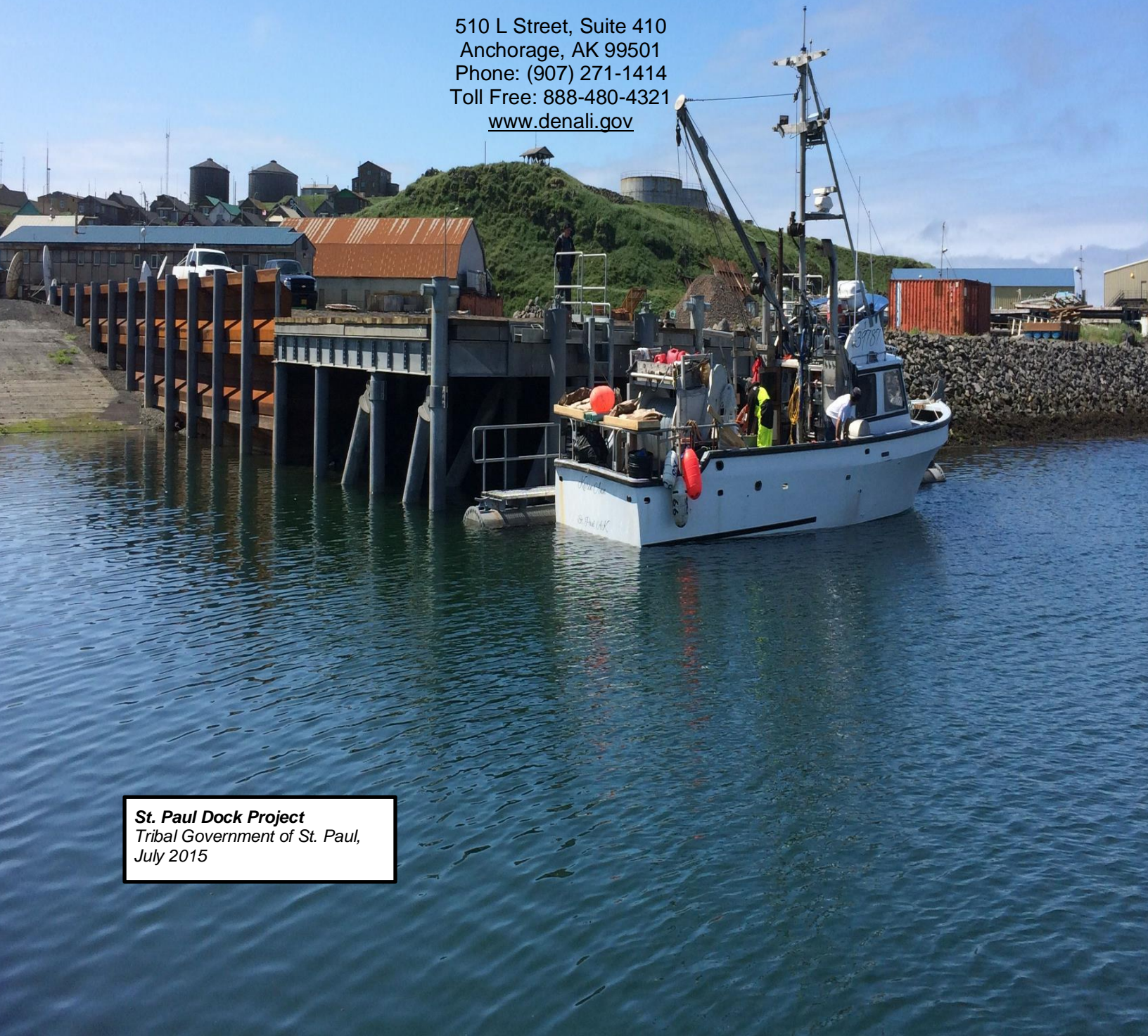




Denali Commission Agency Financial Report (AFR) Fiscal Year 2018

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www.denali.gov



St. Paul Dock Project
Tribal Government of St. Paul,
July 2015

Agency Financial Report (AFR)

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Denali Commission

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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/wp-content/uploads/2018/02/Denali-Commission-Act-of-1998-updated-2017.pdf>). 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

Mission, Purpose Statement, Organizing Principles and Priority Initiatives

Mission

The mission of the Denali Commission is to provide infrastructure, job training and to support economic development. The Commission was established with a specific focus on promoting rural development in the following areas: bulk fuel storage, power generation, health care facilities, surface transportation and waterfront facilities, communication systems and specialty housing (e.g. domestic violence shelters). In executing the mission, the Commission strives to deliver services in the most cost-effective manner possible.

Purpose Statement

Promote Rural Development by Unlocking More Powerful Solutions

Organizing Principles

- Lead transformational change to meet the infrastructure needs of rural communities in a sustainable manner
- Deliver federal services in the most cost-effective and transparent manner, utilizing public input every step of the way
- Focus on community infrastructure
- Use existing statutory authority, maximize Federal agencies in Alaska to effectively leverage infrastructure funds and maximize federal-state-municipal-tribal coordination
- Actively promote good governance, accountability and innovation

Priority Initiatives

1. Work with Federal and non-Federal stakeholders to define the future of the Denali Commission and ensure alignment of all partners.
2. Protect existing infrastructure investments.
3. Continue to develop and implement the new Village Infrastructure Protection program.
4. Maintain relevance and impact in rural Alaska.

Management Discussion and Analysis

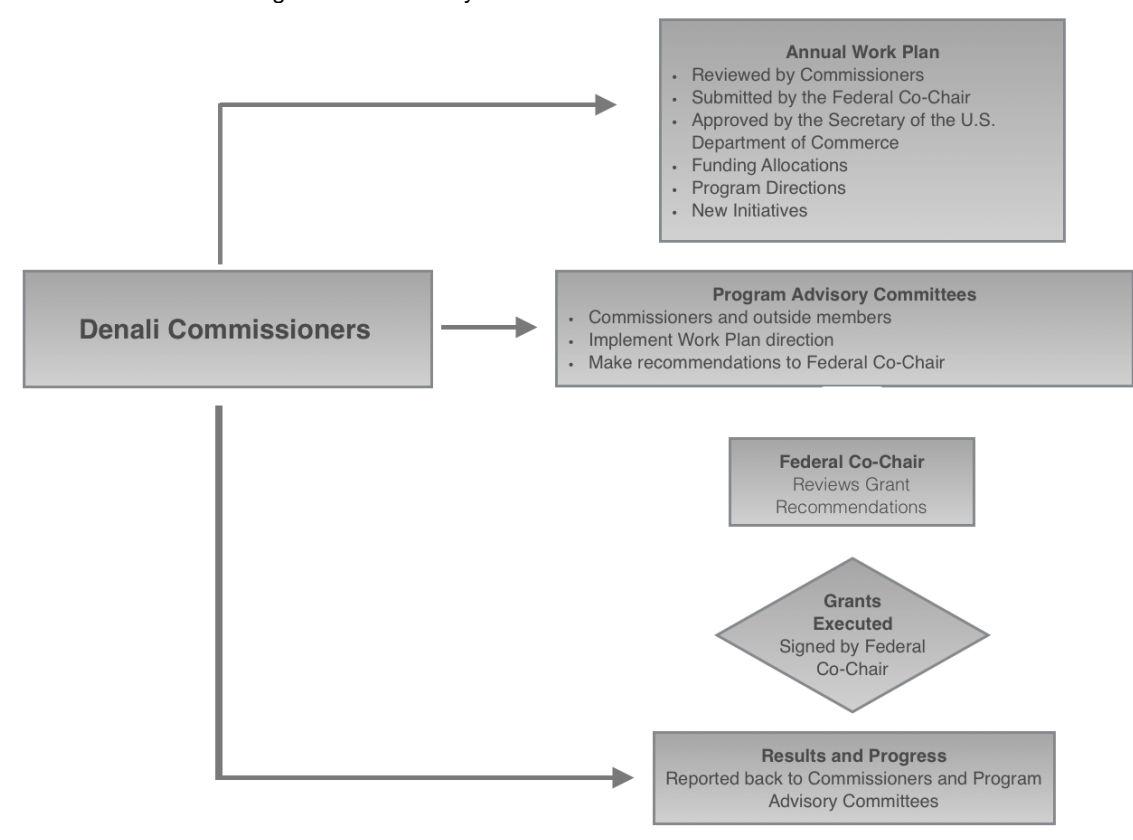
Denali Commissioners

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

Commissioners identified general program funding levels for the FY 2018 Work Plan during a meeting on June 30, 2017. The agency then held a public hearing on August 2, 2017 to receive verbal comments on the draft plan. Written comments were accepted up to August 18th and three comments were received. Commissioners approved the draft Work Plan on September 11, 2017. They made no changes to the draft Work Plan based on public comments. The draft FY 2018 work plan was then published in the Federal Register on September 26, 2017. The comment period was through 30 October 2017. No comments were received. On November 6th the draft FY 2018 Work Plan was submitted to the Department of Commerce. The Department formally approved the Work Plan on December 1, 2017.

The FY 2018 Work Plan outlined the Commission's intentions to allocate \$6.8M to the Energy Program, \$1.9M to the Bulk Fuel Program, \$1.2M to the Transportation Program and \$5.0M to the Village Infrastructure Protection Program.

The full FY 2018 Work Plan can be found in the Other Accompanying Information section of this document.

Program Resources

In FY 2018, no project specific funds were provided in any appropriations to the Commission. However, the final FY 2018 Energy and Water Appropriations Bill included \$30M of "Base" funding for the Commission vs. the \$15M anticipated during development of the Annual Work Plan. The additional Base funding was allocated to the VIP Program by the Federal Co-Chair consistent with discussions during a January 29, 2018 meeting with Commissioners.

Base funds remain available for use in all programs until expended. All other appropriations and transfers are restricted. Where restrictions apply, the funds may be used only for specific program purposes.

In FY 2018 a total of \$2,193,172 was allocated from the Trans-Alaska Pipeline Liability Fund (TAPL) to the Commission for bulk fuel related projects. During FY 2018, the Commission also received \$2,530,612 from other agencies for program activities.

Functional Uses of FY 2018 Budgetary Resources

The FY 2018 Commission budgetary authority primarily funded and administered the following programs 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

Management Discussion and Analysis

Program Resources

Transportation Program

- Maintenance and Improvement Projects

Village Infrastructure Protection Program

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

Administration

- Operating costs

As is customary, if additional Base, TAPL or other program funds become available during the year once actual project budgets are finalized and/or when active projects are completed under budget, those excess funds are applied to the programs approved in the current year Work Plan.

Program Obligations

The annual Work Plan includes target investment amounts in various program areas such as Energy Reliability & Security, Bulk Fuel Safety & Security, and Village Infrastructure Protection to name a few. The investment amounts are based on anticipated appropriations, other funds that may flow into the Commission and external match/leveraged funds. Commission staff implement the annual work plan via grants, cooperative agreements, and contracts.



Aerial View of Kivalina

Management Discussion and Analysis

Program Obligations

It is difficult to directly or exclusively link funding in a particular year, with an individual award or specific performance/outcomes in the same year because of certain timing issues. For example, in some years the Work Plan approval process has not been completed until the third or fourth quarter of the fiscal year. And in some years, the Base funds have been delayed due to the congressional appropriation process not being complete by 30 September, and/or direct transfers from other agencies (e.g. USDA) were delayed. In addition, because the construction season is very short in most of rural Alaska, unless funds can actually be obligated very early in the fiscal year, physical construction cannot start until the following year. Finally, larger projects typically involve winter shut down periods and take several construction seasons to complete. For these reasons, it is more informative to summarize the approved Work Plans for several consecutive years, followed by a summary of the actual grants, agreements and contracts issued over a similar period. Invariably, the obligating documents involve a mixture of funds from several fiscal years and/or sources, and the projects supported with these funds take longer than a year to complete.

A summary of the category totals for the FY 2016, FY 2017 and FY2018 Work Plans, plus other resources that flowed directly into the Commission's program accounts appears below.

Program Resource Summary

Year	Base	TAPL	Other
FY2016 and Prior Year Unobligated	\$11,437,315	\$13,617,303	\$7,989,243
FY2017	\$11,447,309	\$3,118,798	\$2,715,605
FY2018	\$26,000,000	\$2,083,513	\$960,000
Sub Totals	\$48,884,624	\$18,819,614	\$11,664,848
Grand Total		\$79,369,086	

Management Discussion and Analysis

Program Obligations

Below is a summary of all the program investments actually made since April 2016:

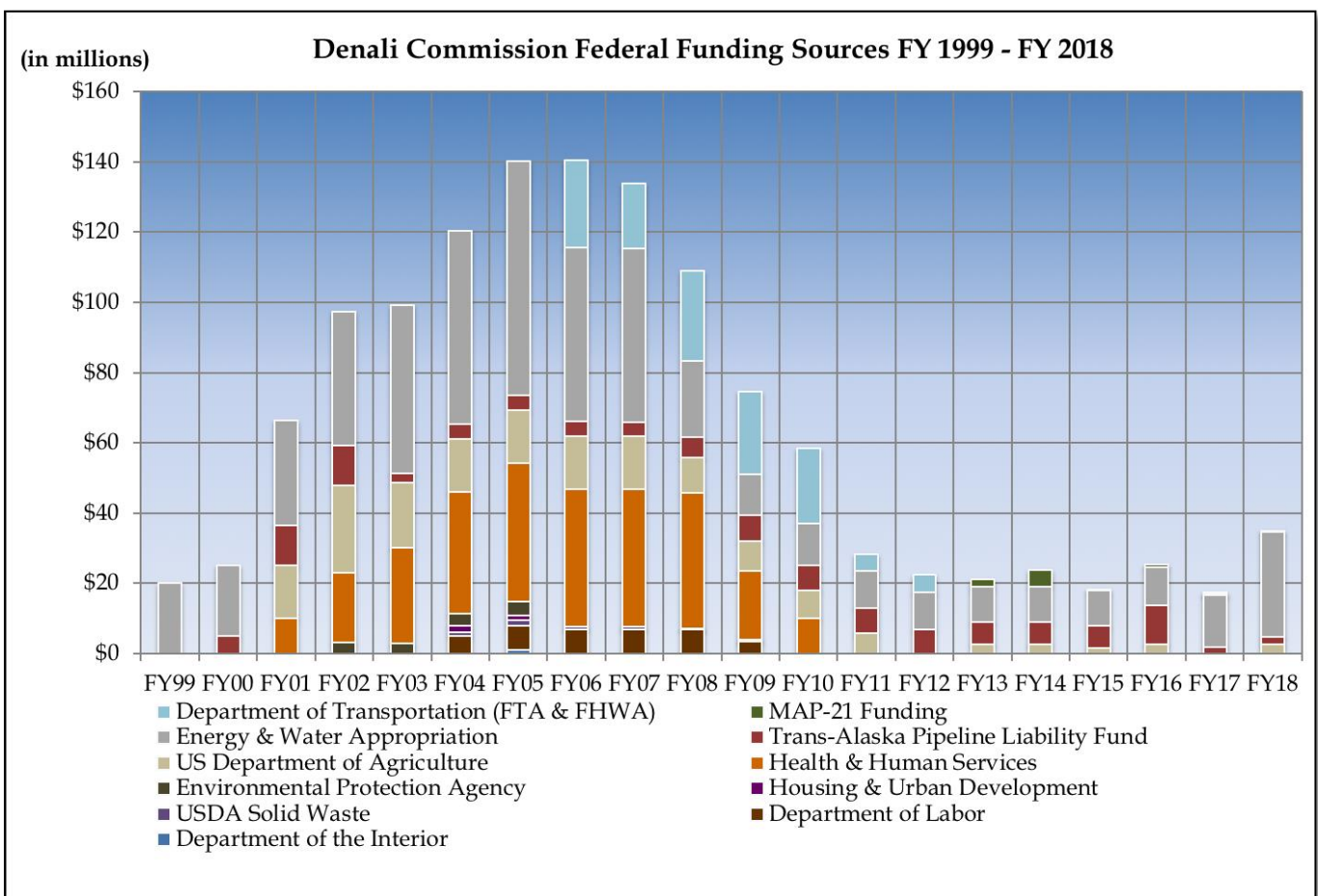
**Program Obligations
April 2016 - November 2018**

Program	Amount
Energy / Bulk Fuel	\$35,848,737
Transportation	\$8,277,133
Village Infrastructure Protection	\$31,907,298
Special Projects	<u>\$1,277,621</u>
Total	\$77,310,789
% of Available Resources	97.4%

Management Discussion and Analysis

Financial Performance Overview

As of September 30, 2018, 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.

MAP-21 granted authority to accept funding from both federal and non-federal sources to carry out the purposes of the Denali Commission Act.

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 2018, \$2.19 million was transferred to the Commission to assist in efforts to make bulk fuel tanks in Alaska code-compliant.

Budget Authority	FY 2018
Appropriations Received	\$30,000,000
Nonexpenditure Transfers	\$ 2,193,172
Offsetting Collections	\$12,988,801
Total Budget Authority	\$45,181,973

In FY 2018, Denali Commission's total budgetary resources were \$52.00 million, which includes \$1.01 million in unobligated balances brought forward and \$5.81 million in recoveries of prior year obligations.

Uses of Funds by Function

The Denali Commission incurred obligations of \$51.04 million in FY 2018 for program and administration operations. Unobligated funds in the amount of \$0.96 million were carried forward, for obligation in FY 2019.

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 \$82.86 million as of September 30, 2018. This is an increase of \$13.04 million from the end of FY 2017. The Commission's largest asset, Fund Balance with Treasury, increased due to a decrease in grant disbursements to recipients. The assets reported on the Commission's balance sheet are summarized in the accompanying table.

Assets Summary	FY 2018	FY 2017
Fund Balance with Treasury	\$82,855,642	\$67,817,705
Other Intragovernmental Assets	-	2,000,000
Accounts Receivable, Public	-	324
Other Accounts Receivable, Public	-	-
Total Assets	\$82,855,642	\$69,818,029

Management Discussion and Analysis

Financial Statement Highlights

Liabilities

The Denali Commission's liabilities were \$3.60 million as of September 30, 2018, an increase of \$0.23 million from the end of FY 2017. The liabilities reported on the Commission's balance sheet are summarized in the accompanying table.

Liabilities Summary	FY 2018	FY 2017
Accounts Payable, Intragovernmental	\$50,000	\$122,608
Other Intragovernmental Liabilities	263,835	464,379
Accounts Payable, Public	6,369	31,684
Other Liabilities, Public	3,272,517	2,747,189
Total Liabilities	\$3,592,721	\$3,365,860

Net Position

The difference between total assets and total liabilities, net position, was \$79.26 million as of September 30, 2018. This is an increase of \$12.81 million from the FY 2017 year-end balance. The net position reported on the Denali Commission's balance sheet is summarized in the accompanying table.

Net Position Summary	FY 2018	FY 2017
Unexpended Appropriations	\$22,631,959	\$2,588,086
Cumulative Results of Operations	56,630,962	63,864,083
Total Net Position	\$ 79,262,921	\$ 66,452,169

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 2018 and FY 2017.

Net Cost	FY 2018	FY 2017
Program Costs	\$32,476,008	\$36,216,417
Less: Earned Revenue	-	-
Total Net Costs of Operations	\$32,476,008	\$36,216,417

Statement of Changes in Net Position

The net position for the year ended September 30, 2017 was \$79.26 million, an increase of \$12.81 million from FY 2017. This increase is primarily due to a change in spending patterns in FY 2018.

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 \$52.00 million in total budgetary resources for FY 2018 – comprised of direct appropriations, nonexpenditure transfers from other federal agencies, and an unobligated balance available from FY 2017. During the fiscal year, \$51.04 million was obligated for program and administrative functions; \$0.96 million in funds were carried forward, and will be available for obligation in FY 2019. Net outlays in FY 2018 amounted to \$17.28 million.

Analysis of Systems, Controls and Legal Compliance

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, 2017, 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, 2017.

Analysis of Systems, Controls and Legal Compliance

Federal Financial Management Improvement Act (FFMIA)

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.

A handwritten signature in blue ink that reads "John Torgerson". The signature is fluid and cursive, with the first name "John" being larger and more prominent than the last name "Torgerson".

John Torgerson
Interim Federal Co-Chair

Financial Section

Inspector General Transmittal Letter

Agency Financial Report (AFR)



UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

November 15, 2018

MEMORANDUM FOR: Denali Commission Commissioners

A handwritten signature in black ink, reading "Mark H. Zabarsky", is positioned below the "MEMORANDUM FOR:" line.

FROM: Mark H. Zabarsky
Principal Assistant Inspector General for Audit and Evaluation
U.S. Department of Commerce

SUBJECT: FY 2018 Financial Statements Audit
Final Report No. DCOIG-19-002-A

I am pleased to provide you with the attached audit report in which SB & Company, LLC (SBC), an independent public accounting firm, presented an unmodified opinion on the Denali Commission's fiscal year 2018 financial statements. SBC performed the audit in accordance with U.S. generally accepted government auditing standards.

In its audit of the Denali Commission, SBC

- Identified no instances of material weakness in internal control over financial reporting;
- Identified no instances of noncompliance with provisions of applicable law, regulations, contracts, and grant agreements; 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 SBC's report and related documentation and inquiries of its representatives.¹ Our review disclosed no instances where SBC 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 Denali Commission's financial statements. Therefore, we do not express any opinion on the Denali Commission's financial statements, conclusions about the effectiveness of internal controls, or conclusions on compliance with laws, regulations, contracts, and grant agreements. SBC is solely responsible for the attached audit report, dated November 6, 2018, and the conclusions expressed in it.

We appreciate the cooperation and courtesies the Denali Commission extended to both SBC and my office during the audit. If you wish to discuss the contents of this report, please call me at (202) 482-3884.

¹ The Department of Commerce Office of Inspector General provides oversight services to the Denali Commission through a Memorandum of Understanding between the two parties.

Financial Section

Inspector General Transmittal Letter

Agency Financial Report (AFR)

Attachment

cc: Corrine Eilo, Chief Financial Officer, Denali Commission
Peggy E. Gustafson, Inspector General, U.S. Department of Commerce

Financial Section

Report of Independent Public Accountants



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Office of the Inspector General and the Denali Commission

In our audits of the fiscal years 2018 and 2017 financial statements of the Denali Commission (the Commission), we found

- ☐ The Commission's financial statements as of and for the fiscal years ended September 30, 2018 and 2017, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- ☐ no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- ☐ no reportable noncompliance for fiscal year 2018 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI) and other information included with the financial statements; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) agency comments.

Report on the Financial Statements

We have audited the Commission's financial statements. The Commission's financial statements comprise the balance sheets as of September 30, 2018 and 2017; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

The Commission's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including 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.

Financial Section

Report of Independent Public Accountants

Agency Financial Report (AFR)



Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits.

U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements 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 auditor's 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 of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, the Commission's financial statements present fairly, in all material respects, the Commission's financial position as of September 30, 2018 and 2017, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Financial Section

Report of Independent Public Accountants



SB & COMPANY, LLC
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Other Information

The Commission's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on the Commission's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of the Commission's financial statements, we considered the Commission's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to the Commission's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

The Commission's management is responsible for maintaining effective internal control over financial reporting, including 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

In planning and performing our audit of the Commission's financial statements as of and for the year ended September 30, 2018, in accordance with U.S. generally accepted government auditing standards, we considered the Commission's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting.

Accordingly, we do not express an opinion on the Commission's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or

Financial Section

Report of Independent Public Accountants



Definition and Inherent Limitations of Internal Control over Financial Reporting (continued)

disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of the Commission's internal control over financial reporting. 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.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the Commission's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of the Commission financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

The Commission's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Commission.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the Commission that have a direct effect on the determination of material amounts and disclosures in the Commission's financial statements and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Commission.

Financial Section

Report of Independent Public Accountants

Agency Financial Report (AFR)



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Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2018 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Commission. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments

In commenting on a draft of this report, the Commission agreed with the results. The complete text of the Commission's response is reprinted in appendix II.

Hunt Valley, Maryland
November 6, 2018

SB & Company, LLC

Financial Section

Financial Statements

DENALI COMMISSION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017



Enclosed for your review are the 4th quarter financial statements for fiscal year 2018. Please forward any comments or questions by October 23, 2018. No response by this date will be viewed as acceptance and the financial statements will be submitted.

Financial Section

Financial Statements



**DENALI COMMISSION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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DENALI COMMISSION BALANCE SHEET AS OF SEPTEMBER 30, 2018 AND 2017 (In Dollars)

	2018	2017
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 3)	\$ 82,855,642	\$ 67,817,705
Other	-	2,000,000
Total Intragovernmental	82,855,642	69,817,705
Accounts Receivable, Net (Note 4)	-	324
Total Assets	\$ 82,855,642	\$ 69,818,029
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 50,000	\$ 122,608
Other (Note 6)	263,835	464,379
Total Intragovernmental	313,835	586,987
Accounts Payable	6,369	31,684
Other (Note 6)	3,272,517	2,747,189
Total Liabilities (Note 5)	\$ 3,592,721	\$ 3,365,860
Net Position:		
Unexpended Appropriations - Other Funds	\$ 22,631,959	\$ 2,588,086
Cumulative Results of Operations - Funds from Dedicated Collections (Note 8)	14,484,022	14,926,268
Cumulative Results of Operations - Other Funds	42,146,940	48,937,815
Total Net Position	\$ 79,262,921	\$ 66,452,169
Total Liabilities and Net Position	\$ 82,855,642	\$ 69,818,029

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**DENALI COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(In Dollars)**

	2018	2017
Program Costs:		
Gross Costs	\$ 32,476,008	\$ 36,216,417
Less: Earned Revenue	-	-
Net Program Costs	\$ 32,476,008	\$ 36,216,417
Net Cost of Operations	\$ 32,476,008	\$ 36,216,417

Agency Financial Report (AFR)

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DENALI COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(In Dollars)

	2018 Funds from Dedicated Collections	2018 All Other Funds	2018 Consolidated Total	2017 Funds from Dedicated Collections	2017 All Other Funds	2017 Consolidated Total
Unexpended Appropriations:						
Beginning Balances	\$ -	\$ 2,588,086	\$ 2,588,086	\$ -	\$ 3,634,392	\$ 3,634,392
Budgetary Financing Sources:						
Appropriations Received	-	30,000,000	30,000,000	-	15,000,000	15,000,000
Appropriations Used	-	(9,956,127)	(9,956,127)	-	(16,046,306)	(16,046,306)
Total Budgetary Financing Sources	-	20,043,873	20,043,873	-	(1,046,306)	(1,046,306)
Total Unexpended Appropriations	\$ -	\$ 22,631,959	\$ 22,631,959	\$ -	\$ 2,588,086	\$ 2,588,086
Cumulative Results of Operations:						
Beginning Balances	\$ 14,926,268	\$ 48,937,815	\$ 63,864,083	\$ 19,736,455	\$ 49,957,841	\$ 69,694,296
Budgetary Financing Sources:						
Appropriations Used	-	9,956,127	9,956,127	-	16,046,306	16,046,306
Transfers In/Out Without Reimbursement	2,193,172	12,988,801	15,181,973	1,703,998	12,566,059	14,270,057
Other Financing Sources (Non-Exchange):						
Imputed Financing Sources	-	104,787	104,787	-	69,841	69,841
Total Financing Sources	2,193,172	23,049,715	25,242,887	1,703,998	28,682,206	30,386,204
Net Cost of Operations	(2,635,418)	(29,840,590)	(32,476,008)	(6,514,185)	(29,702,232)	(36,216,417)
Net Change	(442,246)	(6,790,875)	(7,233,121)	(4,810,187)	(1,020,026)	(5,830,213)
Cumulative Results of Operations	\$ 14,484,022	\$ 42,146,940	\$ 56,630,962	\$ 14,926,268	\$ 48,937,815	\$ 63,864,083
Net Position	\$ 14,484,022	\$ 64,778,899	\$ 79,262,921	\$ 14,926,268	\$ 51,525,901	\$ 66,452,169

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DENALI COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(In Dollars)

	2018	2017
Budgetary Resources:		
Unobligated balance from prior year budget authority, net	\$ 6,813,918	\$ 6,679,732
Appropriations	32,193,172	16,703,998
Spending authority from offsetting collections	12,988,800	12,566,059
Total Budgetary Resources	\$ 51,995,890	\$ 35,949,789
Memorandum (non-add) Entries:		
Net adjustments to unobligated balance brought forward, Oct. 1	\$ (68,168,326)	\$ (76,340,697)
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 10)	\$ 51,039,131	\$ 34,940,927
Unobligated balance, end of year:		
Apportioned, unexpired account	956,759	1,008,862
Unobligated balance, end of year (total) (Note 3)	956,759	1,008,862
Total Budgetary Resources	\$ 51,995,890	\$ 35,949,789
Outlays, net:		
Agency outlays, net	\$ 17,278,001	\$ 26,928,235

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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

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Financial Statements

Agency Financial Report (AFR)

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.

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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 (FGLIP) 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.

K. Use of Estimates

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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.

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 2018 and 2017 to the extent directed by accounting standards.

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

M. Reclassification

Certain fiscal year 2017 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

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 \$568,871 and \$446,104 as of September 30, 2018 and September 30, 2017, respectively.

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Agency Financial Report (AFR)

NOTE 3. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2018 and 2017, were as follows:

	2018	2017
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 956,759	\$ 1,008,862
Obligated Balance Not Yet Disbursed	80,992,508	66,025,235
Temporary Sequestration-TAPL	337,504	337,504
Non-Budgetary FBWT	568,871	446,104
Total	\$ 82,855,642	\$ 67,817,705

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.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2018 and 2017, were as follows:

	2018	2017
With the Public		
Accounts Receivable	\$ -	\$ 324
Total Public Accounts Receivable	\$ -	\$ 324
Total Accounts Receivable	\$ -	\$ 324

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2018 and 2017.

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NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the Commission as of September 30, 2018 and 2017, 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.

	2018	2017
Intragovernmental – FECA	\$ 1,355	\$ 1,355
Intragovernmental – Unemployment Insurance	-	12,605
Unfunded Leave	99,704	77,433
Total Liabilities Not Covered by Budgetary Resources	\$ 101,059	\$ 91,393
Total Liabilities Covered by Budgetary Resources	3,491,662	3,274,467
Total Liabilities	\$ 3,592,721	\$ 3,365,860

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.

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NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2018 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 1,355	\$ -	\$ 1,355
Payroll Taxes Payable	15,964	-	15,964
Other Accrued Liabilities	246,516	-	246,516
Total Intragovernmental Other Liabilities	\$ 263,835	\$ -	\$ 263,835
With the Public			
Payroll Taxes Payable	\$ 2,582	\$ -	\$ 2,582
Accrued Funded Payroll and Leave	60,289	-	60,289
Unfunded Leave	99,704	-	99,704
Other Accrued Liabilities - Grants	2,083,880	457,191	2,541,071
Deposit Fund Liability (State of Alaska)	568,871	-	568,871
Total Public Other Liabilities	\$ 2,815,326	\$ 457,191	\$ 3,272,517

Other liabilities account balances as of September 30, 2017 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 1,355	\$ -	\$ 1,355
Unemployment Insurance Liability	12,605	-	12,605
Payroll Taxes Payable	11,568	-	11,568
Other Accrued Liabilities	438,851	-	438,851
Total Intragovernmental Other Liabilities	\$ 464,379	\$ -	\$ 464,379
With the Public			
Payroll Taxes Payable	\$ 2,028	\$ -	\$ 2,028
Accrued Funded Payroll and Leave	60,514	-	60,514
Unfunded Leave	77,433	-	77,433
Other Accrued Liabilities - Grants	2,082,415	78,695	2,161,110
Deposit Fund Liability (State of Alaska)	446,104	-	446,104
Total Public Other Liabilities	\$ 2,668,494	\$ 78,695	\$ 2,747,189

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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 escalations. The total operating lease expense for fiscal years 2018 and 2017 were \$399,910 and \$395,892, respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Office Space
2019	\$ 427,541
2020	431,804
2021	436,196
Total Future Payments	\$ 1,295,541

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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, 2018 and 2017.

	2018	2017
Balance Sheet		
ASSETS		
Fund Balance with Treasury	\$ 15,105,581	\$ 15,460,249
Total Assets	\$ 15,105,581	\$ 14,560,249
LIABILITIES AND NET POSITION		
Other	\$ 621,559	\$ 533,981
Cumulative Results of Operations	14,484,022	14,926,268
Total Liabilities and Net Position	\$ 15,105,581	\$ 15,460,249
Statement of Net Cost		
Program Costs	\$ 2,635,418	\$ 6,514,185
Less: Earned Revenues	-	-
Net Cost of Operations	\$ 2,635,418	\$ 6,514,185
Statement of Changes in Net Position		
Net Position Beginning of Period	\$ 14,926,268	\$ 19,736,455
Net Cost of Operations	(2,635,418)	(6,514,185)
Other Revenue	2,193,172	1,703,998
Change in Net Position	(442,246)	(4,810,187)
Net Position End of Period	\$ 14,484,022	\$ 14,926,268

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NOTE 9. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2018 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2019 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2019 Budget of the United States Government, with the "Actual" column completed for 2017, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

For the Fiscal Year ended September 30, 2017

FY2017	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$37,000,000	\$35,000,000	(\$13,000,000)	\$26,000,000
Budget of the U.S. Government	\$37,000,000	\$35,000,000	(\$13,000,000)	\$26,000,000

NOTE 10. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

	2018	2017
Direct Obligations, Category A	\$ 14,947,040	\$ 16,065,626
Direct Obligations, Category B	36,092,091	18,779,004
Reimbursable Obligations, Category B	-	96,297
Total Obligations Incurred	\$ 51,039,131	\$ 34,940,927

Obligations incurred and reported in the Statement of Budgetary Resources in 2018 and 2017 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.

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Agency Financial Report (AFR)

NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2018, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ -	\$ -	\$ -
Unpaid Undelivered Orders	15,018,197	63,298,035	78,316,232
Total Undelivered Orders	\$ 15,018,197	\$ 63,298,035	\$ 78,316,232

As of September 30, 2017, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ 2,000,000	\$ -	\$ 2,000,000
Unpaid Undelivered Orders	19,990,073	43,453,314	63,443,387
Total Undelivered Orders	\$ 21,990,073	\$ 43,453,314	\$ 65,443,387

NOTE 12. 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 \$24,207 and \$489 for the years ended September 30, 2018, and 2017, respectively.

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NOTE 13. 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.

	2018	2017
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 51,039,131	\$ 34,940,927
Spending Authority From Offsetting Collections and Recoveries	(18,793,856)	(18,290,971)
Net Obligations	32,245,275	16,649,956
Other Resources		
Imputed Financing From Costs Absorbed By Others	104,787	69,841
Net Other Resources Used to Finance Activities	104,787	69,841
Total Resources Used to Finance Activities	32,350,062	16,719,797
Resources Used to Finance Items Not Part of the Net Cost of Operations	103,675	19,481,261
Total Resources Used to Finance the Net Cost of Operations	32,453,737	36,201,058
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	22,271	15,359
Net Cost of Operations	\$ 32,476,008	\$ 36,216,417

Other Accompanying Information

Denali Commission FY 2018 Work Plan



Notices

Federal Register

Vol. 82, No. 185

Tuesday, September 26, 2017

This section of the FEDERAL REGISTER contains documents other than rules or proposed rules that are applicable to the public. Notices of hearings and investigations, committee meetings, agency decisions and rulings, delegations of authority, filing of petitions and applications and agency statements of organization and functions are examples of documents appearing in this section.

DEPARTMENT OF COMMERCE

Submission for OMB Review; Comment Request

The Department of Commerce will submit to the Office of Management and Budget (OMB) for clearance the following proposal for collection of information under the provisions of the Paperwork Reduction Act (44 U.S.C. Chapter 35).

Agency: National Institute of Standards and Technology, U.S. Department of Commerce.

Title: Proposed Information Collection; Comment Request; Safety and Health Data.

OMB Control Number: 0693-XXXX.

Form Number(s): None.

Type of Request: Regular submission, new information collection.

Number of Respondents: 450

Average Hours per Response: 5 minutes per response.

Burden Hours: 37.5

Needs and Uses: The National Institute of Standards and Technology (NIST) has identified a need for OMB approval for a myriad of health and safety forms. NIST is a unique federal campus which hosts daily a range of non-federal individuals. In order to provide these individuals with proper care and health and safety documentation, NIST is pursuing a general clearance for these forms.

Affected Public: Some associates, volunteers, and visitors to NIST.

Frequency: As needed.

Respondent's Obligation: Many of the forms will be voluntarily completed on an as needed basis by non-federal individuals. For example, if a visitor falls ill while visiting campus, they may seek care at the health unit and may opt in or out of completing the forms. NIST, however, does have some instances where the completion of forms will be mandatory due to potential high level public safety issues. There may also be documentation based on requirements for OSHA compliance.

This information collection request may be viewed at reginfo.gov. Follow the instructions to view Department of Commerce collections currently under review by OMB.

Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice to OIRA_Submission@omb.eop.gov or fax to (202) 395-5806.

Sheleen Dumas,

Departmental PRA Lead, Office of the Chief Information Officer.

[FR Doc. 2017-20481 Filed 9-25-17; 8:45 am]

BILLING CODE 3510-13-P

DENALI COMMISSION

Denali Commission Fiscal Year 2018 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). 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 2018 (FY 2018).

DATES: Comments and related material to be received by October 30, 2017.

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

FOR FURTHER INFORMATION CONTACT: Corrine Eilo, Denali Commission, 510 L Street, Suite 410, Anchorage, AK 99501. Telephone: (907) 271-1414. Email: ceilo@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. 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 2018 Work Plan was developed in the following manner.

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

Other Accompanying Information

Denali Commission FY 2018 Work Plan

Agency Financial Report (AFR)

44760

Federal Register / Vol. 82, No. 185 / Tuesday, September 26, 2017 / Notices

• 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 2018 Appropriations Summary

The Commission has historically received federal funding from several sources. The two primary sources at this

time include the Energy & Water Appropriation Bill ("base" or "discretionary" funds) and an annual allocation from the Trans-Alaska Pipeline Liability (TAPL) fund. The proposed FY 2018 Work Plan assumes the Commission will receive \$15,000,000 of base funds, which is the amount referenced in the reauthorization of the Commission passed by Congress in 2016 (ref: Pub. L. 114-322), and a \$1,900,000 TAPL allocation based on discussions with the Office of Management and Budget (OMB). Approximately \$4,000,000 of the base funds will be used for administrative expenses and non-project program support, leaving \$11,000,000 available for program activities. The total base funding shown in the Work Plan also includes an amount typically available from project closeouts and other de-obligations that occur in any given year. Approximately \$200,000 of the TAPL funds will be utilized for administrative expenses and non-project program support, leaving \$1,700,000 available for program activities. Absent any new specific direction or limitations

provided by Congress in the current Energy & Water Appropriations Bill, these funding sources are governed by the following general principles, either by statute or by language in the Work Plan itself:

• Funds from the Energy & Water Appropriation are eligible for use in all programs.

• TAPL funds can only be used for bulk fuel related projects and activities.

• Appropriated funds may be reduced due to Congressional action, rescissions by OMB, and other federal agency actions.

• All Energy & Water and TAPL investment amounts 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.

• Energy & Water and TAPL funds set aside for administrative expenses that subsequently become available, may be used for program activities included in the current year work plan.

DENALI COMMISSION FY2018 FUNDING SUMMARY

Source	Available for program activities
Energy & Water Funds	
FY 2018 Energy & Water Appropriation ¹	\$11,000,000
Prior Year Funds	1,000,000
Subtotal	12,000,000
TAPL Funds	
FY 2018 Annual Allocation	1,700,000
Subtotal	1,700,000
U.S. Department of Transportation	
Prior Year Funds	1,200,000
Subtotal	1,200,000
Grand Total	14,900,000

Notes:

¹ If the final appropriation is less than \$15 million the Federal Co-Chair shall reduce investments to balance the FY 2018 Work Plan.

DENALI COMMISSION FY2018 WORKPLAN

Program and type of investment	Energy & water	TAPL	USDOT	Total
Energy Reliability and Security				
Diesel Power Plants	\$3,800,000	.....	.....	\$3,800,000
Audits, TA, Community Energy Efficiency Improvements	500,000	.....	.....	500,000
RPSU Maintenance and Improvement Projects	2,200,000	.....	.....	2,200,000
Improve Administrative and Operation and Maintenance Practices	300,000	.....	.....	300,000
Subtotal	6,800,000	.....	.....	6,800,000

Other Accompanying Information

Denali Commission FY 2018 Work Plan

DENALI COMMISSION FY2018 WORKPLAN—Continued

Program and type of investment	Energy & water	TAPL	USDOT	Total
Bulk Fuel Safety and Security				
New/Refurbished Facilities		1,200,000		1,200,000
Maintenance and Improvement Projects		300,000		300,000
Improve Administrative and Operation & Maintenance Practices	200,000	200,000		400,000
Subtotal	200,000	1,700,000		1,900,000
Transportation System Improvements				
Maintenance and Improvements			1,200,000	1,200,000
Subtotal			1,200,000	1,200,000
Village Infrastructure Protection				
Mertarvik	2,500,000			2,500,000
Shishmaref	1,500,000			1,500,000
Shaktoolik	250,000			250,000
Kivalina	250,000			250,000
Program Development and Support for other Vulnerable Communities	500,000			500,000
Subtotal	5,000,000			5,000,000
Totals	12,000,000	1,700,000	1,200,000	14,900,000

Energy and Bulk Fuel Programs

FY 2018 Denali Commission investments in Energy and Bulk Fuel may include:

- Remote Power System Upgrade (RPSU) projects at locations selected based on need in consultation with the Alaska Energy Authority (AEA) and Alaska Village Electric Cooperative (AVEC).
- Bulk Fuel Upgrade (BFU) projects at locations selected based on need in consultation with AEA and AVEC.
- Rural power system and bulk fuel facility Maintenance and Improvement (M&I) projects at locations selected based on need in consultation with AEA and AVEC.
- Continued support of the rural power system and bulk fuel facility operator training programs managed by AEA.
- Continued support of the Sanitation Energy Efficiency Program at the Alaska Native Tribal Health Consortium (ANTHC).

Village Infrastructure Protection Program

In order to fulfill its role as lead federal coordinating agency the 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 Village Infrastructure Protection (VIP) Program [previously known as the Environmentally Threatened

Community (ETC) Program]. United States Government Accountability Office (GAO) Report 09-551 (<http://www.gao.gov/products/GAO-09-551>) has been instrumental in charting prospective Commission investments under this program.

Mertarvik

The community of Newtok has initiated its relocation to Mertarvik and has started building infrastructure at Mertarvik. The Commission funds summarized above may be used for the following activities:

- \$1.5 million for housing development.
- Continued support for the existing Community Relocation Coordinator.
- Continued support for professional project management services.
- Infrastructure development at Mertarvik.

Shishmaref

Shishmaref has voted to relocate and is now working to select a new site. The Commission funds summarized above may be used for the following activities:

- Continued support for the existing Community Relocation Coordinator.
- New town-site planning and design.
- Professional project management services.

Shaktoolik

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

summarized above may be used for the following activities:

- Continued support for the existing Community Relocation Coordinator.
- Match/gap funds for other related activities.

Kivalina

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

- Continued support for the existing Community Relocation Coordinator.
- Match/gap funds for other related activities.

Program Development and Support for Other Vulnerable Communities

The \$500,000 referenced above for this line item in the work plan may be used for activities such as the following.

- Continued support for the ETC Grant Writing Center of Excellence at the Alaska Native Tribal Health Consortium.
- Small project infrastructure protection grants.
- Hazard Mitigation Plan-related initiatives and projects.
- Data/threat analyses related to erosion, flooding and permafrost degradation.
- VIP-related coordination, outreach and partner support.

Statement Regarding Public Service of Former and Current Commissioners

It has been my honor to serve at the Commission as a program manager from

Other Accompanying Information

Denali Commission FY 2018 Work Plan

June 1999 to February 2005, and since January 2010, as the third Federal Co-Chair. I thank the Indian Health Service (IHS) and ANTHC for executing a unique personnel assignment of detailing me from the IHS to ANTHC and then to the Commission in the early years of the agency. I have had the pleasure of working with most, but not all, of the Commissioners since 1999. Their role is not easy, but they are essential in guiding the agency in deploying critical Federal resources to the highest needs found in rural Alaska. As this is the last work plan I will have the pleasure of navigating through the statutorily outlined approval process, I want to publically acknowledge and thank all of the former and current Commissioners.

Governors:
 Tony Knowles
 Frank Murkowski
 Sarah Palin
 Sean Parnell
 Bill Walker
 State Co-Chairs:
 Lt. Governor Fran Ulmer
 Lt. Governor Loren Leman
 Commissioner Joel Gilbertson
 Alaska OMB Director Cheryl Frasca
 Alaska OMB Director Karen Rehfeld
 Commissioner Susan Bell
 Lt. Governor Byron Mallott
 Alaska Federation of Natives:
 Julie Kitka
 Nelson Angapak, Sr.
 Loretta Bullard
 Alaska Municipal League:
 Kevin Ritchie
 Kathie Wasserman
 Associated General Contractors of Alaska
 Henry Springer
 Richard Cattanch
 John MacKinnon
 University of Alaska:
 Mark Hamilton
 Karen Perdue
 Patrick Gamble
 Dr. James Johnsen
 Alaska AFL-CIO
 Mano Frey
 Jim Sampson
 Gary Brooks
 Vince Beltrami

Lastly, my thanks to my predecessors who have been gracious in sharing their time and wisdom with me while I have served at the Commission.

Federal Co-Chairs:
 Jeffrey Staser
 George Cannellos

Joel Neimeyer,
 Federal Co-Chair.

[FR Doc. 2017-20562 Filed 9-25-17; 8:45 am]
 BILLING CODE 3300-01-P

DEPARTMENT OF EDUCATION

[Docket No.: ED-2017-ICCD-0121]

Agency Information Collection Activities; Comment Request; Family Educational Rights and Privacy Act (FERPA) Regulatory Requirements

AGENCY: Office of Management (OM), Department of Education (ED).
ACTION: Notice.

SUMMARY: In accordance with the Paperwork Reduction Act of 1995, ED is proposing a revision of an existing information collection.

DATES: Interested persons are invited to submit comments on or before November 27, 2017.

ADDRESSES: To access and review all the documents related to the information collection listed in this notice, please use <http://www.regulations.gov> by searching the Docket ID number ED-2017-ICCD-0121. Comments submitted in response to this notice should be submitted electronically through the Federal eRulemaking Portal at <http://www.regulations.gov> by selecting the Docket ID number or via postal mail, commercial delivery, or hand delivery. Please note that comments submitted by fax or email and those submitted after the comment period will not be accepted. Written requests for information or comments submitted by postal mail or delivery should be addressed to the Director of the Information Collection Clearance Division, U.S. Department of Education, 400 Maryland Avenue SW., LBJ, Room 216-32, Washington, DC 20202-4537.

FOR FURTHER INFORMATION CONTACT: For specific questions related to collection activities, please contact Ellen Campbell, 202-260-3887.

SUPPLEMENTARY INFORMATION: The Department of Education (ED), in accordance with the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3506(c)(2)(A)), provides the general public and Federal agencies with an opportunity to comment on proposed, revised, and continuing collections of information. This helps the Department assess the impact of its information collection requirements and minimize the public's reporting burden. It also helps the public understand the Department's information collection requirements and provide the requested data in the desired format. ED is soliciting comments on the proposed information collection request (ICR) that is described below. The Department of Education is especially interested in public comment addressing the following issues: (1) Is this collection

necessary to the proper functions of the Department; (2) will this information be processed and used in a timely manner; (3) is the estimate of burden accurate; (4) how might the Department enhance the quality, utility, and clarity of the information to be collected; and (5) how might the Department minimize the burden of this collection on the respondents, including through the use of information technology. Please note that written comments received in response to this notice will be considered public records.

Title of Collection: Family Educational Rights and Privacy Act (FERPA) Regulatory Requirements.

OMB Control Number: 1880-0543.

Type of Review: A revision of an existing information collection.

Respondents/Affected Public: State, Local, and Tribal Governments;

Total Estimated Number of Annual Responses: 20,293,021.

Total Estimated Number of Annual Burden Hours: 1,914,593.

Abstract: The Family Educational Rights and Privacy Act (FERPA) requires that subject educational agencies and institutions notify parents and students of their rights under FERPA and requires that they record disclosures of personally identifiable information from education records, with certain exceptions.

Dated: September 21, 2017.

Stephanie Valentine,
 Acting Director, Information Collection Clearance Division, Office of the Chief Privacy Officer, Office of Management.

[FR Doc. 2017-20527 Filed 9-25-17; 8:45 am]

BILLING CODE 4000-01-P

DEPARTMENT OF ENERGY

Agency Information Collection Extension

AGENCY: U.S. Department of Energy.

ACTION: Notice and request for comments.

SUMMARY: The Department of Energy (DOE), pursuant to the Paperwork Reduction Act of 1995, intends to extend for three years, an information collection request with the Office of Management and Budget (OMB). All Federal agencies administering programs subject to Davis-Bacon wage provisions are required to submit to the Department of Labor (DOL) a report of all new covered contracts/projects and all compliance and enforcement activities every six months. In order for the DOE to comply with this reporting requirement, it must collect contract and enforcement information from

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

In FY 2018, 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 were 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.

For FY 2017, 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 has 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.



John Torgerson

Interim Federal Co-Chair

Other Accompanying Information

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



UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230



Denali Commission
Office of Inspector General
Anchorage, AK 99501

October 17, 2018

MEMORANDUM FOR: Denali Commission Commissioners

FROM: Mark H. Zabarsky
Principal Assistant Inspector General for Audit and Evaluation
U.S. Department of Commerce Office of Inspector General

SUBJECT: *Top Management and Performance Challenge Facing the Denali Commission in Fiscal Year 2019*

Enclosed is the Department of Commerce Office of the Inspector General's (OIG's) report on the Denali Commission's *Top Management and Performance Challenge* for fiscal year (FY) 2019.¹ According to a study by the U.S. Government Accountability Office (GAO),² the Denali Commission (Commission) faces several challenges in fulfilling its statutory purpose of providing, among other things, infrastructure and economic development services to rural Alaskan villages. The Commission's role, combined with continued budget reductions, poses a substantial challenge for the agency.

OIG updated one challenge identified in the November 2017 *Top Management and Performance Challenges* report: fulfilling the Commission's statutory purpose with significant decreases in funding. The Commission has made progress toward developing strategies to fulfill its statutory purpose by implementing a strategic plan for FYs 2018–2022 and awarding more grants that focus on maintenance and facilitation. However, due to the current budget environment, the Commission needs to continue implementing the strategies identified in its strategic plan of focusing on facilitation and maintenance of existing infrastructure in order to fulfill its statutory purpose with significantly decreased funding. In addition, OIG removed one challenge identified in the November 2017 *Top Management and Performance Challenges* report: continuity of operations through a possible federal co-chair vacancy. On April 25, 2018, the Secretary of Commerce appointed an interim federal co-chair, who began work at the Commission on June 12, 2018. With the placement of the interim federal co-chair, daily operations of the Commission should continue without significant impact.

¹ The Department of Commerce Office of Inspector General provides oversight services to the Denali Commission through a Memorandum of Understanding between the two parties.

² U.S. Government Accountability Office, March 25, 2015, *Denali Commission: Options Exist to Address Management Challenges*, GAO-15-72. Washington, DC: GAO.

Other Accompanying Information

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

Challenge: Continue Implementing Strategic Plan to Fulfill the Commission's Statutory Purpose with Significant Decreases in Funding

In 1998, the Denali Commission Act established the Commission as a federal agency with the statutory purpose of providing to rural areas of Alaska

- job training and economic development services,
- rural power generation and transmission facilities,
- modern communications systems,
- water and sewer systems, and
- other infrastructure needs.

The Commission has awarded more than \$2 billion in federal grants to help develop remote communities, funding more than 1,400 projects across various programs, including energy, transportation, and health care. Between FYs 2004 and 2008, on average the Commission received nearly \$130 million in total funding per fiscal year. Since then, the Commission has experienced a significant decrease in funding in recent fiscal years, from receiving about \$141 million in FY 2006 to about \$34.7 million in FY 2018—a decrease of approximately 75 percent. This reduced level of funding is expected to continue for the near future. The 2016 *Water Infrastructure Improvements for the Nation Act* (WIIN Act) reauthorized the Commission for an appropriation of \$15 million³ for each fiscal year through 2021.⁴ In the November 2017 *Top Management and Performance Challenges* report, OIG identified that the Commission faced significant decreases in funding levels which could not support grant making on the scale and pace done in the past while still fulfilling its statutory purpose. Although the Commission has taken steps to address this challenge, it continues to face difficulties in its current role as primarily a grant-making agency in the current budget environment.

In March 2015, GAO identified several strategies that the Commission could take on how to approach fulfilling its statutory purpose in the future while facing significantly limited budgetary resources.⁵ Among the recommended strategies were limiting grants, focusing on facilitation, and maintaining existing infrastructure. In late FY 2017, the Commission developed a strategic plan for FY 2018–2022 to address this GAO recommendation by stating that it will pivot away from its traditional grant-making role to more of a maintenance and facilitator role.⁶

The Commission has made progress toward implementing the strategies identified in its strategic plan. For example, in FY 2018 the Commission awarded approximately \$9.7

³ In FY 2018, Congress also appropriated a one-time additional amount of \$15 million to the Commission for a total of \$30 million. Consolidated Appropriations Act, 2018, Pub. L. No. 115-141, Div. D, Title IV (March 23, 2018). The Commission awarded the additional funding to its Village Infrastructure Protection Program grant to develop the new village site of Mertarvik.

⁴ Water Infrastructure Improvements for the Nation Act, Pub. L. No. 114-322 (Dec. 16, 2016).

⁵ GAO-15-72.

⁶ Denali Commission, October 4, 2017. *Denali Commission Strategic Plan FY 2018–2022*. Anchorage, AK: Denali.

Other Accompanying Information

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

million through 40 grants for maintenance and improvements, facilitation, and planning and assessments. While we commend their efforts to refocus their core mission, this remains a significant challenge for the Commission until the strategic plan is fully implemented and the impact of these changes can be determined. Therefore, the Commission should continue implementing the strategies identified in its strategic plan and continue focusing on facilitation and maintenance of existing infrastructure in order to fulfill its statutory purpose.

OIG remains 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. A copy of the final report will be included in the Commission's *Agency Financial Report*, as required by law.⁷

OIG appreciates the cooperation received from the Commission, and looks forward to working with the Commission in the coming months. If the Commission has any questions concerning this report, please contact OIG at (202) 482-3884.

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

⁷ 31 U.S.C. § 3516(d).