities Not Covered by Budgetary Resources	\$ 76,034	\$ 82,672
Total Liabilities Covered by Budgetary Resources	4,674,842	2,418,454
Total Liabilities	\$ 4,750,876	\$ 2,501,126

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

NOTE 6. OTHER LIABILITIES

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Financial Statements

Other liabilities account balances as of September 30, 2016 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 1,355	\$ -	\$ 1,355
Payroll Taxes Payable	10,078	-	10,078
Other Accrued Liabilities	254,223	-	254,223
Total Intragovernmental Other Liabilities	\$ 265,656	\$ -	\$ 265,656

With the Public

Payroll Taxes Payable	\$ 1,944	\$ -	\$ 1,944
Accrued Funded Payroll and Leave	451,146	-	451,146
Unfunded Leave	74,679	-	74,679
Other Accrued Liabilities Grants	3,119,047	57,495	3,176,542
Deposit Fund Liability (State of Alaska)	482,877	-	482,877
Total Public Other Liabilities	\$ 4,129,693	\$ 57,495	\$ 4,187,188

Other liabilities account balances as of September 30, 2015 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 1,355	\$ -	\$ 1,355
Payroll Taxes Payable	12,543	-	12,543
Other Accrued Liabilities	817,468	-	817,468
Total Intragovernmental Other Liabilities	\$ 831,366	\$ -	\$ 831,366

With the Public

Payroll Taxes Payable	\$ 1,676	\$ -	\$ 1,676
Accrued Funded Payroll and Leave	511,371	-	511,371
Unfunded Leave	81,579	-	81,579
Other Accrued Liabilities Grants	770,699	97,416	868,115
Deposit Fund Liability (State of Alaska)	101,320	-	101,320
Total Public Other Liabilities	\$ 1,466,645	\$ 97,416	\$ 1,564,061

NOTE 7. LEASES

Operating Leases

Denali Commission occupies office space under a lease agreement that is accounted for as an operating lease. The lease term began on June 1, 2013 and expires on October 1, 2021. Lease payments are increased annually based on the adjustments for operating cost and real estate tax

Financial Section

Financial Statements

escalations. The total operating lease expense for fiscal years 2016 and 2015 were \$391,990 and \$388,203, respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Office Space
2017	\$ 395,892
2018	399,910
2019	427,541
2020	431,804
2021	436,196
Total Future Payments	\$ 2,091,343

NOTE 8. FUNDS FROM DEDICATED COLLECTIONS

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

Schedule of Funds from Dedicated Collections as of September 30, 2016 and 2015.

	2016	2015
Balance Sheet		
ASSETS		
Fund Balance with Treasury	\$ 21,980,837	\$ 18,997,128
Total Assets	\$ 21,980,837	\$ 18,997,128
LIABILITIES AND NET POSITION		
Accounts Payable	\$ 68,332	\$ -
Other	2,176,050	151,842
Cumulative Results of Operations	19,736,455	18,845,286
Total Liabilities and Net Position	\$ 21,980,837	\$ 18,997,128
Statement of Net Cost		
Program Costs	\$ 5,332,241	\$ 3,390,442
Less: Earned Revenues	-	-
Net Cost of Operations	\$ 5,332,241	\$ 3,390,442
Statement of Changes in Net Position		
Net Position Beginning of Period	\$ 18,845,286	\$ 15,873,812
Net Cost of Operations	(5,332,241)	(3,390,442)
Other Revenue	6,223,410	6,361,916
Change in Net Position	891,169	2,971,474
Net Position End of Period	\$ 19,736,455	\$ 18,845,286

NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between Denali Commission and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

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Financial Statements

	2016	2015
Intragovernmental Costs	\$ 7,518,343	\$ 5,869,795
Public Costs	16,906,486	22,702,807
Total Net Cost	\$ 24,424,829	\$ 28,572,602

NOTE 10. IMPUTED FINANCING SOURCES

The Commission recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees that are attributable to OPM. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2016 and 2015, respectively, imputed financing was as follows:

	2016	2015
Office of Personnel Management	\$ 98,484	\$ 69,891
Total Imputed Financing Sources	\$ 98,484	\$ 69,891

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

The President's Budget that will include fiscal year 2016 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2017 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2017 Budget of the United States Government, with the "Actual" column completed for 2015, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 12. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Financial Section

Financial Statements

	2016	2015
Direct Obligations, Category A (Admin)	\$ 10,370,031	\$ 12,558,229
Direct Obligations, Category B (Program)	26,582,449	19,776,670
Direct Obligations, Category E (Program)	-	20,000
Reimbursable Obligations, Category B (Program)	222,155	98,302
Total Obligations Incurred	\$ 37,174,635	\$ 32,453,201

Obligations incurred and reported in the Statement of Budgetary Resources in 2016 and 2015 consisted of the following:

Category A apportionments distribute budgetary resources by fiscal quarters.

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

NOTE 13. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the fiscal years ended September 30, 2016 and 2015, budgetary resources obligated for undelivered orders amounted to \$72,358,303 and \$63,632,361, respectively.

NOTE 14. CUSTODIAL ACTIVITY

The Commission custodial collection primarily consists of grant monies returned from cancelled funds. While these collections are considered custodial, they are neither primary to the mission of the Commission nor material to the overall financial statements. The Commission's total custodial collections are \$66 and \$278,983 for the years ended September 30, 2016, and 2015, respectively.

NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

Agency Financial Report (AFR)

Financial Section

Financial Statements

	2016	2015
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$37,174,635	\$ 32,453,201
Spending Authority from Offsetting Collections and Recoveries	(14,908,970)	(18,889,006)
Obligations Net of Offsetting Collections and Recoveries	22,265,665	13,564,195
Other Resources		
Imputed Financing from Costs Absorbed by Others	98,484	69,891
Net Other Resources Used to Finance Activities	98,484	69,891
Total Resources Used to Finance Activities	22,364,149	13,634,086
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	2,060,680	14,938,516
Total Resources Used to Finance the Net Cost of Operations	24,424,829	28,572,602
Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	-	-
Net Cost of Operations	\$24,424,829	\$ 28,572,602

Other Accompanying Information

Denali Commission FY 2016 Work Plan



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Federal Register / Vol. 81, No. 80 / Tuesday, April 26, 2016 / Notices

- 12:00 p.m.–1:00 p.m. Lunch and Tour of the Army JAG School
- 1:00 p.m.–2:30 p.m. Overview on Training and Experience of Attorneys Defending Adult Sexual Assault Cases—*Speakers: Service experts on defense counsel training*
- 2:30 p.m.–4:00 p.m. Overview of Training and Experience of Special Victims' Counsel—*Speakers: Service experts on victim counsel training*
- 4:00 p.m.–4:15 p.m. Public Comment

Availability of Materials for the Meeting: A copy of the May 13, 2016 public meeting agenda or any updates or changes to the agenda, to include individual speakers not identified at the time of this notice, as well as other materials provided to Panel members for use at the public meeting, may be obtained at the meeting or from the Panel's Web site at <http://jpp.whs.mil>. In the event the Office of Personnel Management closed the government due to inclement weather or any other reason, please consult the Web site for any changes in the public meeting date or time.

Public's Accessibility to the Meeting: Pursuant to 5 U.S.C. 552b and 41 CFR 102–3.140 through 102–3.165, and the availability of space, this meeting is open to the public. Parking is available at the Legal Center and School. To park, attendees must present a government-issued photo identification card to the Legal Center and School security guard, who will direct you to the parking lot designated for the event. To enter the building, attendees must present a government-issued photo identification card to the security guard, register with staff, and wear a visitor badge while in the building. Staff will direct attendees to the location of the meeting. Seating is limited and is on a first-come basis.

Special Accommodations: Individuals requiring special accommodations to access the public meeting should contact the Judicial Proceedings Panel at whs.pentagon.em.mbx.judicial-panel@mail.mil at least five (5) business days prior to the meeting so that appropriate arrangements can be made.

Procedures for Providing Public Comments: Pursuant to 41 CFR 102–3.140 and section 10(a)(3) of the Federal Advisory Committee Act of 1972, the public or interested organizations may submit written comments to the Panel about its mission and topics pertaining to this public session. Written comments must be received by the JPP at least five (5) business days prior to the meeting date so that they may be made available to the Judicial Proceedings Panel for their consideration prior to the meeting.

Written comments should be submitted via email to the Judicial Proceedings Panel at whs.pentagon.em.mbx.judicial-panel@mail.mil in the following formats: Adobe Acrobat or Microsoft Word. Please note that since the Judicial Proceedings Panel operates under the provisions of the Federal Advisory Committee Act, as amended, all written comments will be treated as public documents and will be made available for public inspection. If members of the public are interested in making an oral statement, a written statement must be submitted as above along with a request to provide an oral statement. After reviewing the written comments, the Chairperson and the Designated Federal Officer will determine who of the requesting persons will be able to make an oral presentation of their issue during the open portion of this meeting. Determination of who will be making an oral presentation is at the sole discretion of the Committee Chair and the Designated Federal Officer and will depend on time available and relevance to the Panel's activities, and on a first-come basis. Oral presentations by members of the public will be permitted from 4:00 p.m. to 4:15 p.m. on May 13, 2016 in front of the Panel members.

Committee's Designated Federal Officer: The Panel's Designated Federal Officer is Ms. Maria Fried, Department of Defense, Office of the General Counsel, 1600 Defense Pentagon, Room 3B747, Washington, DC 20301–1600.

Dated: April 21, 2016.

Aaron Siegel,

Alternate OSD Federal Register Liaison Officer, Department of Defense.

[FR Doc. 2016–09671 Filed 4–25–16; 8:45 am]

BILLING CODE 5001–06–P

DENALI COMMISSION

[3300–01–m]

Denali Commission Fiscal Year 2016 Draft Work Plan

AGENCY: Denali Commission.

ACTION: Notice.

SUMMARY: The Denali Commission (Commission) is an independent federal agency based on an innovative federal-state partnership designed to provide critical utilities, infrastructure and support for economic development and training in Alaska by delivering Federal services in the most cost-effective manner possible. The Commission was created in 1998 with passage of the October 21, 1998 Denali Commission Act (Act) (Title III of Pub. L. 105–277, 42 U.S.C. 3121). The Act requires that

the Commission develop proposed work plans for future spending and that the annual Work Plan be published in the **Federal Register**, providing an opportunity for a 30-day period of public review and written comment. This **Federal Register** notice serves to announce the 30-day opportunity for public comment on the Denali Commission Draft Work Plan for Federal Fiscal Year 2016 (FY 2016).

DATES: Comments and related material to be received by May 25, 2016.

ADDRESSES: Submit comments to the Denali Commission, Attention: Sabrina Cabana, 510 L Street, Suite 410, Anchorage, AK 99501.

FOR FURTHER INFORMATION CONTACT: Ms. Sabrina Cabana, Denali Commission, 510 L Street, Suite 410, Anchorage, AK 99501. Telephone: (907) 271–1414. Email: scabana@denali.gov.

Background: The Denali Commission's mission 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 build and ensure the operation and maintenance of Alaska's basic infrastructure, and to develop a well-trained labor force employed in a diversified and sustainable economy.

By creating the Commission, Congress mandated that all parties involved partner together to find new and innovative solutions to the unique infrastructure and economic development challenges in America's most remote communities. Consistent with its statutory mission, in September of 2015 President Obama designated the Denali Commission as the lead federal agency for coordinating federal efforts to mitigate the impacts of erosion, flooding and permafrost degradation in rural Alaska. The primary goal is to build climate resilience with respect to infrastructure in environmentally threatened communities.

Pursuant to the Act, the Commission determines its own basic operating principles and funding criteria on an annual federal fiscal year (October 1 to September 30) basis. The Commission outlines these priorities and funding recommendations in an annual Work Plan. The FY 2016 Work Plan was developed in the following manner.

- A workgroup comprised of Denali Commissioners and Denali Commission staff developed a preliminary draft Work Plan.
- The preliminary draft Work Plan was published on www.denali.gov for review by the public in advance of public testimony.

Other Accompanying Information

Denali Commission FY 2016 Work Plan

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- A public hearing was held to record public comments and recommendations on the preliminary draft Work Plan.
- Written comments on the preliminary draft Work Plan were accepted for another two weeks after the public hearing.
- All public hearing comments and written comments were provided to Commissioners for their review and consideration.
- Commissioners discussed the preliminary draft Work Plan in a public meeting and then voted on the Work Plan during the meeting.
- The Commissioners forwarded their recommended Work Plan to the Federal Co-Chair, who then prepared the draft Work Plan for publication in the **Federal Register** providing a 30-day period for public review and written comment. During this time, the draft Work Plan will also be disseminated to Commission program partners including, but not limited to, the Bureau of Indian Affairs (BIA), the Economic Development Administration (EDA), Department of Agriculture—Rural Utilities Service (USDA/RUS), and the State of Alaska.

- At the conclusion of the **Federal Register** Public comment period Commission staff provides the Federal Co-Chair with a summary of public comments and recommendations, if any, on the draft Work Plan.
- If no revisions are made to the draft, the Federal Co-Chair provides notice of approval of the Work Plan to the Commissioners, and forwards the Work Plan to the Secretary of Commerce for approval; or, if there are revisions the Federal Co-Chair provides notice of modifications to the Commissioners for their consideration and approval, and upon receipt of approval from Commissioners, forwards the Work Plan to the Secretary of Commerce for approval.
- The Secretary of Commerce approves the Work Plan.
- The Federal Co-Chair then approves grants and contracts based upon the approved Work Plan.

FY 2016 Appropriations Summary

The Commission has historically received federal funding from several sources.

These fund sources are governed by the following general principles:

- In FY 2016 no project specific direction was provided by Congress.
- The Energy and Water Appropriation (*i.e.* “discretionary” or “base” funding) is eligible for use in all programs.
- Certain appropriations are restricted in their usage. Where restrictions apply, the funds may be used only for specific program purposes.
- Final appropriation funds received may be reduced due to Congressional action, rescissions by the Office of Management and Budget, and other federal agency action.
- All Energy and Water Appropriation and Trans-Alaska Pipeline Liability (TAPL) funds, including operating funds, identified in the Work Plan, are “up to” amounts, and may be reassigned to other programs included in the current year work plan, if they are not fully expended in a program component area or a specific project.

DENALI COMMISSION FY 2016 FUNDING SUMMARY

Source	Available for program activities
Energy & Water Funds:	
FY 2016 Appropriations	\$8,000,000
Prior Year Funds and Anticipated Recoveries	2,000,000
Subtotal	10,000,000
TAPL Funds:	
FY 2016 Annual Allocation	11,500,000
Prior Year Allocation	
Prior Year Funds and Anticipated Recoveries	1,000,000
Subtotal	12,500,000
Grand Total	22,500,000

DENALI COMMISSION FY 2016 WORK PLAN

Program and type of investment	Energy & water funds	TAPL funds	Total
Energy:			
New Rural Power System Upgrade (RPSU) Projects	\$2,800,000		\$2,800,000
RPSU Maintenance & Improvements	500,000		500,000
Audits, Technical Assistance, & Community Energy Efficiency Projects	500,000		500,000
New & Refurbishment Bulk Fuel Projects		* 3,400,000	3,400,000
Bulk Fuel Maintenance & Improvements		1,000,000	1,000,000
Bulk Fuel Operations & Maintenance Practices	200,000	250,000	450,000
Subtotal	4,000,000	4,650,000	8,650,000
Transportation:			
Barge Landings & Mooring Points		7,200,000	7,200,000
Subtotal	0	7,200,000	7,200,000
Environmentally Threatened Communities:			
Mertarvik	2,870,000	150,000	3,020,000
Shaktolik	520,000	500,000	1,020,000
Shishmaref	520,000		520,000
Kivalina	520,000		520,000
Other Communities in GAO Report 09–551	490,000		490,000
Statewide Activities/Support	1,080,000		1,080,000
Subtotal	** 6,000,000	650,000	6,650,000
Grand Total	10,000,000	12,500,000	22,500,000

* \$1M from prior year funds and anticipated recoveries directed to the AEA Kipnuk Bulk Fuel Project.

** \$2M from prior year funds, \$1,080,000 of which is for Statewide Activities/Support.

Other Accompanying Information

Denali Commission FY 2016 Work Plan

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Federal Register / Vol. 81, No. 80 / Tuesday, April 26, 2016 / Notices

Environmentally Threatened Communities Program—Draft FY 2016 Investment Plan

In order to fulfill its role as lead federal coordinating agency the Denali Commission staff, in consultation with State, Federal, and other partners, and the referenced communities in particular, proposes the following investments in support of the new Environmentally Threatened Communities (ETC) Program. United States Government Accountability Office (GAO) Report 09–551 (<http://www.gao.gov/products/GAO-09-551>) was instrumental in charting prospective Commission investments.

Mertarvik

The community of Newtok has initiated its relocation to Mertarvik and has started building infrastructure at Mertarvik. The Commission funds summarized above plus \$475,000 of USDA/RUS funds that the Commission has in hand, will be used to supplement approximately \$4.8M from existing State of Alaska Legislative grants and re-appropriations, \$4.0M from the BIA Tribal Transportation Program, and \$3.5M of disaster relief funding from the Federal Emergency Management Agency (FEMA) and the State of Alaska. The Commission and USDA funds will be used for the following activities:

- Preparation of Programmatic Environmental Documentation for the overall relocation effort that will allow other Federal agencies to adopt the document for their investments.
- Development of a final Site Plan and Official Plat that is consistent with ultimate utility development, road construction and community development.
- Geotechnical investigation to supplement existing information will allow efficient design of roads, building foundations, and other infrastructure.
- Development of the Borrow Site (quarry).
- Support for the existing Community Relocation Coordinator, Project Management Services, preparation of Emergency Response Plans, and conducting Emergency Response Drills.
- Design of a Bulk Fuel Storage Facility.
- Preliminary design of community power, water, sewer and solid waste facilities.
- Match/gap funds for other related activities identified by the Community.

Shaktoolik

The community of Shaktoolik has decided to protect the community in place for now.

The Commission funds summarized above will be used for the following activities:

- Support for the existing Community Relocation Coordinator, preparation of Emergency Response Plans, and conducting Emergency Response Drills.
- “Soft Erosion” protection measures.
- Design of a consolidated fuel storage facility above the 100-year flood level.
- Match/gap funds for other related activities identified by the Community.

Shishmaref

Shishmaref is considering relocation but has not yet selected a new site. The Commission funds summarized above will be used for the following activities:

- Support for the existing Community Relocation Coordinator, preparation of Emergency Response Plans, and conducting Emergency Response Drills.
- Local match for existing US Army Corps of Engineers (USACE) funds for a site specific 100-year Flood Analysis.
- Local match for existing USACE funds to design Phases 3 and 4 of an armor rock revetment to protect the island.
- Match/gap funds for other related activities identified by the Community.

Kivalina

Kivalina is considering relocation and has selected a site for a new school. The Commission funds summarized above will be used for the following activities:

- Support for the existing Community Relocation Coordinator, preparation of Emergency Response Plans, and conducting Emergency Response Drills.
- Local match for existing USACE funds for a site specific 100-year Flood Analysis.
- Local match for existing USACE funds to design an armor rock revetment to protect the lagoon side of the island.
- Match/gap funds for other related activities identified by the Community.

Other Communities in the 2009 GAO Report

The Commission funds summarized above will be used for the following activities in support of protect in place projects for the 27 other communities in GAO Report 09–551:

- Develop and/or update FEMA Hazard Mitigation Plans and Emergency Operation/Response Plans.
- Develop site specific project design, budget and schedules for two projects based on existing FEMA approved Hazard Mitigation Plans.

Statewide

It is well known that there are other communities in rural Alaska not

mentioned in the 2009 GAO Report that have infrastructure threatened due to erosion, flooding and permafrost degradation. The Commission intends to make \$1,080,000 of prior year discretionary funding available for a statewide Disaster Response Fund that can be used to respond quickly, or to provide matching funds to compliment other funders for ETC disaster response and recovery, and other statewide initiatives such as the following.

- Develop a general Community Prioritization Methodology based on the threats due to erosion, flooding and permafrost degradation. This tool will be used to expand the 2009 GAO list, and by other funding agencies to allocate future resources.
- Support for the State of Alaska Immediate Action Working Group (IAWG).
- Support for two full time employees at a Grant Writing Center of Excellence that will focus on developing grant proposals for ETC protect in place projects.

However, a final decision has not yet been made on the level of funding for disaster response/recovery verses the other potential statewide initiatives.

Statement Regarding FY 2017 Work Plan

The Federal Co-Chair and staff anticipate that the Commission’s investments in FY 2017 will focus on the Energy and ETC Programs, with at least \$5M for ETC. Current ideas for FY 2017 ETC initiatives and activities are summarized below. Of course, the agency will need to vet the proposed investments with each community in question, the State of Alaska, and the Commissioners.

1. Mertarvik community development.
2. Conceptual design and other pre-construction activities for a prototype emergency shelter facility that could be site adapted for construction in Shishmaref, Kivalina and Shaktoolik.
3. Mertarvik, Shishmaref, Kivalina, and Shaktoolik match/gap funding.
4. Pre-construction activities for protect in place projects for the 31 communities identified in GAO Report 09–550.
5. Statewide ETC investments.

Joel Neimeyer,

Federal Co-Chair.

[FR Doc. 2016–09708 Filed 4–25–16; 8:45 am]

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Other Accompanying Information

Financial Management Trends

As a micro agency, the Commission continues to expand use of the services of the Administrative Resource Center (ARC) under the US Treasury, Fiscal Service. These services, which include Travel, Finance, Human Resources and Procurement, allow for our independent agency to continue to meet all federal mandates despite our reduced staff level. ARC has served, and continues to serve, as a cost effective solution to operational budget challenges during times of decreased appropriations. In a professional manner, ARC ensures that our agency still maintains high quality and exceptional performance in all of our management systems. We look forward to many more years of partnership with this federal Center of Excellence.

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

For FY 2016, the Commission received an unmodified opinion in its annual financial audit. The results of this audit also found no material weaknesses and no significant deficiencies. The auditor stated that the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles; that the Commission had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations, along with no reportable noncompliance with laws and regulations with the items that were tested.

In FY 2015, the Commission's received an unqualified opinion in its annual financial audit. The results of this audit also found no material weaknesses. The auditor stated that the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles; that the Commission had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations, along with no reportable noncompliance with laws and regulations with the items that were tested.

Other Accompanying Information

Improper Payments Report

On July 22, 2010, the President signed into law the Improper Payments Elimination and Recovery Act (IPERA). IPERA amended the Improper Payments Information Act of 2002 (IPIA) and generally repealed the Recovery Auditing Act. OMB has supplied implementing direction on IPERA which requires:

- Review all programs and activities and identify those that are susceptible to significant improper payments.

Because of its small size, Denali Commission has assessed all of its grant programs and acknowledges that all are susceptible to improper payments as defined by the IPERA. However, none of the Commission's program meet the threshold of 'significant improper payment' defined in Section 57 of OMB Circular A-11, which would be both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments during the fiscal year. And none of the agency's grant programs are funded at \$100,000,000.

- Obtain a statistically valid estimate of the annual amount of improper payments in programs and activities for those programs that are identified as susceptible to significant improper payment.

Denali Commission has assessed all of its grant programs, and finds that none of the programs or activities reach the definition of 'significant improper payments'.

- Implement a plan to reduce improper payments

This requirement does not apply to the Commission, as no programs or activities were identified with the conditions above.

- Report estimates of the annual amount of improper payments in programs and activities and progress in reducing them

The Commission is not required to report on this component.



Joel Neimeyer
Federal Co-Chair

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



Denali Commission
Office of Inspector General
Anchorage, AK 99501

November 14, 2016

INFORMATION MEMORANDUM FOR THE DENALI COMMISSIONERS

A handwritten signature in blue ink, appearing to read "David Sheppard", is written over a horizontal line.

FROM: David Sheppard
Inspector General

SUBJECT: *Top Management and Performance Challenges Facing the Denali Commission in Fiscal Year 2017*

Enclosed is our report on the Denali Commission's *Top Management and Performance Challenges* for fiscal year (FY) 2017. The Commission has been substantially affected by the president's environmentally threatened communities initiative, continued budget reductions and conflict-of-interest rules that apply to Commissioners, and efforts to identify a strategic plan that addresses budget reductions amid increased responsibility. While inherent logistical challenges continue to impact the Commission staff's ability to visit funded projects, the Commission's concurrence with—and implementation of—recommendations made in a recent OIG audit report on the agency's grant monitoring efforts should improve its efforts. In addition, the recent focus of the Commission on environmentally threatened communities has reduced the available funding and subsequently the volume of legacy projects funded by the Commission. Most of the legacy projects still being funded are part of the energy program that are now in large part granted to program partners located in Anchorage. Due to these recent changes, we have removed monitoring efforts as a top management challenge.

We remain committed to keeping the Commission's decision-makers informed of problems identified through our audits, evaluations, and investigations so that timely corrective actions can be taken. The Commission's response to our October 21, 2016, draft *Top Management and Performance Challenges* report is included as an appendix. This report will be included in the Commission's *Agency Financial Report*, as required by law.¹

We appreciate the cooperation received from the Commission, and we look forward to working with you in the coming months. If you have any questions concerning this report, please contact me at (206) 220-7970.

cc: Corrine Eilo, Chief Financial Officer, Denali Commission
Jay Farmwald, Director of Programs, Denali Commission
John Whittington, General Counsel, Denali Commission
David Smith, Deputy Inspector General, U.S. Department of Commerce

¹ 31 U.S.C. § 3516(d).

Inspector General’s Perspective on Management and Performance Challenges Facing the Denali Commission

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Challenge 1: Addressing Evolving Role in the Environmentally Threatened Communities Initiative

On September 2, 2015, the President of the United States announced an initiative on climate change and village relocation efforts, stating that “the Denali Commission will play a lead coordination role for Federal, State and Tribal resources to assist communities in developing and implementing both short- and long-term solutions to address the impacts of climate change, including coastal erosion, flooding, and permafrost degradation.” According to a 2009 Government Accountability Office report on the relocation of Alaska Native villages, the four most pressing environmentally threatened communities in Alaska are Newtok, Kivalina, Shishmaref, and Shaktoolik.² These four communities are identified as needing to move as soon as possible due to the continued flooding and erosion, as well as limited emergency evacuation options. All these communities are suffering the impacts of climate change and are facing the decision to either move their village to a new location or protect in place.

Figure 1. Newtok, Alaska



Source: Denali Commission OIG

Newtok, Alaska, is a village of approximately 354 people on the Ningliq River in western Alaska and is not accessible by road (see figure 1). Newtok is eroding in part because it sits on permafrost, a once-permanently frozen sublayer of soil found in the Arctic region. As temperatures increase in Alaska, that permafrost is melting, leading to rapid erosion. Snow is melting earlier in the spring in Alaska, sea ice is receding, and the ocean temperature is increasing. Erosion has forced the village to begin planning and implementing relocation to Mertarvik, Alaska.

Figure 2. Kivalina, Alaska



Source: Denali Commission OIG

Kivalina, Alaska, is a city and village of approximately 470 people in northwest Alaska (see figure 2). Kivalina lies on a barrier island along the Chukchi Sea—above the Arctic Circle—and is not accessible by road. The island on which the village lies is threatened by rising sea levels and coastal erosion. Historically, the people of Kivalina have hunted large bowhead whales from camps atop the sea ice that stretches out from the town’s shores. But in recent years, climate change has thinned the ice so much that it has become too dangerous to hunt the whales. In addition, the sea ice acted as a protective barrier to the island. With the sea ice thinning, the island does not have enough protection from waves washing over the shore and eroding the coastline.

² United States Government Accountability Office, June 2009. *Alaska Native Villages: Limited Progress Has Been Made on Relocating Villages Threatened by Flooding and Erosion*, GAO-09-551. Washington, DC: GAO, 16.

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Shishmaref, Alaska, is a city and village of approximately 579 people in northwest Alaska (see figure 3). It is located on Sarichef Island in the Chukchi Sea, north of the Bering Strait and 5 miles from the mainland, and is not accessible by road. Climate change and rising temperatures have resulted in a reduction in the sea ice that serves as a protective barrier to buffer Shishmaref from storm surges. At the same time, the permafrost that the village is built on has also begun to melt, making the shore even more vulnerable to erosion. Although a series of barricades has been put up to protect the village, the shore has continued to erode.

Figure 3. Shishmaref, Alaska



Source: Denali Commission OIG

Figure 4. Shaktoolik, Alaska



Source: Denali Commission OIG

Shaktoolik, Alaska, is a city of approximately 260 people in northwest Alaska (see figure 4). Shaktoolik is located on the eastern shore of the Norton Sound and is not accessible by road. Shaktoolik is threatened by erosion and related effects of climate change, and the community has previously been relocated twice. In 2016, residents of Shaktoolik completed a strategic management plan to protect their community from erosion and violent storms. The plan lists nine critical actions, including replacing the health clinic, reinforcing the berm, and building an evacuation center. All of these critical actions are part of the village’s larger goal of remaining at their current site rather than relocating.

The president, in his proclamation and press statement, has tasked the Commission with the role of lead coordinator for the environmentally threatened communities initiative. However, there has not been any formal guidance in the form of an executive order, policy statement, or regulation that assigns the Commission with the lead coordinating role. Without formal guidance or assignment, the Commission is trying to understand their role and responsibility with little definition or clarity of what its part should be. In addition, the Commission is facing the challenge of how to help these environmentally threatened communities either move or protect in place with limited federal resources to carry out such actions.

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Challenge 2: Engaging Commissioners in Light of Ethics Concerns and Funding Realities

The Denali Commission Act of 1998 (Denali Commission Act) establishes that the Commission will be composed of seven members appointed by the Secretary of Commerce.³ The seven members represent a variety of perspectives throughout Alaska and are responsible for creating an annual work plan for the Commission. The Denali Commission Act names the presidents of the University of Alaska, the Alaska Municipal League, the Alaska Federation of Natives, the American Federation of Labor and Congress of Industrial Organizations (AFL–CIO) Alaska, and the Associated General Contractors of Alaska, as well as the governor of Alaska (state co-chair), and the federal co-chair of the Denali Commission as members but also allows these members to nominate individuals to serve in their stead. The governor of Alaska has nominated the lieutenant governor of Alaska to the Secretary of Commerce to serve as the state co-chair.

Given the positions held by the Commissioners within their respective organizations, the Commission requested an opinion from various federal entities—including the Office of Government Ethics and the Department of Justice—on whether federal conflict-of-interest laws apply to Commissioners. The informal decisions provided by the Department of Justice in 2006 and 2007 were that, absent an exemption, the federal conflict-of-interest laws apply to all Commissioners. In light of this determination, Commissioners became concerned about their level of engagement, considering that they could be held criminally liable for breaking conflict-of-interest laws. On September 8, 2016, the Senate submitted a bill to reauthorize the Denali Commission and the proposed legislation included creating a mechanism by which a Commissioner may disclose a potential conflict of interest. This process includes the Commissioner obtaining a written determination by the agency’s designated ethics official that the disclosed interest is not so substantial as to be likely to affect the integrity of the services expected from the Commissioner. However, the bill has not yet been signed into law and, therefore, the current ethics concerns remain a challenge to the agency.

The Commission’s funding for FY 2016 was \$19.5 million—up from \$14 million the previous year. However, this level of funding is still a significant decline from the \$140.6 million budget in FY 2006. While funding is not the only incentive for Commissioners to be engaged in the work of the Commission, encouraging all Commissioners to be sufficiently engaged with the Commission’s work remains a challenge.

Demands on the Commissioners’ time are incredible both from their own organizations and issues related to Alaska and the Commission. To help alleviate scheduling concerns, a meeting schedule was developed for FY 2016 through FY 2017. During the November 2015 Commissioner meeting, it was moved that the Commissioners adopt the meeting schedule through December 2016 and revisit the remainder of the schedule closer to calendar year 2017. The motion was brought to a vote and

³ Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Pub. L. 105-277, Division C, Title III (1998).

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approved unanimously by all in attendance.⁴ Although there were nine agreed upon meetings scheduled for FY 2016, only three of the meetings were held and achieved quorum. Throughout the year, two additional meetings were scheduled but terminated due to lack of quorum. Scheduling and holding meetings takes considerable effort and time from Commission staff, as well as outside parties that have interest in the meeting. Each meeting incurs approximately 30 hours of Commission staff time dedicated to Commissioner outreach and logistics, transcriber arrangements, website announcements and newsletters, program partner outreach, and materials preparation. Both meetings in FY 2016 that were cancelled due to lack of quorum were called specifically for Commissioners to make decisions regarding the Kipnuck energy project. For both canceled meetings, the Kipnuck Tribal Association members and the Alaska Energy Authority (a program partner of the Denali Commission) attended the meeting and prepared materials. As a result of the canceled meetings, important project decisions were delayed.

However, near the end of FY 2016 the Commissioners have shown improvement both in obtaining a quorum for scheduled meetings as well as the substance of the meetings in terms of decision making. Over the last two fiscal years, FY 2017 is the first year the Commissioners have approved a tentative work plan prior to the beginning of the new fiscal year.

The current cadre of Commissioners embodies a wealth of knowledge and experience within the state and represents an important cross-section of tribes, municipalities, state government, academia, business, and labor. Obtaining their input and advice is considered by many to be an important component of the Denali Commission Act. Therefore, increasing Commissioner engagement is a challenge the Denali Commission's staff will need to overcome not only to ensure it is meeting the intent of the act, but also taking full advantage of everything the Commissioners have to offer.

⁴ Six of seven Commissioners were in attendance at the November 2015 meeting, including the Federal Co-chair, who only votes in the event that a tie breaker is needed. Therefore, there were five voting Commissioners in attendance and they unanimously approved the motion.

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Challenge 3: Identifying a Strategic Vision and Plan in a Period of Funding Uncertainty

As noted previously, although the FY 2016 budget was a \$5.5 million increase from the previous year, this level of funding is still a significant decline from the \$140.6 million budget in FY 2006. The Commission no longer receives Congressional earmarks and receives few transfers from other federal or state agencies. Its FY 2016 budget was \$19.5 million, with funding coming from only two federal sources: the Energy and Water Development and Related Agencies Appropriations Act, 2014, and the Trans-Alaska Pipeline Liability Fund. Despite drastic reductions in funding, the Commission continues to explore ways to improve rural Alaska.

In FY 2014, the Commission entered into an agreement with Enlighteneering, Inc., to help begin the critical effort of creating a strategic plan. The Commissioners met on March 27, 2015, to begin their strategic planning process; however, the plan was not finalized and recent progress has not been made in moving forward to complete the strategic plan. During the August 2016 Commissioner meeting, how to move forward with strategic planning was discussed but it was unanimously voted—by the five Commissioners in attendance—to table the issue until the Commission is reauthorized and a quorum, including both co-chairs, are present. Although strategic planning has been delayed, the process could help bring together Commissioners with different perspectives and varied perceptions of the Commission's priorities. It will require Commission staff, the federal co-chair, and the Commissioners themselves to agree on core values and a common vision for the Commission's future. Considering the President's announcement of the Commission's new role in a time of limited and uncertain funding, this will be a challenge.

These complexities are the very reasons that the completion of a strategic vision and planning effort is so critically important. Strategic planning will help the Commission fulfill its mandate from Congress by (a) clearly identifying its priorities and whom it should be serving, (b) developing a process to help it deliver those priorities to its beneficiaries, which are primarily rural Alaska communities, and (c) helping to identify the best approach to delivering on the President's new initiative. The planning process will also help the Commission to make the best use of its limited funding and unite the Commission staff, the Commissioners, and its stakeholders—which include its beneficiaries, the Alaskan Congressional delegation, and others—around a common vision and approach. The planning process should also provide the Commission with a method of assessing whether its activities are successfully meeting measurable program goals.

In order to have an effective strategic planning process, the Commission must have the full support of each staff member and each Commissioner, working toward a common goal and pulling in the same direction.

Federal Co-Chair Response to Inspector General's Perspectives on Management and Performance Challenges Facing the Denali Commission, November 2016

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Appendix A: Agency Response



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Memorandum

To: David Sheppard, Inspector General
From: Joel Neimeyer, Federal Co-Chair *Joel Neimeyer*
Subject: Response to Top Management Challenges Facing the Denali Commission in FY2017
Date: November 10, 2016

This is in response to your memo dated October 21, 2016 concerning the above referenced subject. The following is offered.

Challenge 1: Addressing Evolving Role in the Environmentally Threatened Communities (ETC) Initiative:

I concur with this management challenge. Once the Commission was given the assignment by the President to be the lead coordinating Federal agency for village relocation and protect in place solutions, and until such time Congress or the White House formally rescinds or amends the assignment, all of rural Alaska will look to the Commission to serve in a lead role in identifying and prioritizing solutions. The lack of formal guidance makes the agency assignment more challenging as we explore what are the opportunities and the boundaries for a coordinating agency in providing prioritized solutions to the cabinet level agencies, which will ostensibly implement these solutions. As an example, lacking formal guidance, to the Commission and the full family of Federal agencies, why should a cabinet level agency agree to waive or modify existing grant making programs to focus resources on ETC prioritized projects?

Nonetheless, the Commission is leaning forward in working with the 31 ETC prioritized rural Alaska communities (see GAO Report 09-551) in identifying solutions to environmental threats. We are heartened by similar efforts from other Federal agencies including the US Army Corps of Engineers, the US Department of Housing and Urban Development, the Federal Aviation Administration, and most especially the Bureau of Indian Affairs in working with ETC communities. We are also appreciative of other Federal agencies such as the Federal Emergency Management Administration that have, in full candor, discussed their Congressional authorities and agency regulations and how these fit, or do not fit, with responding to environmental threats to rural Alaska villages. Lastly, the commitment by the Commissioners to assign significant agency resources to the ETC program is a clear indication to the public and our program partners of the serious nature of the agency's work in this area.

One final note on this Challenge, the subject GAO report identifies a distinction between Newtok versus the communities of Shishmaref, Kivalina, and Shaktoolik. GAO states that Newtok is moving, and the other three "will likely need to relocate".

Challenge 2: Engaging Commissioners in Light of Conflict-of-Interest Concerns and Funding Realities:

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I concur with this management challenge. As I noted last year on this Challenge, the agency intended to deploy alternative means for Commissioner engagement on the agency annual work plan. This included deliberating on the work plan in a three phase approach. First, the Commissioners in a work session would identify general funding levels for specific programs and only on rare exception consider specific projects (where conflict of interest issues increase for Commissioners). Second, the agency holds a public hearing and accepts written comments. Lastly, 30 days or so after the work session the Commissioners reconvene in a public meeting to consider public comments and then vote on a work plan. This approach was applied successfully since the 2015 Top Management Challenges was published for the agency's FY2016 and FY2017 work plans. From my vantage point I view this change as more transparent to the public; it allows more meaningful public engagement; and it allows Commissioners to engage in a more meaningful way (by removing consideration of specific projects, for one).

Despite the success on the work plan process in FY2016, the agency was not successful in fulfilling our commitment of holding Commission meetings, as noted. One cause of this was the extended Alaska legislative cycle in an environment in which significant State budget cuts were considered – many of which specifically impacted the Commissioners. Nonetheless, we can do better on this front.

Challenge 3: Identifying a Strategic Vision and Plan in a Period of Uncertainty:

I concur with this management challenge. As noted in last year's response to the Top Management Challenges, Commissioners started the 5-Year Strategic Planning process at the March 27, 2015 Commission meeting – which I should note was where the germination of the ETC program began. This work was then further refined by agency staff and our contract associates with Enlighteneering, Inc. Unfortunately, Commissioners, as noted in Challenge 2, were not able to meet as originally envisioned and their work on the strategic plan remains largely unaddressed. The strategic plan remains for them to complete in FY2017. That being said, much of the work they have done recently on annual work plans fits in nicely with the development of a strategic plan. For example, the investments in FY2016/17 work plans for the ETC program outline a path for how the agency can serve as a lead coordinating agency on village relocations and protect in place solutions. Furthermore, the Commissioners opined on the agency's FY2018 budget request to the Office of Management and Budget. In addition, the inclusion of some investments for refurbishment, and enhancing operation and maintenance of existing energy infrastructure is a step forward for "maintaining, sustaining and protecting" existing rural Alaska infrastructure. This concept of taking care of what we have is an area of investment interest for the Commissioners and speaks to the question of how the agency can remain relevant during a time of limited funding.

One final note on this Challenge, the Commission also received \$2.5M in US Department of Agriculture – Rural Utility Service funding in FY2016 that was used for the agency's energy program investments.

I thank you for the opportunity to comment on the Top Management Challenges for 2017.