



ALASKA NATURAL GAS  
TRANSPORTATION PROJECTS  
OFFICE OF THE FEDERAL COORDINATOR

PERFORMANCE AND ACCOUNTABILITY REPORT  
FOR  
FISCAL YEAR 2009



November 10, 2009

We are pleased to present the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects' (OFC) second annual Performance and Accountability Report. This report includes highlights of the agency's mission, goals, organizational structure, activities for FY2009, and a summary of our stewardship efforts.

Among the greatest challenges facing our Nation are sustaining economic growth and reducing America's dependence on foreign energy sources, the OFC is committed to doing our part in overcoming those challenges by successfully fulfilling our mission. As part of that commitment we strive to assure the American public that our resources are well managed and are effectively utilized. Through an independent auditor, the OFC has undergone extensive evaluations of its management controls and based on these independent evaluations, we are providing a statement of assurance that the OFC is working to meet the objectives required by the Federal Manager's Financial Integrity Act (FMFIA) and that our financial systems conform to government-wide standards.

In 2008 the OFC underwent its first audit. At that time, as a newly established independent agency with less than two years in existence, the OFC had limited business practices in place and minimal human capital. The auditors found one material weakness regarding the agency's segregation of incompatible functions and one significant deficiency regarding our oversight of outsourced accounting functions. Throughout 2009 as we continued to stand-up the agency, we hired additional staff, oversaw the construction and build-out of a permanent office in Washington DC and opened a new office in Anchorage, Alaska, we also worked diligently to correct the deficiencies that were noted during the 2008 audit. We are happy to report that for this performance period, the auditors did not identify any deficiencies in the OFC's internal controls that would be considered a material weakness and therefore did not express an opinion on those areas during this audit period. To that end, the OFC has received a clean audit and an unqualified opinion on its financial statements as of September 30, 2009. The OFC's performance and accountability reports for this year and last can be found at the agency's website: [www.arcticgas.gov](http://www.arcticgas.gov).



Drue Pearce  
Federal Coordinator  
Office of the Federal Coordinator for  
Alaska Natural Gas Transportation Projects

Mission, Vision, Values and Goal Statements.....1

**MANAGEMENT DISCUSSION AND ANALYSIS**

Introduction .....3

Organization Structure.....3

Agency Goals.....6

Performance.....8

Management Assurance Statement of Systems, Controls and Legal Compliance.....12

Analysis of Financial Statements.....14

Stewardship Information.....16

**FINANCIAL STATEMENTS**

Message from the Director of Administration .....19

Independent Auditor’s Report .....20

Balance Sheet .....27

Statement of Net Costs.....28

Statement of Changes in Net Position .....29

Statement of Budgetary Resources.....31

Notes to Financial Statement.....32

OUR MISSION

Advance our Nation’s energy security, environmental security, and economic security by expediting the delivery of clean, natural gas from the North Slope of Alaska to North American markets.

OUR VISION

Alaska natural gas to North American markets.

OUR VALUES

- Integrity
- Innovation
- Team Work
- Respect

OUR COMPASS FOR PERFORMANCE

We honor the public trust by acting with integrity, transparency, and accountability with unrelenting focus on our mission.

We apply our knowledge, skills, and expertise to coordinate efforts and deliver reliable, comprehensive, and accurate information to advance the project.

We will ensure the effective stewardship towards America’s natural resources.

OUR GOALS

-  Ensure actions by involved stakeholders and relevant agencies are coordinated to expedite gas pipeline project permitting, construction and completion.
-  Ensure compliance with applicable laws including no unnecessary agency conditions or requirements are attached to the project and conduct effective monitoring and inspection of design and construction.
-  Provide timely, transparent, reliable, and comprehensive information to inform and educate about the project.
-  Rigorously execute fiscal and human capital management and planning to effectively meet agency mission.

# MANAGEMENT DISCUSSION AND ANALYSIS



## INTRODUCTION

The Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) is an independent agency in the Executive Branch, pursuant to the Alaska Natural Gas Pipeline Act (ANGPA) of 2004 (P.L. 108-324). The OFC is responsible for coordinating all Federal activities for an Alaska natural gas transportation project (Project), including joint surveillance and monitoring with the State of Alaska during construction and for one year following the completion of the Project.

The overall mission of the OFC can be segregated into five major functions: (1) coordinate the expeditious discharge of all activities by all Federal agencies with respect to an Alaska natural gas transportation project; (2) ensure Project compliance with ANGPA and the Alaska Natural Gas Transportation Act (ANGTA); (3) ensure that implementation or enforcement actions do not exceed the limitations established in ANGPA; (4) enter into a joint surveillance and monitoring agreement with the State of Alaska for the purpose of monitoring the construction of the Project; and (5) help ensure timely and responsive communication about the Project with Congress, the State of Alaska, U.S Federal Government and Canadian agencies.

## ORGANIZATION STRUCTURE

The OFC is organized into four divisions overseen by a Federal Coordinator in the Washington, DC office and a Deputy Federal Coordinator in the Anchorage, Alaska field office.

The four divisions include the Office of Permits, Scheduling and Compliance; the Office of Communications and Policy Support; the Office of General Counsel; and the Office of Administration.

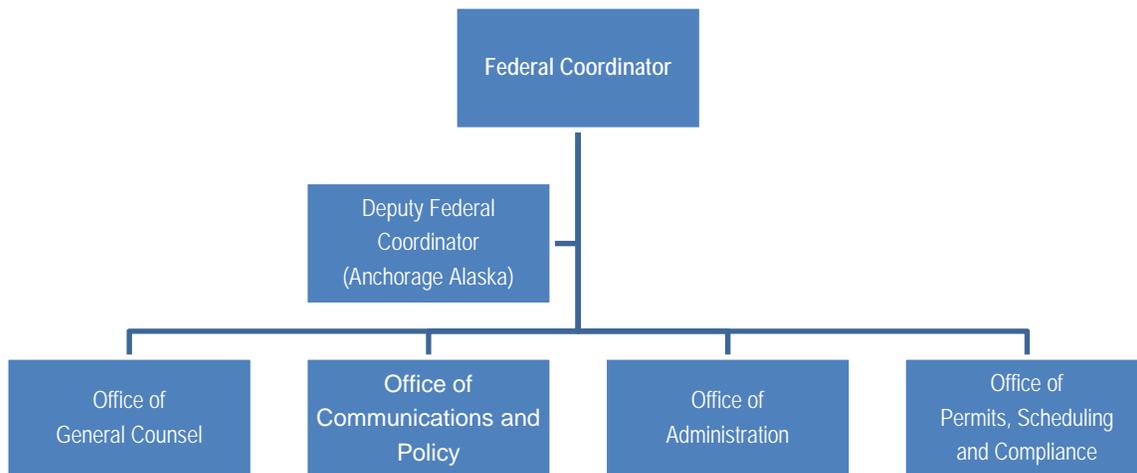
## ORGANIZATION STRUCTURE

- **The Office of Permits, Scheduling, and Compliance (OPS&C)** ensures federal agencies' compliance with applicable laws as they pertain to the Project and ensures that no discretionary terms or conditions are imposed by participating federal agencies that would delay or impair the expeditious completion of the Project. The OPS&C is responsible for drafting and managing the federal implementation plan process and the OFC's data and information management system. The office is responsible for drafting and maintaining a Matrix with respect to environmental, engineering, and construction and operation permits and authorizations that will be issued by state and federal agencies. The OPS&C provides oversight of the various regulatory processes for completing the natural gas transportation project. The OPS&C is also responsible for coordinating activities between U.S. federal agencies and the appropriate regulatory Canadian agencies to ensure proper synchronization of critical processes related to the Project.
- **The Office of Communications and Policy (OCP)** ensures the OFC maintains effective liaison and informative communications with Congress, the public, project stakeholders, non-governmental organizations, tribal interests, federal agencies, Alaska state agencies and Canadian agencies through outreach presentations, newsletters, the OFC website, blogs, and other relevant medium. The OCP is responsible for developing, implementing and maintaining a comprehensive communications plan to maximize the collection and delivery of information relevant to the Project, as well as to embrace the transparency necessary in effective communications. The OCP also monitors and analyzes major policy issues and legislative initiatives and ascertains the impact on the mission of the OFC and the overall Alaska natural gas transportation project.
- **The Office of General Counsel (GC)** provides legal counsel and support to the entire OFC. The GC is responsible for drafting and implementing Memorandums of Understanding (MOUs), agreements, policies, and regulations that may be required to enable the OFC to carry out its statutorily mandated mission.
- **The Office of Administration (OA)** manages all human resource and personnel matters, financial management, procurement, contract management, facilities management, program travel, security and IT related functions. The OA also maintains active liaison with the Office of Personnel Management and the Office of Management and Budget.

## ORGANIZATION STRUCTURE

In addition to the four divisions, the OFC has a Field Office in Anchorage, Alaska (OFC-Alaska).

- **OFC-Alaska** provides liaison functions with the Alaskan state interests including regulatory authorities, local federal participating agencies, the Alaskan public, tribal interests, conservation groups and applicant offices in Alaska. OFC-Alaska conducts interagency coordination and technical discussions relevant to the Project and the joint surveillance and monitoring agreement with the State of Alaska.



# AGENCY GOALS



**OUR GOALS**

-  ENSURE ACTIONS BY INVOLVED STAKEHOLDERS ARE COORDINATED TO EXPEDITE GAS PIPELINE PROJECT PERMITTING, CONSTRUCTION AND COMPLETION.
-  ENSURE COMPLIANCE WITH APPLICABLE LAWS INCLUDING NO UNNECESSARY AGENCY CONDITIONS OR REQUIREMENTS ARE ATTACHED TO THE PROJECT AND CONDUCT EFFECTIVE MONITORING AND INSPECT OF DESIGN AND CONSTRUCTION. .
-  PROVIDE TIMELY, TRANSPARENT, RELIABLE AND COMPREHENSIVE INFORMATION TO INFORM AND EDUCATE ABOUT THE PROJECT.
-  RIGOROUSLY EXECUTE FISCAL AND HUMAN CAPITAL MANAGEMENT AND PLANNING TO EFFECTIVELY MEET AGENCY GOALS AND OBJECTIVES.

To successfully fulfill the mission of the agency, the OFC’s goals and objectives are categorized into three functional program areas: (1) Coordination, (2) Compliance and Oversight, and (3) Information Dissemination.

**Coordination**

Coordination among the various Federal and State agencies is critical to the successful and expeditious construction of an Alaska natural gas transportation project. The OFC will work to efficiently integrate the actions of project stakeholders and agency partners.

**Compliance and Oversight**

Expedience is crucial to the success of the Project. The OFC will conduct compliance and oversight reviews to ensure that no federal agency attaches any term or condition not required by law, determined by the OFC to impair or prevent progress of the Project.

**Information Dissemination**

Given the magnitude of the Project, communication among, between and across agencies (State, Federal, Canadian), and Project stakeholders is essential. The OFC will ensure critical information is disseminated, shared, and stored.

# PERFORMANCE



## SUMMARY OF ACTIVITIES

In fiscal year 2009, two entities proposed interstate gas line projects under Section 103 of the Alaska Natural Gas Pipeline Act (ANGPA) enacted in 2004. The proposed projects run through Alaska primarily along the existing Trans-Alaska Oil Pipeline System (TAPS) Rights of Way (ROW), with Alaskan takeoff points. At Delta Junction, one proposal takes the pipeline either south along the TAPS ROW to Valdez or crosses into Canada along the Alaska Highway south and east to Alberta to connect to the existing North American distribution system. The other proposal takes the pipeline into Canada along the Alaska Highway south and east to Alberta. At Alberta it will either connect to the existing North American distribution system or continue southeast to Chicago. The most likely project is a highway route pipeline from the North Slope to Alberta which consists of approximately 750 miles of pipeline in Alaska and more than 1,000 miles in Canada. The project will take almost 10 years to permit and construct, with natural gas expected to flow at full capacity in 2019. A northern route, "over the top" bypassing most of Alaska is prohibited by law.

The two competing project applicants will determine their precise project route and apply for all necessary authorizations. Both are currently in the Federal Energy Regulatory Commission (FERC) pre-file process and plan to hold separate binding Open Seasons in 2010.

The federal agencies with roles and responsibilities associated with an Alaska natural gas transportation project signed a Memorandum of Understanding (MOU) in 2006 to strengthen coordination with all the federal agencies that have permitting functions related to this project. Under the MOU, the OFC is responsible for creation of a Consolidated Implementation Plan (Plan) for the project. The OFC will prepare a plan for each project applicant who enters the FERC Pre-File Process and will do so in phases. In June 2009, the OFC completed the First Phase Consolidated Implementation Plan for one applicant and expects to complete the other applicant's First Phase Plan by December 2009.

In 2009, the OFC began work on a web-based Geographic Information System (GIS) prototype along a 20-mile stretch of the proposed natural gas pipeline route at Atigun Pass. The system could potentially be expanded for the entire gasline route and could provide a consistent and integrated source of information and mapping for the pipeline project. The information will enable agencies to easily extract and view relevant mapping and report data. Additionally, the GIS system could provide a means of merging disparaging data sets among the federal agencies that are participating in the permitting and construction of the Project.

The OFC continued its Interagency Agreement with the Office of Management and Budget to use their MAX Federal Community Database as a tool to allow the Federal agencies involved in the Alaska natural gas transportation projects to share information and collaborate.

The Senate Energy and Natural Resources Committee proposed to exempt the treatment of the Trans-Alaska Oil Pipeline System (TAPS) as an historic structure in Section 355 of S.1462. In response to the proposed legislation, the Office of Management and Budget requested the OFC and Advisory Council on Historic Preservation (ACHP) work together to arrive at a mutually agreeable administrative solution as quickly as possible as such a solution would be preferable to legislation on the topic. The OFC continues to work with the ACHP on the administrative solution.

The OFC coordinated a site visit to Alaska for senior agency officials to have an on-the-ground briefing of the proposed projects. In August eight senior Administration officials traveled to Anchorage and Prudhoe Bay to learn more about the project and discuss their permitting mandates.

Agency staff traveled to Juneau, Fairbanks and Anchorage providing educational briefings to the Alaska Legislature. The Legislature meets each year for 90 days. The meetings were meant to provide information and answer any questions prior to the Legislature going into session in January 2010.

A Technical Team Working Group comprised of experts from federal and state agencies was also established by the OFC in 2009. The Technical Team will share engineering information and expertise relevant to agency permitting of design and construction of the arctic natural gas project; identify project technical issues to include but not limited to: pipeline, proximity, security, leak prevention, best available control technology, permafrost, gas treatment plant, and emissions; and identify issues that require expedited coordination due to environmental standards, constructability impacts, or internal agency higher level approvals. Identifying and communicating issues early through the Technical Team will allow the OFC and other agencies to work on and resolve the issues which should streamline the process.

The OFC began work to develop two Permit Matrixes, one for each project applicant. The Permit Matrix will list all federal permits and authorizations necessary to construct and operate the planned project; requirements for securing such permits and authorizations; and a description of the information/data needed by each agency to complete the application for permits and authorizations. The Permit Matrix will be reviewed by applicants and state and federal agencies. It will become a reference tool and provide data requirements for the project so all parties are clear on needs and timelines in order to acquire permits and authorizations in a timely efficient manner.

In addition to the aforementioned activities conducted in 2009, the OFC also accomplished the following ongoing activities throughout the fiscal year.

**Senior Intergovernmental Management Team (SIMT):** The Federal Coordinator met with members of the SIMT, which is comprised of senior Alaskan and Canadian officials. The purpose of the collaboration is to ensure appropriate international protocols have been addressed and are in place if the project route includes Canada. In FY2009, the team met to discuss infrastructure requirements for the project, labor needs, and native consultations.

**General Public and Stakeholder Meetings:** The OFC has conducted numerous stakeholder meetings, including but not limited to delegations from Alaska and the Yukon; Canada's Minister of Indian and Northern Affairs, the President of the Alaska Federation of Natives, members of the Alaska Native Regional Corporations and various Alaska-based environmental groups.

**Federal Agency Memorandum of Understanding (MOU) Interagency Meetings:** Throughout FY2009, the OFC hosted regular meetings with representatives of the various federal agencies with responsibilities pertaining to the project. The meetings were conducted to provide briefings on the status of the Project and give updates on the outcomes of the SIMT meetings as well as other pertinent matters.

**Public Speaking, Conferences and Other Engagements:** The OFC has been proactive in its efforts to disseminate information about the status of the Project, its goals, milestones, and challenges. The OFC has participated in numerous conferences, public forums, and other speaking engagements throughout the lower 48 states, Alaska, Canada, and Norway.

**Staff Hires and Office Relocation:** In FY2009, the OFC increased staff to ten employees; eight in the Washington DC office and two in Anchorage, Alaska. In July, the OFC relocated to permanent office space and build-out began for a permanent space in Anchorage, Alaska.

MANAGEMENT ASSURANCE  
OF  
SYSTEMS, CONTROLS AND LEGAL COMPLIANCE



November 10, 2009

The OFC's management is responsible for establishing and maintaining effective internal controls over financial management systems to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). Through an independent auditor, the OFC conducted an assessment of the effectiveness of its internal controls over management 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 the auditor's evaluation, the OFC is able to provide reasonable assurance that its internal controls over the effectiveness and efficiency of management operations and compliance with applicable laws and regulations and financial management systems substantially comply with the objectives of FMFIA § 2 as of September 30, 2009.

The OFC's management is also responsible for establishing and maintaining effective internal controls over financial reporting which includes safeguarding of assets and compliance with applicable laws and regulations. Based on the results of the auditor's evaluation, the OFC's financial management systems substantially comply with the objectives of FMFIA § 4 as of September 30, 2009.



Drue Pearce  
Federal Coordinator  
Office of the Federal Coordinator for  
Alaska Natural Gas Transportation Projects

# ANALYSIS OF FY2009 FINANCIAL STATEMENTS



## ANALYSIS OF FY2009 FINANCIAL STATEMENTS

- **Balance Sheet**  
As of September 30, 2009, the OFC's assets and Fund Balance with Treasury totaled \$2,740,227. The OFC's liabilities and net position totaled \$3,332,235.
- **Statement of Net Cost**  
The OFC's net cost of operations for FY2009 was \$2,833,691.
- **Statement of Changes in Net Position**  
The OFC's net position as of September 30, 2009 was \$2,587,833.
- **Statement of Budgetary Resources**  
As of September 30, 2009, the OFC's statement of budgetary resources reflected that the OFC had \$4,782,025 million in total budgetary resources of which \$4,309,732 had been obligated. Net outlays totaled \$2,744,576.

## LIMITATIONS OF FY2009 FINANCIAL STATEMENTS

The OFC's principal financial statements have been prepared to report the financial position and results of operations of the OFC, pursuant to the requirements of 31 U.S.C. § 3515 (b). While the statements have been prepared from the books and records of the OFC 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 U.S. Government, a sovereign entity.

# STEWARDSHIP INFORMATION



The OFC received its first appropriation of \$2.26 million in fiscal year 2008. The appropriation funded six full-time employees and provided funding for program administration such as a regulatory gap analysis, preliminary research on a comprehensive data management system and general administrative costs needed to manage the agency, costs such as rent, administrative service contracts, travel, and other start-up program activities.

For fiscal year 2009, the OFC's appropriation was increased to \$4.466M in appropriated discretionary funding. The OFC is authorized to establish reasonable filing and service fees, charges, and commissions. The collection of fees and charges depend upon the level of activity of the Alaska natural gas transportation project. Although approved to expend collected fees of up to \$4.683M, no fees were collected during the 2009 fiscal year.

Of the 2009 \$4.466 discretionary funds, the OFC paid salaries and benefits for ten full time employees, completed renovations for permanent office space in Washington, DC, began build-out for a permanent office in Anchorage, Alaska, procured furniture and office equipment and funded other program support costs such as administrative support contracts, telecommunications, rent, travel and general office supplies.

As of September 30, 2009, the financial condition of the OFC was sound with respect to having sufficient funds to meet program needs and adequate control of these funds were in place to ensure obligations did not exceed budgetary authority. The OFC prepared its financial statements in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards (SFFAS) and OMB Circular A-136, Financial Reporting Requirements.

FINANCIAL STATEMENTS  
(As of and for the Year Ended September 30, 2009)

AND

INDEPENDENT AUDITOR'S REPORT



November 10, 2009

The requirement to complete an annual financial report is a method to ensure our accountability as an independent federal agency in the executive branch of the federal government. To ensure the OFC is compliant with federal financial management reporting requirements, we commissioned the independent accounting firm of Lani Eko & Company, CPAs, PLLC, to conduct an extensive review and evaluation of the OFC's financial statements.

I am pleased to present the OFC's audited financial statements for fiscal year 2009. The 2009 audit shows that the OFC made concerted efforts to resolve the material weakness and significant discrepancies noted in our 2008 audit. During the 2008 audit, the auditors discovered one material weakness related to segregation of incompatible functions and a significant deficiency regarding the oversight of outsourced accounting and personnel functions; however, in 2009, the auditors did not find any significant deficiencies or material weaknesses in the OFC's internal controls over financial reporting.

As the agency continues to evolve and grow, we will work to establish additional internal controls and sound policies for effective financial management. Our goal is to ensure that the OFC remains effective stewards of the resources entrusted to the agency. Following are the OFC's 2009 financial statements preceded by the auditor's complete report.



Debra L. Dickson  
Director of Administration  
Office of the Federal Coordinator for  
Alaska Natural Gas Transportation Projects

# INDEPENDENT AUDITOR'S REPORT





**LANI EKO & COMPANY, CPAs, PLLC**  
110 S. Union Street, Suite 301  
Alexandria, VA 22314

Phone: (703) 647-7444  
Fax: (866) 665-7269  
www.laniekocpas.com

## **INDEPENDENT AUDITOR'S REPORT**

Office of the Federal Coordinator  
For Alaska Natural Gas Transportation Projects

We have audited the accompanying balance sheets of the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended. These financial statements are the responsibility of the OFC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable Office of Management and Budget (OMB) guidance for audits of federal financial statements. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the OFC as of September 30, 2009 and 2008, and its net cost, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2009, on our consideration of the OFC's internal control over financial reporting and a report dated November 10, 2009, on its compliance with laws and regulations. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Management's Discussion and Analysis (MD&A) and other accompanying information are not a required part of the OFC's basic financial statements but are supplementary information required by OMB Circular A-136, *Financial Reporting Requirements*, as amended, and the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards No. 15, *Management's Discussion and Analysis*. We made certain inquiries of management and compared the MD&A information with the OFC's audited financial statements and against other knowledge obtained during our audits. We also compared the other accompanying information with the audited financial statements. However, we did not audit the MD&A or other accompanying information and, therefore, express no opinion on them.

*Lani Eko & Company, CPAs, PLLC*

November 10, 2009  
Alexandria, Virginia



**LANI EKO & COMPANY, CPAs, PLLC**  
110 S. Union Street, Suite 301  
Alexandria, VA 22314

Phone: (703) 647-7444  
Fax: (866) 665-7269  
[www.laniekocpas.com](http://www.laniekocpas.com)

**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING**

Office of the Federal Coordinator  
For Alaska Natural Gas Transportation Projects

We have audited the financial statements of the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) as of and for the years ended September 30, 2009 and 2008, and have issued our report thereon dated November 10, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable Office of Management and Budget (OMB) guidance for audits of federal financial statements.

In planning and performing our audits, we considered the OFC's internal control over financial reporting as a basis for designing our auditing procedures, obtained an understanding of the design effectiveness of internal control, determined whether the internal controls have been placed in operation, assessed control risk, and performed tests of the OFC's internal control for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OFC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OFC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the OFC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the OFC's financial statements that is more than inconsequential will not be prevented or detected by the OFC's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the OFC's internal control.

Our consideration of internal control was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters involving internal control and its operation that we have reported to the OFC's management in a separate letter.

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

*Lani Eko & Company, CPAs, PLLC*

November 10, 2009  
Alexandria, Virginia



**LANI EKO & COMPANY, CPAs, PLLC**  
110 S. Union Street, Suite 301  
Alexandria, VA 22314

Phone: (703) 647-7444  
Fax: (866) 665-7269  
www.laniekocpas.com

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS**

Office of the Federal Coordinator  
For Alaska Natural Gas Transportation Projects

We have audited the financial statements of the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) as of and for the years ended September 30, 2009 and 2008, and have issued our report thereon dated November 10, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable Office of Management and Budget (OMB) guidance for audits of federal financial statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

As part of obtaining reasonable assurance about whether the OFC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of applicable laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

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

*Lani Eko & Company, CPAs, PLLC*

November 10, 2009  
Alexandria, Virginia

# FINANCIAL STATEMENTS AND NOTES



# BALANCE SHEET

As of September 30, 2009

		<u>2009</u>	<u>2008</u>
<b>Assets:</b>			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$2,740,227	\$1,084,803
Total Intragovernmental		2,740,227	1,084,803
General Property, Plant and Equipment	(Note 3)	592,008	
<b>Total Assets</b>		<b>\$3,332,235</b>	<b>\$1,084,803</b>
<b>Liabilities:</b>			
	(Note 4)		
Intragovernmental:			
Accounts Payable		\$588,343	
Other	(Note 5)	12,277	
Total Intragovernmental		600,621	
Liabilities With the Public:			
Accounts Payable		30,174	22,398
Other	(Note 5)	113,607	64,925
Total Liabilities With the Public		143,781	87,323
<b>Total Liabilities</b>		<b>744,401</b>	<b>87,323</b>
<b>Net Position:</b>			
Unexpended Appropriations - Other Funds		2,047,288	1,022,684
Cumulative Results of Operations		540,546	(25,204)
<b>Total Net Position</b>		<b>2,587,833</b>	<b>997,480</b>
<b>Total Liabilities and Net Position</b>		<b>\$3,332,235</b>	<b>\$1,084,803</b>

\*Amounts may be off by a dollar due to rounding.

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

# STATEMENT OF NET COSTS

As of September 30, 2009

		<b>2009</b>	<b>2008</b>
<b>Program Costs:</b>			
Program A:			
Gross Costs	(Note 6)	\$2,833,691	\$554,311
Net Program Costs		2,833,691	1,554,311
<b>Net Cost of Operations</b>		<b>\$2,833,691</b>	<b>\$1,554,311</b>

The accompanying notes are an integral part of these statements.

# STATEMENT OF CHANGES IN NET POSITION

(CURRENT YEAR)

As of September 30, 2009

**2009**

	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
<b>Cumulative Results of Operations:</b>				
Beginning Balances	\$	\$(25,204)	\$	\$(25,204)
Beginning Balances, as Adjusted		\$(25,204)	\$	\$(25,204)
<b>Budgetary Financing Sources:</b>				
Appropriations Used		\$3,375,396		3,375,396
<b>Other Financing Resources (Non-Exchange):</b>				
Imputed Financing		\$24,045		24,045
Total Financing Sources		3,399,441		3,399,441
Net Cost of Operations (+/-)		2,833,691		2,833,691
Net Change		565,749		565,749
<b>Cumulative Results of Operations</b>	<b>\$</b>	<b>\$540,546</b>	<b>\$</b>	<b>\$ 540,546</b>
<b>Unexpended Appropriations:</b>				
Beginning Balances	\$	\$1,022,684	\$	\$ 1,022,684
Beginning Balances, as Adjusted	\$	\$1,022,684	\$	\$1,022,684
<b>Budgetary Financing Sources:</b>				
Appropriations Received		4,400,000		4,400,000
Appropriations Used		(3,375,396)		(3,375,396)
Total Budgetary Financing Sources		1,024,604		1,024,604
Total Unexpended Appropriations		2,047,288		2,047,288
Net Position	\$	\$2,587,833	\$	\$2,587,833

\*Amounts may be off by a dollar due to rounding.

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

# STATEMENT OF CHANGES IN NET POSITION

(PRIOR YEAR)

As of September 30, 2009

2008

	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
<b>Cumulative Results of Operations:</b>				
Beginning Balances		\$(1,259)	\$	\$(1,259)
Beginning Balances, as Adjusted		\$(1,259)	\$	\$(1,259)
<b>Budgetary Financing Sources:</b>				
Appropriations Used		1,517,760		1,517,760
<b>Other Financing Resources (Non-Exchange):</b>				
Imputed Financing		12,606		12,606
Total Financing Sources		1,530,366		1,530,366
Net Cost of Operations (+/-)		1,554,311		1,554,311
Net Change		(23,945)		(23,945)
<b>Cumulative Results of Operations</b>	<b>\$</b>	<b>\$(25,204)</b>	<b>\$</b>	<b>\$( 25,204)</b>
<b>Unexpended Appropriations:</b>				
Beginning Balances	\$	\$279,443	\$	\$279,443
Beginning Balances, as Adjusted	\$	\$279,443	\$	\$279,443
<b>Budgetary Financing Sources:</b>				
Appropriations Received		2,261,000		2,261,000
Appropriations Used		(1,517,760)		(1,517,760)
Total Budgetary Financing Sources		743,240		743,240
Total Unexpended Appropriations		1,022,684		1,022,684
<b>Net Position</b>	<b>\$</b>	<b>\$997,480</b>	<b>\$</b>	<b>\$ 997,480</b>

\*Amounts may be off by a dollar due to rounding.

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

# STATEMENT OF BUDGETARY RESOURCES

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

As of September 30, 2009

	2009		2009 Non- Budgetary Credit Program Financing Accounts	2008	2008 Non-Budgetary Credit Program Financing Accounts
	Budgetary			Budgetary	
Budgetary Resources:					
Unobligated Balance:					
Beginning of Period	\$265,700	\$		\$271,141	\$
Recoveries of Prior Year Obligations	107,145			13,653	
Budget Authority:					
Appropriations Received	4,400,000			2,261,000	
Earned					
Collected	9,180			1,983	
Subtotal	\$4,409,180			\$2,262,983	
<b>Total Budgetary Resources</b>	<b>\$4,782,025</b>	<b>\$</b>		<b>\$2,547,777</b>	<b>\$</b>
Status of Budgetary Resources:					
Obligations Incurred		(Note 7)			
Direct	\$4,309,732		\$	\$2,282,077	\$
Subtotal	\$4,309,732			\$2,282,077	
Unobligated Balances					
Apportioned	469,637			250,064	
Subtotal	\$469,637			\$250,064	
Unobligated Balances - Not Available	2,656			15,636	
<b>Total Status of Budgetary Resources</b>	<b>\$4,782,025</b>		<b>\$</b>	<b>\$2,547,777</b>	<b>\$</b>
Change in Obligated Balances:					
Obligated Balance, Net:					
Unpaid Obligations, Brought Forward, October 1	\$819,102		\$	\$26,805	\$
Total, Unpaid Obligated Balance, Brought Forward, Net	\$819,102			\$26,805	
Obligations Incurred	4,309,732			2,282,077	
Gross Outlays (-)	(2,753,756)			(1,476,126)	
Recoveries of Prior-Year Unpaid Obligations, Actual (-)	(107,145)			(13,653)	
Obligated Balance, Net, End of Period:					
Unpaid Obligations (+)	2,267,934			819,102	
Total, Unpaid Obligated Balance, Net, End of Period	\$2,267,934		\$	\$819,102	\$
Net Outlays:					
Gross Outlays (+)	2,753,756			1,476,126	
Offsetting Collections (-)	(9,180)			(1,983)	
<b>Net Outlays</b>	<b>\$2,744,576</b>		<b>\$</b>	<b>\$1,474,143</b>	<b>\$</b>

\*Amounts may be off by a dollar due to rounding.

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

# GENERAL FUND

## NOTES TO FINANCIAL STATEMENTS

### **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

These financial statements have been prepared from the accounting records of the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) in accordance with generally accepted accounting principles (GAAP), and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Circular No. A-136, as amended. GAAP for Federal entities are standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants.

OMB Circular No. A-136 requires agencies to prepare principal statements, which include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and a Statement of Budgetary Resources. The Balance Sheet presents, as of September 30, 2009, amounts of future economic benefits owned or managed by the OFC (assets), amounts owed by the OFC (liabilities), and amounts, which comprise the difference (net position). The Statement of Net Cost reports the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting services provided by other segments within the OFC and other reporting entities. The Statement of Budgetary Resources reports an agency's budgetary activity.

#### **Basis of Accounting**

Transactions are recorded on the accrual accounting basis in accordance with general government practice. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

#### **Revenues and Other Financing Sources**

The OFC is an appropriated fund. This fund receives appropriations on a yearly basis. Other financing sources for OFC are imputed financing sources which are costs financed by other Federal entities on behalf of OFC, as required by Statement of Federal Financial Accounting Standard (SFFAS) No. 5, Accounting for Liabilities of the Federal Government.

## NOTE 2 – FUND BALANCE WITH TREASURY

The OFC's fund balance with treasury is from appropriations. This fund balance with treasury is a consolidated balance of the no-year fund (977X) and two annual funds (977: FY 2008, 977: FY 2009).

	<u>2009</u>	<u>2008</u>
A. Fund Balance with Treasury		
Appropriated Fund	<u>\$2,740,227</u>	<u>\$1,084,803</u>
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	469,637	250,064
b) Unavailable	2,656	15,636
2) Obligated Balance not yet Disbursed	<u>2,267,934</u>	<u>819,102</u>
Total	<u>\$2,740,227</u>	<u>\$1,084,803</u> *

Rounding \*

## NOTE 3 - GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

As of September 30, 2009, OFC shows Leasehold Improvements with a total cost of \$612,422 and a net book value of \$592,008. The Accumulated Depreciation to date is \$20,414. The depreciation calculation method used is Straight Line with a useful life of 7 years. A \$25,000 threshold is used to determine whether items are capitalized.

<u>2009</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Cost	\$612,422	\$612,422
Accum. Depr.	(\$20,414)	(\$20,414)
Net Book Value	<u>\$592,008</u>	<u>\$592,008</u>
<u>2008</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Cost	\$0	\$0
Accum. Depr.	\$0	\$0
Net Book Value	<u>\$0</u>	<u>\$0</u>

#### NOTE 4 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of the OFC are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2009, the OFC showed liabilities covered by budgetary resources of \$692,939 and liabilities not covered by budgetary resources of \$51,462. Liabilities covered by budgetary resources is composed of Accounts Payable \$618,517, Accrued Funded Payroll and Leave \$62,145, and Employer Contributions and Payroll Taxes Payable of \$12,277.

	<u>2009</u>	<u>2008</u>
With the Public		
Other	51,462	25,204
Total liabilities not covered by budgetary resources	51,462	25,204
Total liabilities covered by budgetary resources	692,939	62,119
Total Liabilities	<u>\$744,401</u>	<u>\$87,323</u>

#### NOTE 5 – OTHER LIABILITIES

Other liabilities with the public consist of Accrued Funded Payroll and Leave of \$62,145 and Unfunded Leave in the amount of \$51,462. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable of \$12,277.

	<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2009 Other Liabilities		51,462	62,145	\$113,607
2008 Other Liabilities		25,204	39,721	\$64,925

	<u>Intragovernmental</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2009 Other Liabilities		0	12,277	\$12,277
2008 Other Liabilities		0	0	\$0

## NOTE 6 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs are those of goods/services purchased from a federal entity.

	Total 2009	Total 2008
Program A		
Intragovernmental costs	918,879	619,050
Public costs	1,914,812	935,261
Total Program A costs	<u>\$2,833,691</u>	<u>\$1,554,311</u>

## NOTE 7 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

All obligations are direct, which is the amount of obligations incurred against amounts apportioned under category A on the latest SF 132 for the appropriated funds.

	Total 2009	Total 2008
Direct		
Category A	4,309,732	2,282,077
Total Obligations	<u>\$4,309,732</u>	<u>\$2,282,077</u>

## NOTE 8 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

The amount of Unpaid Obligated Balance, Net, End of Period includes obligations relating to Undelivered Orders (good and services contracted for but not yet received at the end of the year) and Accounts Payable (amounts owed at the end of the year for goods and services received).

	<u>Undelivered Orders</u>	<u>Accounts Payable</u>	<u>Unpaid Obl. Balance, Net</u>
2009	\$1,574,995	\$692,939	\$2,267,934
2008	\$756,983	\$62,119	\$819,102

**NOTE 9 – RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (FORMERLY THE STATEMENT OF FINANCING)**

Liabilities not covered by budgetary resources total \$51,462 and the change in components requiring or generating resources in future period shows \$26,259. The \$26,259 is the net increase of future funded expenses – leave between FY08 and FY09. Accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations. Whereas, the unfunded leave liability includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

	<u>2009</u>	<u>2008</u>
Liabilities not covered by budgetary resources	\$51,462	\$25,204
Change in components requiring/generating resources	\$26,259	\$23,945

**NOTE 9 – RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (FORMERLY THE STATEMENT OF FINANCING) CONTINUED. . .**

	2009	2008
<i>Resources Used to Finance Activities:</i>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 4,309,732	\$ 2,282,077
Less: Spending Authority from Offsetting Collections & Recoveries	116,325	15,636
Net Obligations	4,193,407	2,266,441
 Other Resources		
Imputed Financing from Costs Absorbed by Others	24,045	12,606
Net Other Resources Used to Finance Activities	24,045	12,606
Total Resources Used to Finance Activities	4,217,452	2,279,047
 <i>Resources Used to Finance Items not Part of the Net Cost of Operations</i>		
Change in Budgetary Resources Obligated for Goods		
Services and Benefits Ordered But Not Yet Provided	818,011	748,681
Resources that Finance the Acquisition of Assets	612,422	
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	1,430,433	748,681
Total Resources Used to Finance the Net Cost of Operations	2,787,019	1,530,366
 <i>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</i>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	26,259	23,945
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	26,259	23,945
 <i>Components Not Requiring or Generating Resources:</i>		
Depreciation and Amortization	20,414	
Total Components of Net Cost of Operations that will not Require or Generate Resources	20,414	
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	46,673	23,945