

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

TABLE OF CONTENTS

Page
Number

INDEPENDENT AUDITOR'S REPORT	IAR - 1 to IAR - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	MDA - 1 to MDA - 2
BASIC FINANCIAL STATEMENTS	
Entity-wide financial statements	
Statements of net position	FS - 1
Statements of activities	FS - 2
Fund financial statements	
Statements of revenue, expenditures and changes in fund balances - governmental funds	FS - 3
Notes to financial statements	FS - 4 to FS - 6
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison information – operating fund	ORSI - 1



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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, 2018 and 2017, 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

400 West Main Street • Mechanicsburg, PA 17055 • 717.766.4763 • Fax 717.766.2731

62 West Pomfret Street • Carlisle, PA 17013 • 717.243.4822 • Fax 717.258.9372

www.greenawalt.cc

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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, 2018 and 2017, 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 20, 2018, 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 solely 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 effectiveness of the Commission's 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 20, 2018

Mechanicsburg, Pennsylvania

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

JUNE 30, 2018

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, 2018, the Operating Fund had a fund balance of approximately \$ 108,000. The Commission's actual expenditures for this period were approximately \$ 30,000.

**APPALACHIAN STATES LOW-LEVEL
RADIOACTIVE WASTE COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 10,951	\$ 11,160
Investments	<u>2,820,175</u>	<u>2,825,234</u>
Total assets	<u>2,831,126</u>	<u>2,836,394</u>
Liabilities - none	<u>-</u>	<u>-</u>
Net position		
Unappropriated	10,951	11,160
Appropriated	97,478	126,016
Restricted	<u>2,722,697</u>	<u>2,699,218</u>
Total net position	<u>\$ 2,831,126</u>	<u>\$ 2,836,394</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, 2018 AND 2017

	2018	2017
Direct expenses		
Legal services	\$ 10,000	\$ 10,000
Membership fee	9,500	9,500
Meeting expenses	1,308	1,197
Audit	3,000	3,000
Travel	5,635	3,607
Insurance	200	200
Advertising	566	453
	30,209	27,957
Revenue		
Investment earnings	24,941	11,114
	24,941	11,114
Change in net position	(5,268)	(16,843)
Net position - beginning of the year	2,836,394	2,853,237
Net position - end of the year	\$ 2,831,126	\$ 2,836,394

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, 2018 AND 2017

	2018			2017		
	Operating Fund	Surcharge Fund	Total	Operating Fund	Surcharge Fund	Total
Revenue						
Investment earnings	\$ 1,462	\$ 23,479	\$ 24,941	\$ 837	\$ 10,277	\$ 11,114
Expenditures						
Legal services	10,000	-	10,000	10,000	-	10,000
Membership fee	9,500	-	9,500	9,500	-	9,500
Meeting expenses	1,308	-	1,308	1,197	-	1,197
Audit	3,000	-	3,000	3,000	-	3,000
Travel	5,635	-	5,635	3,607	-	3,607
Insurance	200	-	200	200	-	200
Advertising	566	-	566	453	-	453
	<u>30,209</u>	<u>-</u>	<u>30,209</u>	<u>27,957</u>	<u>-</u>	<u>27,957</u>
Excess (deficiency) of revenues over expenditures	(28,747)	23,479	(5,268)	(27,120)	10,277	(16,843)
Fund balance - beginning 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>
Fund balance - ending of the year	<u>\$ 108,429</u>	<u>\$ 2,722,697</u>	<u>\$ 2,831,126</u>	<u>\$ 137,176</u>	<u>\$ 2,699,218</u>	<u>\$ 2,836,394</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, 2018 AND 2017

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, 2018 AND 2017

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 20, 2018, 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:

	2018	2017
Fiscal Stabilization Fund	\$ 87,478	\$ 116,016
Legal Fund	10,000	10,000
	\$ 97,478	\$ 126,016

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, 2018 AND 2017

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.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**APPALACHIAN STATES LOW-LEVEL
RADIOACTIVE WASTE COMMISSION**
BUDGETARY COMPARISON INFORMATION - OPERATING FUND
YEAR ENDED JUNE 30, 2018

	<u>Actual</u>	<u>Original Budget</u>	<u>Variance Over (under) Budget</u>
Revenue - Investment earnings	\$ 1,462	\$ 100	\$ 1,362
Expenditures			
Legal services	10,000	10,000	-
Membership fee	9,500	9,500	-
Meeting expenses	1,308	2,000	(692)
Audit	3,000	3,000	-
Travel	5,635	5,000	635
Insurance	200	200	-
Advertising	566	500	66
	<u>30,209</u>	<u>30,200</u>	<u>9</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (28,747)</u>	<u>\$ (30,100)</u>	<u>\$ 1,353</u>



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

We have audited, 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, the financial statements of the governmental activities and each major fund of Appalachian States Low-Level Radioactive Waste Commission, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated August 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

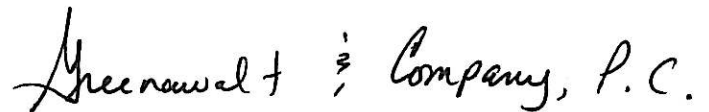
**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards* (Cont'd.)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



GREENAWALT & COMPANY, P.C.

August 20, 2018

Mechanicsburg, Pennsylvania



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August 20, 2018

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

We have audited the financial statements of the governmental activities and each major fund of the Appalachian States Low-Level Radioactive Waste Commission for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 29, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in the Summary of Significant Accounting Policies note to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2018. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no items requiring significant accounting estimates.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 20, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison information - operating fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Commission Members
Appalachian States Low-Level
Radioactive Waste Commission
Page three

Restriction on Use

This information is intended solely for the information and use of Commission Members and Management, and is not intended to be, and should not be, used by anyone other than these specified parties.

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