ALASKA NATURAL GAS TRANSPORTATION PROJECTS
OFFICE OF THE FEDERAL COORDINATOR

2010

Performance and Accountability Report

Message from the Federal Coordinator

November 10, 2010

In 2004 Congress established the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) to help expedite and coordinate federal permitting and construction of a North Slope pipeline. The OFC is an independent federal agency that reports to the White House. The agency's mission is to help coordinate project-related activities between more than two dozen federal agencies, the Canadian federal government, the State of Alaska, Alaska tribal governments and other stakeholders. In addition, the OFC will be responsible for joint surveillance and monitoring with the State of Alaska during construction and for one year following the completion of the project.

As noted in the following 2010 Performance and Accountability Report, the OFC made several noteworthy accomplishments toward meeting the agency's mission and strategic goals. While fulfilling these accomplishments, we continued our commitment to assure the American public that our resources were effectively utilized. Through an independent auditor, the OFC has undergone evaluations of our financial statements, our internal controls over financial reporting, and our compliance with applicable laws and regulations, and we are pleased to report that the OFC has received a clean audit with an unqualified opinion.

The OFC's full Performance and Accountability Report is located on the agency's website at www.arcticgas.gov. The full report includes details on the agency's mission; organization structure; financial analysis of our fiscal year 2010 spending; the independent auditor's report; and our year-end financial statements. The financial and performance data contained in the OFC's 2010 Performance and Accountability Report is reliable and complete.

Larry Persily
Federal Coordinator
Office of the Federal Coordinator for
Alaska Natural Gas Transportation Projects

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Mission

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

The five major functions of the OFC are to: (1) coordinate the expeditious discharge of all activities by all federal agencies with respect to an Alaska natural gas pipeline project; (2) ensure compliance of a project 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 construction of the project; and (5) provide a liaison function to ensure adequate communication with Congress, the State of Alaska, and U.S federal government and Canadian agencies.

Organizational Structure

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

The four divisions are Permits, Scheduling and Compliance; Communications and Policy Support; General Counsel; and Administration.

Permits, Scheduling, and Compliance: Oversees federal agencies' compliance with applicable laws 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 permits, scheduling and compliance division drafts and manages the federal implementation plans for the project. The division also prepares and maintains a matrix with respect to environmental, engineering, construction and operation permits and authorizations that will be issued by state and federal agencies. The division provides oversight of the various regulatory processes for completing the natural gas pipeline project and coordinates activities between U.S. federal agencies and the appropriate regulatory Canadian agencies to ensure synchronization of critical processes related to the project.

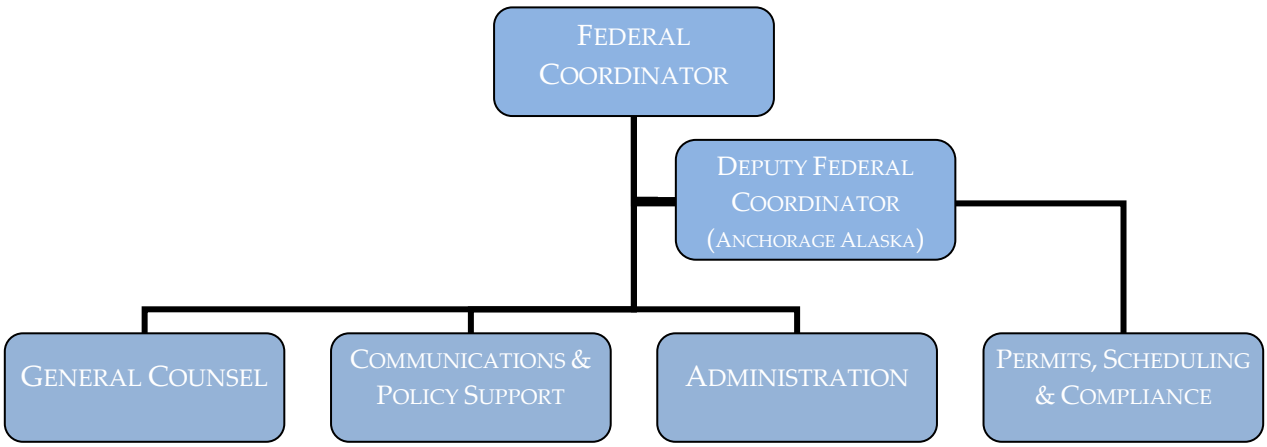
Communications and Policy Support: Maintains liaison and communication efforts with Congress, the public, project stakeholders, federal agencies, Alaska state agencies and Canadian agencies through outreach presentations, newsletters, the OFC website and other information portals. The communications and policy support division develops, implements and maintains a comprehensive communications plan to maximize the collection and delivery of information related to the project.

General Counsel: Provides legal counsel and support to the OFC. The general counsel is responsible for drafting and implementing memorandums of understanding, agreements, policies and regulations that may be required by the OFC to carry out its statutorily mandated mission.

Administration: Manages all human resource and personnel matters, financial management, procurement, contract management, facilities management, program travel, security and IT-related functions. The administrative division also maintains active liaison with the Office of Personnel Management and Office of Management and Budget.

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

OFC-Alaska: Provides liaison functions with state interests including regulatory authorities, local Federal participating offices, the Alaska public, tribal interests, conservation groups and applicant offices in Alaska. OFC-Alaska also conducts interagency coordination and technical discussions relevant to the project and the joint surveillance and monitoring agreement with the State of Alaska.



Performance Goals

The OFC is committed to fulfilling the mandates of its mission to expedite the delivery of Alaska natural gas to U.S. markets. We have developed strategic goals and objectives to guide us in meeting that mandate.

Goal One

Ensure that actions by key stakeholders and relevant agencies are coordinated to expedite the project's permitting, construction, and completion.

Goal Two

Provide in a transparent manner timely, reliable and comprehensive information about the project to inform and educate.

Goal Three

Ensure compliance with applicable laws, including monitoring agency activities to prevent any unnecessary conditions or requirements from delaying the project, and provide for effective monitoring and inspection of design and construction.

Goal Four

Rigorously execute fiscal and human capital management and planning to effectively meet the agency's mission.

Summary of Activities

There are two project sponsor teams pursuing a possible Alaska natural gas pipeline project to serve the Lower 48 states: The Alaska Pipeline Project (TransCanada and ExxonMobil), and Denali - The Alaska Gas Pipeline (ConocoPhillips and BP). Both are pursuing the project under Section 103 of the Alaska Natural Gas Pipeline Act (ANGPA) enacted in 2004, and both have entered the pre-filing process with the Federal Energy Regulatory Commission (FERC) toward applying for a certificate of public convenience and necessity. The two sponsor teams are looking at essentially the same project: Constructing a 48-inch-diameter steel pipe approximately 1,700 miles from Alaska's North Slope to Alberta, where the line would connect with existing natural gas pipelines to move the gas to Lower 48 markets. Both are proposing the same initial capacity for the pipeline — 4.5 billion cubic feet of gas per day, adding about 6 percent to U.S. natural gas supplies based on 2009 consumption.

Both project teams held open seasons in fiscal year 2010, a formal process under FERC regulations in which a pipeline developer requests proposals from potential shippers to sign binding, long-term contracts to move gas on the pipeline. Open seasons are a commercial opportunity for potential customers to compete for and acquire capacity on a new FERC-regulated interstate pipeline or an expanded existing line. Based on open season bids, a pipeline developer may adjust a project design accordingly. The Alaska Pipeline Project open season closed July 30, 2010; the Denali open season closed October 4, 2010. As of November 2010, both project teams were negotiating terms with potential shippers.

The OFC's job includes preparing and updating an implementation plan for each project sponsor team, covering all stages of environmental review and government permitting through the completion of construction. The OFC has issued its first-phase implementation plan for each project, with its first update due for release in December 2010 and every six months thereafter. Preparing and updating the implementation plans involves working with the project sponsor teams and two dozen federal agencies to constantly track environmental reviews and permit work to ensure the project can remain on schedule and that agencies receive all of the information needed for timely decisions. The implementation plans are a responsibility of the OFC under a multi-agency memorandum of understanding signed by approximately 20 federal permitting agencies. The OFC is continuing to work with additional federal agencies and experts to add three more agencies to the MOU in the last quarter of calendar year 2010.

In addition to the workload of the implementation plans, the OFC has developed a complex permits matrix—tracking the federal permits required for the project, providing regulatory and statutory citations, permit summaries, data requirements, agency contact information and other details useful for the project sponsors, stakeholders and general public. The permits matrix is available to the public through our website. OFC plans to expand the permits matrix to add a feature that will track the progress of each permit, and also to add state permits to the matrix.

Although the OFC's legal authority to oversee project permitting does not extend across the U.S. border into Canada, the office is fully engaged with Canadian federal, provincial and territorial authorities to ensure that all regulatory agencies on both sides of the U.S.-Canada border are fully informed of the project and aligned in their efforts. The OFC has increased its engagement with Canadian federal, provincial and territorial agencies as the project moves closer to environmental and other permit applications.

Public outreach is another key element of the OFC's work, especially in providing the public clear and easily accessible information on the project, the permitting process and requirements, and the FERC process (the project's open seasons were the first ever held for an interstate pipeline in Alaska). The OFC serves as a clearinghouse for public information about the project. Outreach efforts include working with Native groups, state and municipal officials, Canadian governments and other stakeholders to ensure everyone has accurate information on the project. The OFC has and will continue to increase its public outreach efforts, including preparing more research papers on the project, speaking at community meetings and presenting a natural gas forum for a statewide audience in Alaska.

In fiscal year 2010, the OFC continued work to develop a web-based Geographic Information System (GIS), looking to build on its prototype of a 20-mile stretch of the proposed natural gas pipeline route at Alaska's Atigun Pass. The GIS prototype will go online in the last quarter of calendar 2010—providing project sponsors, stakeholders, permitting agencies and the general public the ability to learn the full value of the data-rich GIS, which layers multiple data sources on top of an authoritative LiDAR (Light Detection and Ranging) base map. The GIS can provide users with detailed information and images on terrain, wetlands, waterways, ground slope, vegetation, roads and structures, and other ground features. If the prototype proves useful and successful, the OFC would consider pursuing funding options to expand the project to cover the full 800 miles of the proposed pipeline route within Alaska. In addition to its value for this project, the GIS would prove useful to federal permitting agencies with land and resource

management responsibilities for other projects and management decisions in Alaska.

The OFC also entered into discussions with the State of Alaska regarding a framework that would lead to the agreement required in Section 106(e) of ANGPA (joint surveillance and monitoring agreement for project construction). The agreement would be in effect during the construction of an Alaska natural gas pipeline project and requires approval by the President of the United States and the Governor of Alaska. A similar agreement was in place during construction of the trans-Alaska oil pipeline in the mid-1970s.

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 the project's activity. The first collections occurred in fiscal year 2010. The OFC has a cost reimbursement agreement with the Denali project (signed in the spring of 2010), and expects to have a similar agreement in place with The Alaska Pipeline Project by the end of calendar year 2010.

Analysis of Financial Statements and Stewardship Information

The Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects' (OFC) financial statements have been prepared to report the financial position and result of operations of the agency 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 for Federal Entities (GAAP) and in accordance with the formats prescribed by the Office of Management and Budget (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.

For fiscal year 2010, the OFC's appropriation was $4.466M in appropriated discretionary funding. The OFC is authorized to establish and collect reasonable filing and service fees, charges and commission which are contingent upon the level of activity of the Alaska natural gas transportation project. In fiscal year 2010, the OFC established a cost reimbursement agreement with "Denali - The Alaska Gas Pipeline" (Denali), one of the two project sponsor teams pursuing a possible Alaska natural gas pipeline project to serve the Lower 48 states. The OFC collected $200K in fees based on the agreement with Denali—the fees are designated as mandatory funding, of which, in fiscal year 2010, the OFC had authority to expend collected fees of up to $4.683M.

The OFC's expended discretionary funding was used to finance the OFC's program activities as described in the foregoing summary. In addition, the discretionary funding covered employee salaries and benefits; rent for the Washington DC and Anchorage AK offices; communications and utilities for both offices; and other administrative costs such as support agreements, travel, training, and general supplies and equipment.

As of September 30, 2010, the OFC's assets and Fund Balance with Treasury totaled $3,517,723. The agency's liabilities and net position totaled $3,517,723 and the net cost of operations for the fiscal year was $4,304,287. The OFC's net position as of September 30, 2010 was $2,587,833. The Statement of Budgetary Resources reflected that the OFC had a total of $5,953,274 in budgetary resources of which $3,885,395 were incurred obligations. Net outlays totaled $4,158,081.

At the end of fiscal year 2010, the OFC's financial condition was sound with respect to having sufficient funds to meet program needs; moreover, adequate internal controls were in place to ensure obligations did not exceed budgetary authority.

November 10, 2010

The Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects' (OFC) 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 the Office of Management and Budget's (OMB) OMB Circular A-123, "*Management's Responsibility for Internal Control*."

As of September 30, 2010, based upon the results of the auditor's assessment of the effectiveness of the OFC's internal controls, 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, regulations, and financial management systems substantially comply with the objectives of the FMFIA § 2.

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. The OFC is able to provide reasonable assurance that the agency's financial management systems substantially comply with the objectives of FMFIA § 4 as of September 30, 2010.

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

The requirement to complete an annual financial report is a method to make certain our accountability to the public as an independent agency in the executive branch of the federal government. To ensure that the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) is compliant with federal financial management reporting requirements, the OFC commissioned the independent accounting firm of *Lani Eko & Company, CPAs, PLLC* to conduct a review and evaluation of the OFC's fiscal year 2010 financial statements. Following are the OFC's 2010 financial statements after which is the auditor's complete report.

OFFICE OF THE FEDERAL COORDINATOR FOR ALASKA
NATURAL GAS TRANSPORTATION PROJECTS
Balance Sheets
As Of September 30, 2010 and 2009

		2010	2009
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	$ 3,048,146	$ 2,740,227
Total Intragovernmental		3,048,146	2,740,227
General Property, Plant and Equipment	(Note 3)	469,577	592,008
Total Assets		$ 3,517,723	$ 3,332,235
Liabilities:	(Note 4)		
Intragovernmental:			
Accounts Payable		$ 401,730	$ 588,343
Other	(Note 5)	14,930	12,277
Total Intragovernmental		416,661	600,621
Liabilities With the Public:			
Accounts Payable		166	30,174
Other	(Note 5)	316,849	113,607
Total Liabilities With the Public		317,015	143,781
Total Liabilities		733,676	744,401
Net Position:			
Unexpended Appropriations - Other Funds		2,363,886	2,047,288
Cumulative Results of Operations		420,161	540,546
Total Net Position		2,784,047	2,587,833
Total Liabilities and Net Position		$ 3,517,723	$ 3,332,235

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

OFFICE OF THE FEDERAL COORDINATOR FOR ALASKA NATURAL GAS TRANSPORTATION PROJECTS

Statements of Net Costs

For The Years Ended September 30, 2010 and 2009

		2010	2009
Program Costs:			
Program A:			
Gross Costs	(Note 6)	$ 4,304,287	$ 2,833,691
Net Program Costs		4,304,287	2,833,691
Net Cost of Operations		$ 4,304,287	$ 2,833,691

The accompanying notes are an integral part of these statements.

OFFICE OF THE FEDERAL COORDINATOR FOR ALASKA NATURAL GAS TRANSPORTATION PROJECTS

Statements of Changes in Net Position

For The Years Ended September 30, 2010 and 2009

2010

	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	$	$ 540,546	$	$ 540,546
Budgetary Financing Sources:				
Appropriations Used		4,149,402		4,149,402
Other Financing Resources (Non-Exchange):				
Imputed Financing		34,500		34,500
Total Financing Sources		4,183,902		4,183,902
Net Cost of Operations (+/-)		4,304,287		4,304,287
Net Change		(120,385)		(120,385)
Cumulative Results of Operations	$	$420,161	$	$420,161
Unexpended Appropriations:				
Beginning Balances	$	$2,047,288	$	$ 2,047,288
Budgetary Financing Sources:				
Appropriations Received		4,466,000		4,466,000
Appropriations Used		(4,149,402)		(4,149,402)
Total Budgetary Financing Sources		316,598		316,598
Total Unexpended Appropriations		2,363,886		2,363,886
Net Position	$	$2,784,047	$	$2,784,047

Amounts may be off by a dollar due to rounding.

OFFICE OF THE FEDERAL COORDINATOR FOR ALASKA
NATURAL GAS TRANSPORTATION PROJECTS
Statements of Changes in Net Position
For The Years Ended September 30, 2010 and 2009

2009

	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	$	$(25,204)	$	$(25,204)
Budgetary Financing Sources:				
Appropriations Used		3,375,396		3,375,396
Other Financing Resources (Non-Exchange):				
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
Cumulative Results of Operations	$	$ 540,546	$	$ 540,546
Unexpended Appropriations:				
Beginning Balances	$	$ 1,022,684	$	$ 1,022,684
Budgetary Financing Sources:				
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.

OFFICE OF THE FEDERAL COORDINATOR FOR ALASKA NATURAL GAS TRANSPORTATION PROJECTS
Statements of Budgetary Resources
For The Years Ended September 30, 2010 and 2009

		2010 Budgetary	2010 Non-Budgetary Credit Program Financing Accounts	2009 Budgetary	2009 Non-Budgetary Credit Program Financing Accounts
Budgetary Resources:					
Unobligated Balance:					
Beginning of Period		$472,293	$	$265,700	$
Recoveries of Prior Year Obligations		652,024		107,145	
Budget Authority:					
Appropriations Received		4,466,000		4,400,000	
Earned					
Collected		162,957		9,180	
Change in Unfilled Customer Orders (+/-)					
Advance Received		200,000			
Subtotal		$4,828,957		$4,409,180	
Total Budgetary Resources		$5,953,274	$	$4,782,025	$
Status of Budgetary Resources:					
Obligations Incurred					
Direct	(Note 7)	$3,885,395	$	$4,309,732	$
Subtotal		$3,885,395		$4,309,732	
Unobligated Balances					
Apportioned		1,157,359		469,637	
Subtotal		$1,157,359		$469,637	
Unobligated Balances - Not Available		910,520		2,656	
Total Status of Budgetary Resources		$5,953,274	$	$4,782,025	$

		2010 Budgetary	2010 Non-Budgetary Credit Program Financing Accounts	2009 Budgetary	2009 Non-Budgetary Credit Program Financing Accounts
Change in Obligated Balances:					
Obligated Balance, Net:					
Unpaid Obligations, Brought Forward, October 1		$2,267,934	$	$819,102	$
Total, Unpaid Obligated Balance, Brought Forward, Net		$2,267,934		$819,102	
Obligations Incurred		3,885,395		4,309,732	
Gross Outlays (-)		(4,521,038)		(2,753,756)	
Recoveries of Prior-Year Unpaid Obligations, Actual (-)		(652,024)		(107,145)	
Obligated Balance, Net, End of Period:					
Unpaid Obligations (+)	(Note 8)	980,267		2,267,934	
Total, Unpaid Obligated Balance, Net, End of Period		$980,267	$	$2,267,934	$
Net Outlays:					
Gross Outlays (+)		4,521,038		2,753,756	
Offsetting Collections (-)		(362,957)		(9,180)	
Net Outlays		$4,158,081	$	$2,744,576	$

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

OFFICE OF THE FEDERAL COORDINATOR FOR ALASKA
NATURAL GAS TRANSPORTATION PROJECTS
Notes to the Financial Statements
General Fund

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 accounting principles generally accepted in the United States (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, *Financial Reporting Requirements* 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, 2010, 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 the 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 receives appropriated funds. Appropriations are received 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. OFC also had a reimbursable agreement for $200,000 with Denali LLC in fiscal year 2010.

Note 2 – Fund Balance with Treasury

The OFC's Fund Balance with Treasury is derived from appropriations and the Reimbursable Agreement with Denali LLC for $200,000. 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).

	2010	2009
A. Fund Balance with Treasury		
Appropriated Fund	$3,048,146	$2,740,227
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	$1,157,359	$469,637
b) Unavailable	910,520	2,656
2) Obligated Balance not yet Disbursed	980,267	2,267,934
Total	$3,048,146	$2,740,227

Note 3 - General Property, Plant and Equipment, Net

As of September 30, 2010, OFC had Leasehold Improvements with a total cost of $612,422 with a net book value of $469,577. The Accumulated Depreciation to date is $142,845. The depreciation calculation method used is Straight Line with a useful life of five (5) years. A $25,000 threshold is used to determine whether items are capitalized.

2010	Leasehold Improvements	Total
Cost	$612,422	$612,422
Accum. Depr.	(142,845)	(142,845)
Net Book Value	$469,577	$469,577

2009	Leasehold Improvements	Total
Cost	$612,422	$612,422
Accum. Depr.	(20,414)	(20,414)
Net Book Value	$592,008	$592,008

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, 2010, the OFC had liabilities covered by budgetary resources in an amount of $684,260 and liabilities not covered by budgetary resources in an amount of $49,416.

Liabilities covered by budgetary resources is composed of Accounts Payable $401,896; Accrued Funded Payroll and Leave $67,433; Advances from Others of $200,000, and Employer Contributions and Payroll Taxes Payable of $14,930.

	2010	2009
With the Public		
Other	$49,416	$51,462
Total liabilities not covered by budgetary resources	49,416	51,462
Total liabilities covered by budgetary resources	684,260	692,939
Total Liabilities	$733,676	$744,401

Note 5 – Other Liabilities

Other liabilities with the public consist of Accrued Funded Payroll and Leave of $67,433 Advances from Others of $200,000 and Unfunded Leave in the amount of $49,416. Other Intragovenmental liabilities consist of employer contributions and payroll taxes payable in the amount of $14,930.

	With the Public	Non-Current	Current	Total
2010	Other Liabilities	$49,416	267,433	$316,849
2009	Other Liabilities	$51,462	62,145	$113,607

	Intragovernmental	Non-Current	Current	Total
2010	Other Liabilities	$0	14,930	$14,930
2009	Other Liabilities	$0	12,277	$12,277

Note 6 – Intragovernmental Costs and Exchange Revenue

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

	Total 2010	Total 2009
Program A		
Intragovernmental costs	$1,853,640	$918,879
Public costs	2,450,647	1,914,812
Total Program A costs	$4,304,287	$2,833,691

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 2010	Total 2009
Direct		
Category A	$3,885,395	$4,309,732
Total Obligations	$3,885,395	$4,309,732

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).

	Undelivered Orders	Accounts Payable	Unpaid Obl. Balance, Net
2010	$496,007	$484,260	$980,267
2009	$1,574,995	$692,939	$2,267,934

Note 9 – Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing)

Liabilities not covered by budgetary resources total $49,416 and the change in components requiring or generating resources in future period shows ($2,046). The ($2,046) is the net decrease of future funded expenses – leave between FY09 and FY10. 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.

	2010	2009
Liabilities not covered by budgetary resources	$49,416	$51,462
Change in components requiring/generating resources	($2,046)	$26,259

Note 9 – Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing), Continued

	2010	2009
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 3,885,395	$ 4,309,732
Less: Spending Authority from Offsetting Collections & Recoveries	1,014,981	116,325
Net Obligations	2,870,414	4,193,407
Other Resources		
Imputed Financing from Costs Absorbed by Others	34,500	24,045
Net Other Resources Used to Finance Activities	34,500	24,045
Total Resources Used to Finance Activities	2,904,914	4,217,452
Resources Used to Finance Items not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods		
Services and Benefits Ordered But Not Yet Provided	(1,278,988)	818,011
Resources that Finance the Acquisition of Assets		612,422
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(1,278,988)	1,430,433
Total Resources Used to Finance the Net Cost of Operations	4,183,902	2,787,019
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	(2,046)	26,259
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	(2,046)	26,259
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	122,431	20,414
Total Components of Net Cost of Operations that will not Require or Generate Resources	122,431	20,414
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	120,385	46,673
Net Cost of Operations	$ 4,304,287	$ 2,833,691

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

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INDEPENDENT AUDITOR'S REPORT

To the Office of the Federal Coordinator
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, 2010 and 2009, and the related statements of net costs, 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 Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. 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 the 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, 2010 and 2009, 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 our report dated November 2, 2010, on our consideration of the OFC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. The purpose of those reports are 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 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 considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information presented in the Management's Discussion and Analysis (MD&A), required supplementary stewardship information, required supplementary information, and other accompanying information is not a required part of the basic financial statements but is supplementary information by OMB Circular A-136, *Financial Reporting Requirements*. The other accompanying information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it. For the remaining information, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Lani Eko & Company, CPAs, PLLC

November 2, 2010
Alexandria, Virginia

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the 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, 2010 and 2009, and have issued our report thereon dated November 2, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

Internal Control Over Financial Reporting

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 controls, determined whether the internal controls have been placed in operation, assessed control risk, and performed tests of the OFC's internal controls 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 OFC' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OFC's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the OFC's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Compliance and Other Matters

The management of OFC is responsible for complying with laws and regulations applicable to the OFC. 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 and 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 Office of Management and Budget (OMB) Bulletin No. 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 2, 2010
Alexandria, VA