



ALASKA NATURAL GAS
TRANSPORTATION PROJECTS
OFFICE OF THE FEDERAL COORDINATOR

2012

Performance and
Accountability
Report

MESSAGE FROM THE FEDERAL COORDINATOR
PERFORMANCE AND ACCOUNTABILITY REPORT FY2012

November 15, 2012

The Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) is an independent federal agency in the Executive Branch. Congress established the OFC in 2004 under the Alaska Natural Gas Pipeline Act (Public Law 108-324). The agency was established to help expedite and coordinate federal permitting for private sector construction of an Alaska North Slope pipeline to bring natural gas to market. The OFC is responsible for coordinating project-related activities between more than two dozen federal agencies; Canadian federal, provincial and territorial governments; the State of Alaska; Alaska Native tribes; the project developers and other stakeholders. Additionally, 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.

Fiscal year 2012 was a year of transition for the OFC — the agency underwent an organizational restructure as a result of a significant reduction in the agency's annual appropriation. Additionally, due to weak North American natural gas prices and market conditions, the project development team of TransCanada and ExxonMobil put the pipeline design and permitting work on hold, making a shift to look at a possible overseas export project instead. Despite the major changes in budget and project focus, the OFC achieved several noteworthy accomplishments toward meeting our mission and strategic goals. Moreover, we continued our commitment to assuring the American public that our resources are 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.

Following is the OFC's Performance and Accountability Report for fiscal year 2012. The report is also posted on the agency's website at www.arcticgas.gov. The report includes details on the agency's mission; organization structure; financial analysis of our fiscal year 2012 spending; the independent auditor's report; and our year-end financial statements. The financial and performance data contained in the OFC's 2012 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 federal agency 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

As of January 2012, the OFC was re-organized into three functions overseen by the Federal Coordinator based in Washington, DC, and a Deputy Federal Coordinator based in the Anchorage, AK, field office.

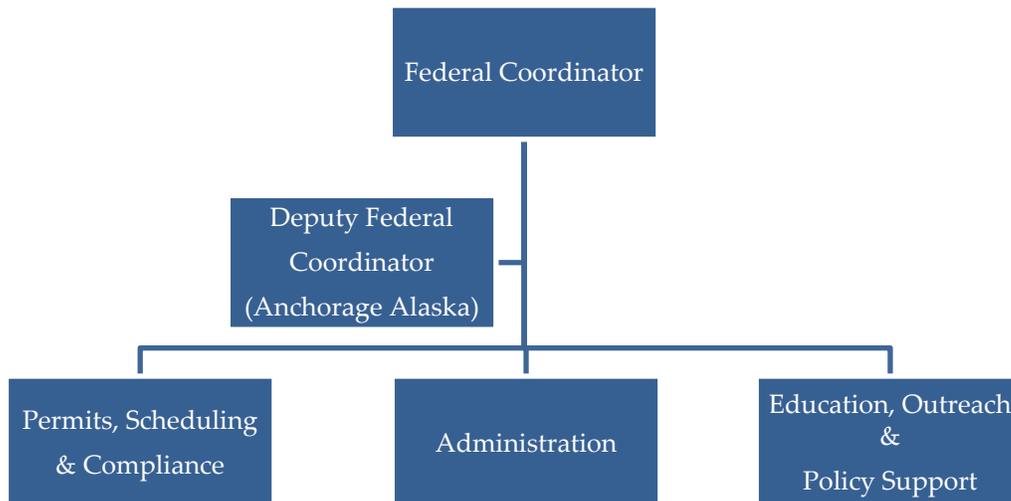
The functions are: 1) permits, scheduling and compliance; 2) education, outreach and policy support; and 3) administration.

- **Permits, scheduling and compliance:** The OFC manages the federal implementation plan for the project and maintains a permits matrix that tracks all federal environmental, construction and operating permits and authorizations required for the project. This is part of the office's general coordinating work to assist in timely project development and permitting decisions. The office also oversees federal agency compliance with applicable laws, while working to ensure that no federal agency imposes any discretionary terms or conditions on a permit or authorization beyond what is required by law that would prevent or impair expeditious completion of the project. The office also coordinates activities between U.S. federal agencies and Canadian regulatory agencies related to the complex project.

- **Education, outreach and policy support:** The office maintains a concerted effort to educate the public and policy makers on all aspects of the multibillion-dollar Alaska pipeline project, including risks and benefits, market conditions, project economics, its role in U.S. energy policy, global competition, and the environmental review and permitting process. The communication effort reaches out to Congress, the public, project stakeholders, federal agencies, Alaska state agencies and Canadian agencies through presentations, reports and issue papers distributed through the OFC website and emails.
- **Administration:** Human resource and personnel, financial management, procurement, contract management, facilities management, travel, security and IT-related functions are managed under this function, including interactions with the Office of Personnel Management and Office of Management and Budget. Legal services also are included in this function.

In addition to its main office in Washington, DC, the OFC has a field office in Anchorage, AK (OFC-Alaska).

- **OFC-Alaska:** The Alaska offices works closely with state officials, particularly regulatory authorities. It also works with federal agency personnel in Alaska, tribes and other Alaska Native interests, industry and conservation groups, project applicant personnel in Alaska and the public. The office also leads Alaska-based interagency coordination and technical discussions relevant to the project.



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 meet the agency's mission.

Summary of Activities

As federal fiscal year 2012 started, the project developers were working steadily with federal regulatory and permitting agencies — with the assistance of the Office of the Federal Coordinator — toward their anticipated October 2012 application to the Federal Energy Regulatory Commission. The development team of TransCanada and ExxonMobil, operating as the Alaska Pipeline Project, planned to seek FERC approval to construct and operate a 48-inch-diameter steel pipeline to move Alaska North Slope natural gas into the North American gas pipeline distribution grid through a connection in northern Canada.

But in March 2012, the development team put that project on hold due to weak prices and worsening market conditions for natural gas in North America. The glut of natural gas produced from shale rock had oversupplied the market, while at the same time, Asian demand for natural gas was growing. Seeing the new, more financially attractive opportunity to market Alaska gas overseas, BP and ConocoPhillips joined with TransCanada and ExxonMobil to take a hard look at the commercial feasibility and engineering/design/construction issues of a pipeline from the North Slope to tidewater in Southcentral Alaska. The gas would be liquefied, loaded aboard tankers and shipped to markets worldwide.

With the shift in project focus, TransCanada/ExxonMobil shut down its work with federal agencies on the North American pipeline option. The OFC did the same and, while waiting for federal agency coordinating work on the liquefied natural gas project to begin, the OFC devoted more of its effort to bolstering its public education and outreach work as delineated in the agency's strategic plan. The OFC's goal is to provide the public with clear and easily accessible information on Alaska North Slope natural gas projects including the permitting process, sponsor work under way in preparation for the required environmental review, the regulatory process for an interstate pipeline, natural gas market conditions, pipeline economics and other relevant information. Outreach efforts include working with Alaska Native groups; state and municipal officials; community and business groups throughout Alaska; Canadian federal, provincial and territorial government officials; and other interested parties to ensure that everyone has accurate information.

The OFC devoted more attention to researching and producing a series of reports on multiple aspects of natural gas projects, markets, regulation and issues that will face developers of an Alaska gas pipeline. Report titles in fiscal year 2012 included:

- North Slope LNG exports require Energy Department, presidential approvals
- The challenges of distributing North Slope gas to Alaskans
- Gas pipeline builder plans precautions for spanning earthquake zones
- The cold facts about a hot commodity: LNG
- New imaging gives close-up look at gas pipeline corridors
- Can gas-to-liquids technology get traction?
- Asian LNG buyers push back on high prices
- LNG could ease Hawaii's high energy costs
- A history of the 40-year effort to develop an Alaska natural gas pipeline

The effort to inform and engage stakeholders and the public is succeeding, as measured by traffic to the OFC's website. Visitors per month increased from 1,200 in January 2010 to almost 16,000 in October 2012.

Other work in fiscal year 2012 included continuing as a participating agency in Executive Order No. 13580, which created the Interagency Working Group on Coordination of Domestic Energy Development and Permitting in Alaska. The White House initiative is intended to coordinate oil and natural gas permitting and development in Alaska (onshore and offshore), and is led by the Department of Interior.

As part of wrapping up work on the North American pipeline option, the OFC prepared and published a comprehensive report and searchable matrix showing the status of all major federal approvals that would be required for the project and, similarly, for a liquefied natural gas export project if the developers proceed on that route. In addition to detailing the status of each permit, approval, review or consultation, the report also provides guidance for proceeding with the work when a project moves ahead.

And as part of preserving the work of the past 40 years on an Alaska natural gas pipeline project, the OFC undertook an effort in fiscal year 2012 to gather, organize and catalog as much material as possible from as many sources as possible, putting all of it together in a searchable, publicly accessible database. INFOPipe Alaska will be online before the end of December 2012. The OFC has contracted with the University of Alaska Anchorage to digitize old documents and build and maintain the database at the Alaska Resources Library & Information Services. The database will include public reports, reviews, route maps, analysis, presentations and environmental data (no confidential or proprietary material) from federal and state agencies, Canadian agencies, and past and present project developers.

The OFC's statutory mission includes overseeing an all-federal-agency implementation plan for the multibillion-dollar Alaska natural gas pipeline project. The implementation plan is the OFC's responsibility under a multi-agency memorandum of understanding signed by 20 federal permitting agencies. The OFC in fiscal year 2012 put on hold further development of the implementation plan until the project developers decide on their next move.

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 2012, the OFC's appropriation under Public Law 112-74 (The Consolidated Appropriations Act) was \$1M which was designated as one-year discretionary funding. In fiscal year 2012 the OFC had authority to expend collected fees of up to \$4.683M. Based on a cost-reimbursement agreement established with the TransCanada Alaska Company, LLC and the Alaska Pipeline Project (collectively APP), in FY2011, the OFC collected \$200K; the collected fees remained available in fiscal year 2012 and were designated as mandatory funding. Additionally, the agency carried-over \$2.278M in no-year funding that was available in fiscal year 2012 as discretionary funding.

The OFC's expended discretionary and mandatory funding was used to finance the OFC's program activities as described in the foregoing summary. In addition, the expended 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, 2012, the OFC's assets and Fund Balance with Treasury totaled \$2,245,039. The agency's liabilities and net position totaled \$2,245,916 and the net cost of operations for the fiscal year was \$2,589,285. The OFC's net position as of September 30, 2012 was \$2,207,909. The Statement of Budgetary Resources reflected that the OFC had a total of \$4,682,315 in budgetary resources of which \$2,726,078 were incurred obligations. Net outlays totaled \$2,459,281.

At the end of fiscal year 2012, 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 15, 2012

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, 2012, 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, 2012.



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

Financial Statements

PERFORMANCE AND ACCOUNTABILITY REPORT FY2012

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 2012 financial statements. Following are the OFC's 2012 financial statements after which is the auditor's complete report.

Financial Statements

PERFORMANCE AND ACCOUNTABILITY REPORT FY2012

OFFICE OF THE FEDERAL COORDINATOR FOR ALASKA NATURAL GAS TRANSPORTATION PROJECTS BALANCE SHEET

As Of September 30, 2012 and 2011

	2012	2011
	<hr/>	<hr/>
Assets:		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 2,245,039	\$ 3,704,320
Accounts Receivable, net (Note 3)	\$ 877	
General Property, Plant and Equipment (Note 4)		\$ 347,151
Total Assets	<u>\$ 2,245,916</u>	<u>\$ 4,051,471</u>
 Liabilities:		
Intragovernmental:		
Other (Note 5)	\$ 2,023	\$ 5,713
Total Intragovernmental (Note 6)	<u>\$ 2,023</u>	<u>\$ 5,713</u>
 Liabilities With the Public:		
Accounts Payable	\$ 9,116	\$ 18,017
Other (Note 6)	\$ 26,869	\$ 266,174
Total Liabilities With the Public	<u>\$ 35,985</u>	<u>\$ 284,190</u>
Total Liabilities	<u>\$ 38,007</u>	<u>\$ 289,903</u>
 Net Position:		
Unexpended Appropriations - Other Funds	\$ 2,221,230	\$ 3,456,925
Cumulative Results of Operations	\$ (13,321)	\$ 304,643
Total Net Position	<u>\$ 2,207,909</u>	<u>\$ 3,761,568</u>
Total Liabilities and Net Position	<u>\$ 2,245,916</u>	<u>\$ 4,051,471</u>

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

**OFFICE OF THE FEDERAL COORDINATOR FOR ALASKA
NATURAL GAS TRANSPORTATION PROJECTS
STATEMENT OF NET COST**

For The Years Ended September 30, 2012 and 2011

	2012	2011
	<hr/>	<hr/>
Program Costs:		
Program A:		
Gross Costs (Note 7)	\$ 2,670,260	\$ 3,538,249
Less: Earned Revenue	<u>\$ 80,974</u>	<u> </u>
Net Program Costs	\$ 2,589,285	\$ 3,538,249
 Net Cost of Operations	 <u><u>\$ 2,589,285</u></u>	 <u><u>\$ 3,538,249</u></u>

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

Financial Statements

PERFORMANCE AND ACCOUNTABILITY REPORT FY2012

OFFICE OF THE FEDERAL COORDINATOR FOR ALASKA

NATURAL GAS TRANSPORTATION PROJECTS

STATEMENT OF CHANGES IN NET POSITION

For The Years Ended September 30, 2012 and 2011

2012

	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	\$	\$ 304,643	\$	\$ 304,643
Budgetary Financing Sources:				
Appropriations Used		\$ 2,235,695	\$	\$ 2,235,695
Other Financing Resources (Non-Exchange):				
Imputed Financing		\$ 35,626		\$ 35,626
Total Financing Sources		\$ 2,271,321		\$ 2,271,321
Net Cost of Operations (+/-)		\$ 2,589,285		\$ 2,589,285
Net Change		\$ (317,964)		\$ (317,964)
Cumulative Results of Operations	\$	\$ (13,321)	\$	\$ (13,321)
Unexpended Appropriations:				
Beginning Balances	\$	\$ 3,456,925	\$	\$ 3,456,925
Budgetary Financing Sources:				
Appropriations Received		\$ 1,000,000		\$ 1,000,000
Appropriations Used		\$ (2,235,695)		\$ (2,235,695)
Total Budgetary Financing Sources		\$ (1,235,695)		\$ (1,235,695)
Total Unexpended Appropriations		\$ 2,221,230		\$ 2,221,230
Net Position	\$	\$ 2,207,909	\$	\$ 2,207,909

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

The accompanying notes are an integral part of these statements.

Financial Statements

PERFORMANCE AND ACCOUNTABILITY REPORT FY2012

OFFICE OF THE FEDERAL COORDINATOR FOR ALASKA

NATURAL GAS TRANSPORTATION PROJECTS STATEMENT OF CHANGES IN NET POSITION

For The Years Ended September 30, 2012 and 2011

2011

	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	\$	\$ 420,161	\$	\$ 420,161
Budgetary Financing Sources:				
Appropriations Used		\$ 3,364,029	\$	\$ 3,364,029
Other Financing Resources (Non-Exchange):				
Imputed Financing		\$ 58,702	\$	\$ 58,702
Total Financing Sources		\$ 3,422,731	\$	\$ 3,422,731
Net Cost of Operations (+/-)		\$ 3,538,249	\$	\$ 3,538,249
Net Change		\$ (115,518)	\$	\$ (115,518)
Cumulative Results of Operations	\$	\$ 304,643	\$	\$ 304,643
Unexpended Appropriations:				
Beginning Balances	\$	\$ 2,363,886	\$	\$ 2,363,886
Budgetary Financing Sources:				
Appropriations Received		\$ 4,466,000	\$	\$ 4,466,000
Other Adjustments		\$ (8,932)	\$	\$ (8,932)
Appropriations Used		\$(3,364,029)	\$	\$(3,364,029)
Total Budgetary Financing Sources		\$ 1,093,039	\$	\$ 1,093,039
Total Unexpended Appropriations		\$ 3,456,925	\$	\$ 3,456,925
Net Position	\$	\$ 3,761,568	\$	\$ 3,761,568

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

Financial Statements

PERFORMANCE AND ACCOUNTABILITY REPORT FY2011

OFFICE OF THE FEDERAL COORDINATOR FOR ALASKA
NATURAL GAS TRANSPORTATION PROJECTS
STATEMENT OF BUDGETARY RESOURCES
For The Years Ended September 30, 2012 and 2011

	2012	2012	2011	2011
	Budgetary	Non-Budgetary Credit Program Financing Accounts	Budgetary	Non-Budgetary Credit Program Financing Accounts
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
BUDGETARY RESOURCES				
Unobligated balance brought forward, October 1	\$ 3,383,926	\$	\$ 2,067,879	\$
Recoveries of prior year unpaid obligations (unobligated balances)	\$ 239,263	\$	\$ 32,596	\$
Appropriations (discretionary and mandatory)	\$ 1,000,000	\$	\$ 4,457,068	\$
Spending authority from offsetting collections	\$ 59,127	\$	\$ 442	\$
Total budgetary resources	<u>\$ 4,682,315</u>	<u>\$</u>	<u>\$ 6,557,986</u>	<u>\$</u>
STATUS OF BUDGETARY RESOURCES				
Obligations incurred (Note 8)	\$ 2,726,078	\$	\$ 3,174,060	\$
Apportioned	\$ 1,031,125	\$	\$ 2,479,240	\$
Unapportioned	\$ 925,112	\$	\$ 904,685	\$
Unobligated balance brought forward, end of year	<u>\$ 1,956,238</u>	<u>\$</u>	<u>\$ 3,383,926</u>	<u>\$</u>
Total budgetary resources	<u>\$ 4,682,315</u>	<u>\$</u>	<u>\$ 6,557,986</u>	<u>\$</u>
CHANGE IN OBLIGATED BALANCE				
Unpaid obligations, brought forward, October 1 (gross)	\$ 320,394	\$	\$ 980,267	\$
Obligation incurred	\$ 2,726,078	\$	\$ 3,174,060	\$
Outlays (gross) (-)	\$ (2,518,408)	\$	\$ (3,801,336)	\$
Recoveries of prior year unpaid obligations (-)	\$ (239,263)	\$	\$ (32,596)	\$
Unpaid obligations, end of year (gross) (Note 9)	<u>\$ 288,801</u>	<u>\$</u>	<u>\$ 320,394</u>	<u>\$</u>
Obligated balance, end of year (net)	<u>\$ 288,801</u>	<u>\$</u>	<u>\$ 320,394</u>	<u>\$</u>
BUDGET AUTHORITY AND OUTLAYS, NET				
Budget authority, gross (discretionary and mandatory)	\$ 1,059,127	\$	\$ 4,457,510	\$
Actual offsetting collections (discretionary and mandatory) (-)	\$ (59,127)	\$	\$ (442)	\$
Outlays, gross (discretionary and mandatory)	\$ 2,518,408	\$	\$ 3,801,336	\$
Actual offsetting collections (discretionary and mandatory) (-)	\$ (59,127)	\$	\$ (442)	\$
Outlays, net (discretionary and mandatory)	<u>\$ 2,459,281</u>	<u>\$</u>	<u>\$ 3,800,893</u>	<u>\$</u>

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

The accompanying notes are an integral part of these statements.

**Office of the Federal Coordinator
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 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, 2012, 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. OFC also had a reimbursable agreement for \$200,000 with Denali LLC in fiscal year 2011.

Note 2 – Fund Balance with Treasury

The OFC’s fund balance with Treasury is coming from appropriations and the reimbursable agreement with Denali LLC for \$200,000. This fund balance with treasury is a consolidated balance of two no-year funds (977X and 978X) and three annual funds (977: FY 2008, FY 2009, and FY 2012).

	<u>2012</u>	<u>2011</u>
A. Fund Balance with Treasury		
Appropriated Fund	<u>\$2,245,039</u>	<u>\$3,704,320</u>
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	1,031,125	2,479,240
b) Unavailable	925,112	904,685
2) Obligated Balance not yet Disbursed	288,801	320,394
Total	<u>\$2,245,039</u> *	<u>\$3,704,320</u> *

*Rounding

Note 3 – Accounts Receivable, Net

Accounts Receivable, Net represents the Account Receivable Claims from Associates.

	<u>2012</u>	<u>2011</u>
Accounts Receivable	<u>\$877</u>	<u>\$0</u>
Total Accounts Receivable With the Public	\$877	\$0

Note 4 - General Property, Plant and Equipment, Net

As of September 30, 2012 OFC shows no General Property, Plant and Equipment. This is due to downsizing and moving to a different building.

As of September 30, 2011, OFC shows Leasehold Improvements with a total cost of \$612,422 and a net book value of \$347,151. The Accumulated Depreciation to date is \$265,271. 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.

2011	Leasehold Improvements	Total
Cost	\$612,422	\$612,422
Accum. Depr.	(\$265,271)	(\$265,271)
Net Book Value	\$347,151	\$347,151

Note 5 - 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, 2012, the OFC showed liabilities covered by budgetary resources of \$23,809 and liabilities not covered by budgetary resources of \$14,198.

Liabilities covered by budgetary resources is composed of Accounts Payable \$5,400, Disbursements in Transit \$3,716, Accrued Funded Payroll and Leave \$10,347, Advances from Others of \$1,883, and Employer Contributions and Payroll Taxes Payable of \$2,463.

	2012	2011
With the Public		
Other	14,198	42,508
Total liabilities not covered by budgetary resources	14,198	42,508
Total liabilities covered by budgetary resources	23,809	247,395
Total Liabilities	\$38,007	\$289,903

Note 6 – Other Liabilities

Other liabilities with the public consist of Accrued Funded Payroll and Leave of \$10,347, Advances from Others of \$1,883, Employer Contributions and Payroll Taxes Payable – TSP of \$441, and Unfunded Leave in the amount of \$14,198. Other Intagovernmental liabilities consist of employer contributions and payroll taxes payable of \$2,023.

	<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2012 Other Liabilities		14,198	12,670 *	\$26,869
2011 Other Liabilities		42,508	223,666 **	\$266,174

	<u>Intragovernmental</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2012 Other Liabilities		0	2,023	\$2,023
2011 Other Liabilities		0	5,713 **	\$5,713

*Rounding

** \$200,000 Advance from Denali LLC moved from Intragovernmental to Public on comparative notes. This change has no affect on the face of the statements.

Note 7 – Intragovernmental Costs and Exchange Revenue

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

	<u>2012</u>	<u>2011</u>
Program A		
Intragovernmental costs	\$961,631	\$1,238,714
Public costs	1,708,629	2,299,535
Total Program A costs	<u>\$2,670,260</u>	<u>\$3,538,249</u>
Intrgovernmental earned revenue		
Public earned revenue	80,974	
Total Program A earned revenue	<u>80,974</u>	
Total Program A Net Costs	<u>\$2,589,285 *</u>	<u>\$3,538,249</u>

*Rounding

Note 8 – Apportionment Categories of Obligations Incurred

The direct obligations are obligations incurred against amounts apportioned under Category A and Category B on the latest SF 132s. The reimbursable obligations are those incurred against the reimbursable agreements with Denali LLC.

	<u>2012</u>	<u>2011</u>
Direct		
Category A		3,174,060
Category B	<u>2,527,961</u>	
Direct Total	<u>2,527,961</u>	<u>3,174,060</u>
Reimbursable		
Category A	<u>198,117</u>	
Reimbursable Total	<u>198,117</u>	
Total Obligations	<u><u>\$2,726,078</u></u>	<u><u>\$3,174,060</u></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>
2012	\$266,875	\$21,926	\$288,801
2011	\$272,999	\$47,395	\$320,394

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

Liabilities not covered by budgetary resources total \$14,198 and the change in components requiring or generating resources in future period shows (\$28,310). The (\$28,310) is the net decrease of future funded expenses – leave between FY11 and FY12. 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>2012</u>	<u>2011</u>
Liabilities not covered by budgetary resources	\$14,198	\$42,508
Change in components requiring/generating resources	(\$28,310)	(\$6,908)

Notes to the Financial Statements

PERFORMANCE AND ACCOUNTABILITY REPORT FY2012

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

	2012		2011	
Budgetary Resources Obligated	\$ 2,726,078		\$ 3,174,060	
Spending Authority from Recoveries and Offsetting Collections	(298,390)		(33,039)	
Imputed Financing from Costs Absorbed by Others	35,626		58,702	
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(191,993)		223,007	
Resources that Finance the Acquisition of Assets	(877)			
Financing Sources Yet to be Provided	(28,310)		(6,908)	
Components Not Requiring or Generating Resources	347,151		122,426	
Net Cost of Operations	\$ 2,589,285		\$ 3,538,249	*
<i>*Rounding</i>				

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Independent Auditor's Report Follows**

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, 2012 and 2011, 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, 2012 and 2011, 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 14, 2012, 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 required 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 14, 2012
Alexandria, Virginia

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

To the Office of the Federal Coordinator
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 year ended September 30, 2012, and have issued our report thereon dated November 14, 2012. We conducted our audit 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 audit, 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's 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. A *significant deficiency* is a deficiency, or combination of deficiencies, in the internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 or significant deficiencies, 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 14, 2012
Alexandria, VA