

**APPALACHIAN STATES LOW-LEVEL
RADIOACTIVE WASTE COMMISSION**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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Greenawalt & Company, P.C.

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INDEPENDENT AUDITOR'S REPORT

Commission Members
Appalachian States Low-Level
Radioactive Waste Commission
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Appalachian States Low-Level Radioactive Waste Commission as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

IAR -1

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Appalachian States Low-Level Radioactive Waste Commission as of June 30, 2017 and 2016, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages MDA-1 and MDA-2 and budgetary comparison information on page ORSI-1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2017, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Greenawalt & Company, P.C.

GREENAWALT & COMPANY, P.C.

August 22, 2017

Mechanicsburg, Pennsylvania

**APPALACHIAN STATES LOW-LEVEL
RADIOACTIVE WASTE COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2017

The General Assembly of the Commonwealth of Pennsylvania created the Appalachian States Low-Level Radioactive Waste Commission (Commission) by enacting the Appalachian States Low-Level Radioactive Waste Compact Act, 1985-120. Under the authority of this act, the states of Delaware, Maryland, West Virginia and the Commonwealth of Pennsylvania formed a compact to provide for the regional management and disposal of Low-Level Radioactive Waste (LLRW). Congress consented to the Appalachian States Low-Level Radioactive Waste Compact in 1988.

The Commission consists of ten members; four members from Pennsylvania and two members from each of the other party states of Maryland, Delaware and West Virginia. The Commission members are appointed according to the laws of each party state. Each party state determined the length of term for which its Members and Alternates are appointed.

The Commission provides for representation of the compact party states throughout the siting process and LLRW disposal facility development and operations. Pennsylvania has been designated as the initial host state for the regional LLRW disposal facility because it generates the largest amount of LLRW in the compact.

In December of 1998, the Pennsylvania Department of Environmental Protection (DEP) suspended the LLRW siting process due to the current availability of out-of-state LLRW disposal facilities and the diminished volume of LLRW that would have been disposed of at the regional LLRW disposal facility in Pennsylvania. As a result, the Commission amended certain provisions of its bylaws to facilitate its continued operations without a business office and transferred the duties and responsibilities of the executive director to the chairman of the Commission. The vice chairman acts as secretary and treasurer of the Commission.

The Commission continues to incur certain expenditures, which are included in the Commission's budget. The budget is reviewed and approved by the Commission at its annual meeting. The Commission's annual expenditures presently exceed its annual interest income from the Operating Fund. The Operating Fund accounts for the general operations of the Commission and is managed by the Pennsylvania Department of Treasury's INVEST Program. At the current level of expenditures, the Operating Fund would be adequate to provide for continued funding of the Commission's expenditures for approximately 5 years. As of June 30, 2017, the Operating Fund had a fund balance of approximately \$ 137,000. The Commission's actual expenditures for this period were approximately \$ 28,000.

**APPALACHIAN STATES LOW-LEVEL
RADIOACTIVE WASTE COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The Commission's annual budget is not expected to vary significantly in the foreseeable future. However, the interest income from the INVEST Program may vary due to economic conditions.

Article II of act 1985-120 allows the Commission to collect fees from the four compact party states for the purpose of continuing its duties and responsibilities. The Act requires that the payments by the party states be made directly to the Commission in quarterly installments during the fiscal year. In 1998, the Commission decided to suspend the collection of the fees due to the suspension of the LLRW siting process and the subsequent closure of its business office. However, the option continues to be available to the Commission should the need arise.

The Commission is not presently involved in any litigation that would have a material adverse effect on the financial position of the Commission. Also, the Commission is tax exempt under the Internal Revenue Code and, accordingly, there is no provision for income taxes in the Commission's financial statements.

As required by Article II of Act 1985-120 and Article VIII of the Commission Bylaws, the Commission prepares and publishes an annual report. The report summarizes the activities of the Commission during the preceding fiscal year, and includes the Independent Auditor's Report on the Commission's basic financial statements.

**APPALACHIAN STATES LOW-LEVEL
RADIOACTIVE WASTE COMMISSION**

STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 11,160	\$ 24,117
Investments	<u>2,825,234</u>	<u>2,829,120</u>
Total assets	<u>2,836,394</u>	<u>2,853,237</u>
Liabilities - none	<u>-</u>	<u>-</u>
Net position		
Unappropriated	11,160	24,117
Appropriated	126,016	140,179
Restricted	<u>2,699,218</u>	<u>2,688,941</u>
Total net position	<u>\$ 2,836,394</u>	<u>\$ 2,853,237</u>

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

**APPALACHIAN STATES LOW-LEVEL
RADIOACTIVE WASTE COMMISSION**
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Direct expenses		
Legal services	\$ 10,000	\$ 10,000
Membership fee	9,500	9,500
Meeting expenses	1,197	1,474
Audit	3,000	2,900
Travel	3,607	3,785
Insurance	200	200
Advertising	453	473
	<u>27,957</u>	<u>28,332</u>
Revenue		
Investment earnings	11,114	8,798
	<u>11,114</u>	<u>8,798</u>
Change in net position	(16,843)	(19,534)
Net position - beginning of the year	<u>2,853,237</u>	<u>2,872,771</u>
Net position - end of the year	<u>\$ 2,836,394</u>	<u>\$ 2,853,237</u>

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

**APPALACHIAN STATES LOW-LEVEL
RADIOACTIVE WASTE COMMISSION**
STATEMENTS OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Operating Fund	Surcharge Fund	Total	Operating Fund	Surcharge Fund	Total
Revenue						
Interest	\$ 837	\$ 10,277	\$ 11,114	\$ 217	\$ 8,581	\$ 8,798
Expenditures						
Legal services	10,000	-	10,000	10,000	-	10,000
Membership fee	9,500	-	9,500	9,500	-	9,500
Meeting expenses	1,197	-	1,197	1,474	-	1,474
Audit	3,000	-	3,000	2,900	-	2,900
Travel	3,607	-	3,607	3,785	-	3,785
Insurance	200	-	200	200	-	200
Advertising	453	-	453	473	-	473
	<u>27,957</u>	<u>-</u>	<u>27,957</u>	<u>28,332</u>	<u>-</u>	<u>28,332</u>
Excess (deficiency) of revenues over expenditures	(27,120)	10,277	(16,843)	(28,115)	8,581	(19,534)
Fund balance - beginning of the year	<u>164,296</u>	<u>2,688,941</u>	<u>2,853,237</u>	<u>192,411</u>	<u>2,680,360</u>	<u>2,872,771</u>
Fund balance - ending of the year	<u>\$ 137,176</u>	<u>\$ 2,699,218</u>	<u>\$ 2,836,394</u>	<u>\$ 164,296</u>	<u>\$ 2,688,941</u>	<u>\$ 2,853,237</u>

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

**APPALACHIAN STATES LOW-LEVEL
RADIOACTIVE WASTE COMMISSION**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

REPORTING ENTITY

The Appalachian States Low-Level Radioactive Waste Commission was established to meet state responsibilities outlined in the federal Low-Level Radioactive Waste Policy Act of 1980 (P.L. 96-573) and the Low-Level Radioactive Waste Policy Amendments Act of 1985 (P.L. 99-240).

The reporting entity consists of all funds over which the Commission exercises oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters and scope of public service. The Commission is not a component unit of any of the Party States and is not included in any of the Party State's financial statements. Additionally, no other component units exist.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Entity-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Commission.

The statement of activities demonstrates the degree to which the direct expenses are offset by revenues.

Fund financial statements are also presented to show revenues and expenditures of each fund.

Fund accounting

The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Commission has the following funds:

Operating Fund - This fund accounts for the general operations of the Commission.

Surcharge Fund - This fund accounts for the surcharge payments received by the Commission.

Surcharge payments

Surcharge payments came from a disposal surcharge levied by the Federal government on generators of low-level waste. This surcharge was mandated by the 1985 Low-Level Radioactive Waste Policy Amendments Act. The surcharge was to serve as an incentive to regions and states to meet federally set milestones in the development of their own disposal facilities.

**APPALACHIAN STATES LOW-LEVEL
RADIOACTIVE WASTE COMMISSION**
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2017 AND 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Income tax

The Commission is exempt under the Internal Revenue Code and, accordingly, there is no provision for income taxes in the accompanying financial statements.

Subsequent events

Management has considered the disclosure of subsequent events through August 22, 2017, and there are no items requiring disclosure.

CASH AND INVESTMENTS

All of the Commission's cash deposits are FDIC insured up to \$ 250,000. The Commission does not have a formal policy regarding cash deposits.

All of the Commission's investments are with the Pennsylvania Treasurer's INVEST Program. These amounts are invested directly in a portfolio of securities which are held by third-party custodians. Since the INVEST Program acts in a fiduciary capacity for the Commission and recognizes the Commission as the pledgee of the collateral securities, these investments are considered to be held by the third-party custodians in the Commission's name.

APPROPRIATED NET POSITION

The Commission has appropriated a portion of June 30 net position as follows:

	2017	2016
Fiscal Stabilization Fund	\$ 116,016	\$ 130,179
Legal Fund	10,000	10,000
	\$ 126,016	\$ 140,179

Fiscal Stabilization Fund is the money available in the Commission's Operating Fund to replenish the checking account.

Legal Fund is the money allocated for legal services provided by the Commission's independent counsel.

**APPALACHIAN STATES LOW-LEVEL
RADIOACTIVE WASTE COMMISSION**
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2017 AND 2016

LEGAL SERVICES

Legal services are primarily to assist the Commission in fulfilling its activity as disclosed in the Reporting Entity Note. In the opinion of management, the Commission is not involved in any litigation that would have a material adverse effect on the financial position of the Commission.

**APPALACHIAN STATES LOW-LEVEL
RADIOACTIVE WASTE COMMISSION**
BUDGETARY COMPARISON INFORMATION - OPERATING FUND
YEAR ENDED JUNE 30, 2017

	<u>Actual</u>	<u>Original Budget</u>	<u>Variance Over (under) Budget</u>
Revenue - Interest	\$ 837	\$ 100	\$ 737
Expenditures			
Legal services	10,000	10,000	-
Membership fee	9,500	9,500	-
Meeting expenses	1,197	2,000	(803)
Audit	3,000	3,000	-
Travel	3,607	5,000	(1,393)
Insurance	200	200	-
Advertising	453	500	(47)
	<u>27,957</u>	<u>30,200</u>	<u>(2,243)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (27,120)</u>	<u>\$ (30,100)</u>	<u>\$ (2,980)</u>