



November 22, 2011

Memorandum for:                   The Federal Co-Chair  
  ARC Executive Director

Subject:                                OIG Report 12-01  
  Fiscal Year 2011 Financial Statement Audit

The enclosed report presents the results of the audit of the Commission's financial statements for the fiscal year ended September 30, 2011. The report should be read in conjunction with the Commission's financial statements and notes to fully understand the context of the information contained therein.

The Appalachian Regional Commission (ARC) contracted with the independent certified public accounting firm of Martin & Wall, which became a division of Chortek & Gottschalk, LLP (C&G), to audit the financial statements of the Commission as of and for the fiscal year ended September 30, 2011. The contract required that the audit be conducted in accordance with U.S. generally accepted government auditing standards and OMB audit guidance. ARC's Office of Inspector General monitored audit activities to help ensure audit quality.

The following results were noted from C&G's audit of ARC's financial statements for the fiscal year ended September 30, 2011.

- C&G expressed an unqualified opinion on ARC's financial statements and reported that they were presented fairly in all material respects, in accordance with U.S. generally accepted accounting principles.
- C&G was not contracted for and did not provide an opinion on the effectiveness of ARC's internal controls. However, C&G did state that they did not identify any deficiencies in internal control that were considered to be material weaknesses, relative to their expressing an opinion on ARC's financial statements.
- No significant deficiencies were reported.
- C&G did not express an opinion on compliance with laws and regulations, but noted no instances of non-compliance with laws or regulations required to be reported under the provisions of OMB audit guidance.

In connection with the contract, we reviewed Chortek & Gottschalk's report and related documentation and inquired of its representatives. Our involvement in the audit process consisted of monitoring of audit activities, reviewing auditor independence and qualifications, attending meetings, participating in discussions, and reviewing audit planning and conclusion workpapers and reports. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the Appalachian Regional Commission's financial statements, conclusions about the effectiveness of internal control, or conclusions about compliance with laws and regulations. Chortek & Gottschalk is responsible for the attached auditor's report dated November 16, 2011 and the conclusions expressed in the report. However, our review disclosed no instances where Chortek & Gottschalk did not comply, in all material respects, with U.S. generally accepted government auditing standards.



Hubert Sparks  
Inspector General

Attachment

cc: Director, Finance and Administration Division



**APPALACHIAN REGIONAL COMMISSION**

**FINANCIAL STATEMENTS**

**For The Years Ended September 30, 2011 and 2010**

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## Independent Auditor's Report

Inspector General, Commission Members and Executive Director  
Appalachian Regional Commission  
Washington, DC

In accordance with the Accountability of Tax Dollars Act of 2002, we are responsible for conducting audits of the Appalachian Regional Commission. We have audited the accompanying balance sheets of the Appalachian Regional Commission as of September 30, 2011 and 2010 and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered the Appalachian Regional Commission's internal control over financial reporting and tested the Appalachian Regional Commission's compliance with selected provisions of applicable laws and regulations that could have a direct and material effect on these financial statements.

### **Summary**

In our audits of the Appalachian Regional Commission for the fiscal years ended September 30, 2011 and 2010, we found:

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles,
- no material weaknesses in internal control over financial reporting (including safeguarding assets),
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss our opinion on the Commission's financial statements; our consideration of the Commission's internal controls over financial reporting; our tests of the Commission's compliance with certain provisions of applicable laws, regulations, contracts and grant agreements; and management's and our responsibilities.

### **Opinion on Financial Statements**

We have audited the accompanying balance sheets of the Appalachian Regional Commission as of September 30, 2011 and 2010 and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.



In our opinion, the financial statements referred to above, including the accompanying notes, present fairly, in all material respects, the financial position of the Appalachian Regional Commission, as of September 30, 2011 and 2010, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles. We also audited the adjustments in Note 13 Restatements that were applied to restate the 2010 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

The information in the Management's Discussion and Analysis, Required Supplementary Stewardship Information and Required Supplementary Information section is not a required part of the financial statements, but is supplemental information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted of principally inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

### **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 entity's financial statements, fraud or noncompliance in amounts that would be material to the 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 Responsibilities section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal years 2011 and 2010 audits, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain additional matters that we reported to the Commission's management addressing internal control matters.

### **Compliance and Other Matters**

The results of our tests of compliance as described in the Responsibilities section of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

### **Responsibilities**

**Management Responsibilities:** Appalachian Regional Commission's management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing and maintaining effective internal control, (3) complying with laws, regulations, contracts and grant agreements applicable to the Commission.

**Auditor's Responsibilities:** Our responsibility is to express an opinion on the fiscal years 2011 and 2010 financial statements of the Appalachian Regional Commission 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 OMB Bulletin No. 07-04, as amended. Those standards and OMB Bulletin 07-04, as amended, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are



appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Appalachian Regional Commission's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management;
- Evaluating the overall financial statement presentation;
- Obtaining an understanding of the entity and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- Considering the design of the process for evaluating and reporting on internal control;
- Testing compliance with selected provisions of laws, regulations, grants and contracts applicable to the Commission that could have a direct and material effect on the financial statements.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal years 2011 and 2010 audits, we considered the Appalachian Regional Commission's internal control over financial reporting by obtaining an understanding of the Commission's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

As part of obtaining reasonable assurance about whether the Appalachian Regional Commission's fiscal years 2011 and 2010 financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, as amended. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts and grant agreements applicable to the Commission. However, providing an opinion on compliance with laws, regulations, contracts and grant agreements was not an objective of our audits, and accordingly, we do not express such an opinion. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.



### **Agency Comments and Our Evaluation**

In commenting on a draft of this report (see Appendix A), the Appalachian Regional Commission concurred with the facts and conclusions in our report.

### **Use and Distribution of Report**

This report is intended solely for the information and use of the Appalachian Regional Commission's management, Office of Inspector General, Commissioners, U.S. Office of Management and Budget, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

*Charter & Sattahay, LLP*

Washington, DC  
November 16, 2011

# APPALACHIAN REGIONAL COMMISSION

## BALANCE SHEETS

As Of September 30, 2011 and 2010

		2011	2010
<b>Assets:</b>			
Intragovernmental:			
Fund Balance With Treasury	(Notes 1 & 2)	\$ 167,528,946	\$ 168,564,095
Advances	(Notes 1 & 3)	9,343,287	13,756,610
Total Intragovernmental		176,872,233	182,320,705
Cash in commercial institutions	(Note 1)	60,136	79,028
Accounts Receivable, net	(Note 1 & 4))	1,022,750	
Advances	(Notes 1 & 3)	31,296,826	34,932,837
<b>Total Assets</b>		<b>\$ 209,251,946</b>	<b>\$ 217,332,571</b>
<b>Liabilities:</b>			
(Note 5)			
Intragovernmental:			
Other	(Notes 5 & 6)	\$ 202,720	\$ 106,193
Total Intragovernmental		202,720	106,193
Liabilities With the Public:			
Accounts Payable	(Notes 1 & 5)	6,540,853	4,063,127
Other	(Notes 1, 5 & 6)	1,651,997	1,852,971
Total Liabilities With the Public		8,192,849	5,916,098
Total Liabilities		8,395,569	6,022,292
<b>Net Position:</b>			
Unexpended Appropriations - Other Funds		199,772,812	210,686,787
Cumulative Results of Operations - Earmarked Funds	(Note 9)	1,247,394	843,602
Cumulative Results of Operations - Other Funds		(163,828)	(220,109)
Total Net Position		200,856,378	211,310,279
<b>Total Liabilities and Net Position</b>		<b>\$ 209,251,946</b>	<b>\$ 217,332,571</b>

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

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

# APPALACHIAN REGIONAL COMMISSION

## STATEMENTS OF NET COST

For The Years Ended September 30, 2011 and 2010

		2011	2010
		<u>                    </u>	<u>                    </u>
Program Costs:			
Program A:			
Gross Costs	(Note 10)	\$ 82,927,382	\$ 68,738,122
Less: Earned Revenue		<u>4,137,540</u>	<u>5,520,729</u>
Net Program Costs		<u>78,789,842</u>	<u>63,217,393</u>
 Net Cost of Operations		 <u><u>\$ 78,789,842</u></u>	 <u><u>\$ 63,217,393</u></u>

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

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

## APPALACHIAN REGIONAL COMMISSION

### STATEMENT OF CHANGES IN NET POSITION

For The Year Ended September 30, 2011

	2011		Consolidated Total
	Earmarked Funds	All Other Funds	
<b>Cumulative Results of Operations:</b>			
Beginning Balances	\$ 843,602	\$ (220,109)	\$ 623,493
<b>Budgetary Financing Sources:</b>			
Appropriations Used		79,177,174	79,177,174
Transfers-In/Out Without Reimbursement	4,091,000	(4,091,000)	
Other			
<b>Other Financing Resources (Non-Exchange):</b>			
Imputed Financing		72,740	72,740
Total Financing Sources	4,091,000	75,158,915	79,249,915
Net Cost of Operations (+/-)	3,687,208	75,102,634	78,789,842
Net Change	403,792	56,280	460,072
<b>Cumulative Results of Operations</b>	<u>\$ 1,247,394</u>	<u>\$ (163,828)</u>	<u>\$ 1,083,565</u>
<b>Unexpended Appropriations:</b>			
Beginning Balances	\$	\$ 210,686,787	\$ 210,686,787
<b>Budgetary Financing Sources:</b>			
Appropriations Received		68,400,000	68,400,000
Other Adjustments		(136,800)	(136,800)
Appropriations Used		(79,177,174)	(79,177,174)
Total Budgetary Financing Sources		<u>(10,913,974)</u>	<u>(10,913,974)</u>
Total Unexpended Appropriations		<u>199,772,812</u>	<u>199,772,812</u>
Net Position	<u>\$ 1,247,394</u>	<u>\$ 199,608,984</u>	<u>\$ 200,856,378</u>

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

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

## APPALACHIAN REGIONAL COMMISSION

### STATEMENT OF CHANGES IN NET POSITION

For The Year Ended September 30, 2010

	2010		
	Earmarked Funds	All Other Funds	Consolidated Total
<b>Cumulative Results of Operations:</b>			
Beginning Balances	\$ 981,354	\$ 79,562,090	\$ 80,543,444
Adjustments:			
(b) Corrections of Errors (+/-) (Note 13)		(77,097,343)	(77,097,343)
Beginning Balances, as Adjusted	\$ 981,354	\$ 2,464,747	\$ 3,446,101
<b>Budgetary Financing Sources:</b>			
Appropriations Used		60,277,642	60,277,642
Transfers-In/Out Without Reimbursement	3,979,000	(3,979,000)	
<b>Other Financing Resources (Non-Exchange):</b>			
Imputed Financing		117,143	117,143
Total Financing Sources	3,979,000	56,415,785	60,394,785
Net Cost of Operations (+/-)	4,116,753	59,100,641	63,217,393
Net Change	(137,753)	(2,684,856)	(2,822,608)
<b>Cumulative Results of Operations</b>	\$ 843,602	\$ (220,109)	\$ 623,493
<b>Unexpended Appropriations:</b>			
Beginning Balances	\$	\$ 117,867,085	\$ 117,867,085
Adjustments:			
(b) Corrections of Errors (+/-) (Note 13)		77,097,343	77,097,343
Beginning Balances, as Adjusted	\$	\$ 194,964,429	\$ 194,964,429
<b>Budgetary Financing Sources:</b>			
Appropriations Received		76,000,000	76,000,000
Appropriations Used		(60,277,642)	(60,277,642)
Total Budgetary Financing Sources		15,722,358	15,722,358
Total Unexpended Appropriations		210,686,787	210,686,787
Net Position	\$ 843,602	\$ 210,466,678	\$ 211,310,279

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

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

# APPALACHIAN REGIONAL COMMISSION

## STATEMENTS OF BUDGETARY RESOURCES

For The Years Ended September 30, 2011 and 2010

	2011	2010
	Budgetary	Budgetary
Budgetary Resources:		
Unobligated Balance:		
Beginning of Period	\$ 27,765,799	\$ 29,357,204
Recoveries of Prior Year Obligations	6,262,853	5,366,451
Budget Authority:		
Appropriations Received	75,559,250	83,958,000
Earned		
Collected	248,574	1,679,148
Change in Unfilled Customer Orders (+/-)		
Advance Received	152,017	(606,246)
Subtotal	<u>\$ 75,959,841</u>	<u>\$ 85,030,903</u>
Permanently Not Available	(136,800)	
Total Budgetary Resources	<u><u>\$ 109,851,693</u></u>	<u><u>\$ 119,754,557</u></u>
Status of Budgetary Resources:		
Obligations Incurred		
Direct (Note 11)	<u>\$ 89,943,174</u>	<u>\$ 91,988,758</u>
Subtotal	<u>\$ 89,943,174</u>	<u>\$ 91,988,758</u>
Unobligated Balances		
Apportioned	18,723,271	25,888,467
Exempt from Apportionment	927,545	1,856,850
Subtotal	<u>\$ 19,650,816</u>	<u>\$ 27,745,316</u>
Unobligated Balances - Not Available	257,703	20,483
Total Status of Budgetary Resources	<u><u>\$ 109,851,693</u></u>	<u><u>\$ 119,754,557</u></u>
Change in Obligated Balances:		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1	<u>\$ 140,686,735</u>	<u>\$ 132,572,078</u>
Total, Unpaid Obligated Balance, Brought Forward, Net	<u>\$ 140,686,735</u>	<u>\$ 132,572,078</u>
Obligations Incurred	89,943,174	91,988,758
Gross Outlays (-)	(76,760,237)	(78,507,650)
Recoveries of Prior-Year Unpaid Obligations, Actual (-)	(6,262,853)	(5,366,451)
Obligated Balance, Net, End of Period:		
Unpaid Obligations (+) (Note 12)	147,606,819	140,686,735
Total, Unpaid Obligated Balance, Net, End of Period	<u><u>\$ 147,606,819</u></u>	<u><u>\$ 140,686,735</u></u>
Net Outlays:		
Gross Outlays (+)	76,760,237	78,507,650
Offsetting Collections (-)	(400,591)	(1,072,903)
Less: Distributed Offsetting Receipts	4,091,000	7,958,000
Net Outlays	<u><u>\$ 72,268,646</u></u>	<u><u>\$ 69,476,747</u></u>

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

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

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

### **Reporting Entity**

The Appalachian Regional Commission (ARC) was established under the Appalachian Regional Development Act of 1965, as amended. ARC is a regional development agency designed to function as a federal, state, and local partnership. ARC is not a federal executive branch agency (as defined in Title 5 and 31 of the United States Code and by the Department of Justice).

Commission members are comprised of a federal member (Federal Co-Chair), who is appointed by the President of the United States, and the governors of each of the 13 states in the Appalachian Region. The state members elect a State Co-Chair from their members. ARC has an Executive Director and Program and Administrative Offices that implement the policies and procedures established by the Federal and State Co-Chairs. ARC personnel are comprised of both federal and non-federal employees.

ARC supports economic and social development in the Appalachian Region. The Appalachian Region is a 205,000 square mile region from Southern New York to Northern Mississippi. The ARC programs affect 420 counties located in 13 states including all of West Virginia and parts of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia.

### **Fund Accounting Structure**

ARC's financial activities are accounted for by utilizing individual funds and fund accounts in reporting to the U.S. Treasury and the Office of Management and Budget. For financial statement purposes, these funds are classified as an earmarked fund and all other funds. Earmarked funds are financed by specifically identified revenues often supplemented by other financing sources which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the Government's general revenues. ARC's earmarked fund and all other funds are identified as follows:

### **Earmarked Fund**

A trust fund was established by the U.S. Treasury under the authority of the Appalachian Regional Development Act of 1965, to receive, hold, invest, and disburse monies collected to cover the administrative expenses of ARC excluding Federal Co-Chair's office and Inspector General's office. The administrative expenses are paid equally by the federal government and the states in the Appalachian Region as determined annually by ARC.

Appalachian Regional Commission  
Notes to Financial Statements  
September 30, 2011 and 2010

**All Other Funds**

All other funds consist of area development program funds and funding for the Office of the Federal Co-Chair and the Office of Inspector General.

**Budgets and Budgetary Accounting**

ARC programs and activities are funded through no-year appropriations and contributions from the 13 states in the Appalachian Region. Federal funds are available without fiscal year limitation and remain available until expended. Because of the no-year status of the funds, unobligated amounts are not returned to the U.S. Treasury.

**Basis of Accounting and Presentation**

These financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources of ARC in accordance with U.S. generally accepted accounting principles (GAAP) and form and content requirements of OMB Circular A-136 Financial Reporting Requirements. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the federal government. The financial statements have been prepared from the books and records of ARC, and include the accounts of all funds under the control of the ARC reporting entity.

U.S. generally accepted accounting principles encompass both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned, and expenses are recognized when incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of federal funds. These financial statements are prepared by ARC pursuant to OMB directives and used to monitor ARC's use of budgetary resources.

**Fund Balance with U.S. Treasury**

ARC's cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated no-year funds available to finance allowable current and future expenditures.

**Cash in Commercial Institutions**

ARC uses commercial bank accounts to accommodate collections and payments that cannot be processed by the U.S. Treasury. Cash in commercial institutions totaled \$60,136 and \$79,028 at September 30, 2011 and 2010, respectively.

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**Advances**

ARC advances funds to other federal agencies and non-federal grantees for work performed on its behalf under various reimbursable or grant agreements. Advances are recorded as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded. Advances with the public primarily consist of revolving loan fund payments. See Note 3 Advances for additional details.

These advances to revolving loan funds provide pools of funds to be made available to grantees to create and retain jobs. These advance payments are recorded by ARC as an asset, which is reduced if the revolving fund is terminated.

**Equipment**

ARC's equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The capitalization threshold is \$35,000. All equipment was fully depreciated at September 30, 2011 and 2010.

**Liabilities**

Liabilities represent probable amounts to be paid by ARC as a result of past transactions. Liabilities covered by budgetary or other resources are those for which Congress has appropriated funds or funding is otherwise available to pay amounts due.

Liabilities not covered by budgetary or other resources represent amounts owed in excess of available congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future Congressional appropriations or other funding.

**Accounts Payable**

Accounts payable consists of amounts owed to grantees and amounts owed to federal and nonfederal entities for goods and services received by ARC.

**Benefits Due and Payable:**

***Unfunded Annual Leave***

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued leave account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

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***Retirement Benefits***

ARC's federal and certain non-federal employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and the Social Security and the Thrift Savings Plan program automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 elected to participate in the FERS and Social Security or to remain in CSRS.

All federal and certain non-federal employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the FERS, a TSP account is automatically established and ARC makes a mandatory one percent contribution to this account. In addition, ARC makes matching contributions, ranging from one to four percent, for FERS eligible employees who contribute to their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employees. FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, ARC remits the employer's share of the required contribution.

The Office of Personnel Management (OPM) actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to ARC. OPM also provides information regarding the full cost of health and life insurance benefits. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of OPM.

ARC also has a Defined Benefit Pension Plan which was open to all employees not participating in CSRS and FERS. ARC uses a October 1 measurement date for its plan.

In February 2000 ARC established a 401(k) retirement plan that mirrors FERS. The plan covers substantially all non-federal employees. Employees are eligible to participate in and are fully vested in the plan upon employment. ARC's funding policy is to make a 3% contribution of total salary and a matching 3% of the first 50% of the participants' contributions to the plan up to 6% of total salary.

**Parent Child Reporting**

ARC is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. ARC allocates funds as the parent

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agency to the U.S. Department of Transportation, Housing and Urban Development, the Rural Development Agency, U.S. Army Corps of Engineers and the Economic Development Agency. Additionally, ARC receives allocation transfers, as the child agency from the U.S. Department of Transportation to cover Appalachian Development Highway System administrative costs.

**Net Position**

Net position is the residual difference between assets and liabilities and is comprised of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The cumulative results of operations are the net results of ARC's operations since inception.

**Net Cost of Operations**

Earned revenues arise from the collection of state contributions and are deducted from the full cost of ARC's major programs to arrive at net program cost. Earned revenues are recognized by ARC to the extent reimbursements are payable from the public, as a result of costs incurred or services performed on the public's behalf.

**Budgetary Financing Sources**

Budgetary financing sources other than earned revenues provide funding for ARC's net cost of operations and are reported on the Statement of Changes in Net Position. These financing sources include amounts received from Congressional appropriations to support its operations. A financing source is recognized for these appropriated funds received.

**Use of Estimates**

Management has made certain estimates when reporting assets, liabilities, revenue, and expenses, and in the note disclosures. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 could differ from those estimates.

Appalachian Regional Commission  
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**Tax Exempt Status**

As an agency of the federal government, ARC is exempt from all taxes imposed by any governing body whether it is a federal, state, commonwealth, local, or foreign government.

**Reclassifications**

Certain items at September 30, 2010 have been reclassified to conform to the presentation at September 30, 2011. There was no effect on the changes in net position.

**NOTE 2 – FUND BALANCE WITH TREASURY**

ARC's fund balance with treasury at September 30 consisted of the following:

A. Fund Balances	2011	2010
Trust Fund	\$1,572,117	\$2,360,000
Appropriated Funds	165,943,221	166,092,534
Total Entity Fund Balance with Treasury	167,515,338	168,452,535 *
Non-Entity Fund Balance with Treasury	13,608	111,560
Total Fund Balance with Treasury	167,528,946	168,564,095
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	19,650,816	27,745,316
b) Unavailable	257,703	20,483
2) Obligated Balance not yet Disbursed	147,606,819	140,686,735
3) Non-Budgetary	13,608	111,560
Total	\$167,528,946	\$168,564,095 *

\*Rounding

Appalachian Regional Commission  
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**NOTE 3 – ADVANCES**

Advances at September 30 consist of the following:

	2011	2010
1. Intragovernmental		
Advances to the U.S. Army Corps of Engineers	\$298,752	\$1,659,146
Advances to the Tennessee Valley Authority	9,044,535	12,097,464
	9,343,287	13,756,610
2. Other		
Advances to grantees to finance future program expenditures		
-Revolving Loan Fund	27,221,652	30,176,119
-Non-Revolving Loan Fund	4,075,174	4,756,718
	31,296,826	34,932,837
Total	40,640,113	48,689,447

*Intergovernmental:* ARC advances funds to other federal agencies for work performed on its behalf under various reimbursable agreements for construction projects. These intra-governmental advances are recorded as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded.

*Other:* ARC also has advances made to grantees that are not federal entities. The majority of these advances are disbursed to grantees operating revolving loan funds, the remaining amounts are to all other grantees.

- Revolving Loan Fund Grantees - ARC provides grants to revolving loan funds operating in its region for the purpose of saving and creating private-sector jobs. Because of the revolving nature of the funds, the grants have no fixed end date. Grant funds provided to revolving loan funds retain their federal identity and are subject to the Cash Management Improvement Act of 1990 (Public Law 101-453), for which the Appalachian Regional Commission has established a policy on excess cash. Accounting treatment of RFL transactions is that cash outlays are recorded as increases to SGL 1410 Advances and Prepayments and refunds of excess cash are recorded as decreases to SGL 1410 Advances and Prepayments.
- Non-Revolving Loan Fund Grantees – ARC advances funds to non-federal grantees for work performed on its behalf under various grant agreements. These advances are recorded as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded.

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**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable represents the gross amount of monies owed to ARC. The receivable in FY2011 is monies owed by the States. This amount represents the fourth quarter contribution to the Trust Fund which was paid in October 2011.

	FY 2011	FY2010
<b>Accounts Receivable</b>	\$1,022,750	\$0

**NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

The accrued liabilities of ARC are comprised of program expense accruals, payroll accruals and unfunded annual leave earned by employees. Program expense accruals represent expenses that were incurred prior to year-end but were not paid. Similarly, payroll accruals represent payroll expenses that were incurred prior to year-end but were not paid. Liabilities at September 30 consist of the following:

	2011	2010
<b>Liabilities Not Covered by Budgetary Resources</b>		
With the Public		
Unfunded annual leave	\$506,448	\$474,172
Unfunded pension liability	659,117	870,581
Intragovernmental		
Liability for Deposit Funds	1,128	75,984
Total liabilities not covered by budgetary resources	1,166,692 *	1,420,737
<b>Liabilities Covered by Budgetary Resources</b>		
<u>Advances</u>		
Advances from Centers for Disease Control	142,500	-
Advances from the National Endowment for the Arts	30,000	-
Advances from the Appalachian Region States	-	20,483
Total Advances	172,500	20,483
<u>Benefits Due</u>		
Accrued health and flexible spending benefits	87,323	87,323
Accrued salaries and benefits	368,064	351,593
Total benefits due	455,387	438,916
Payments Due to grantees to finance program expenditure	6,540,853	4,063,127
Commercial Bank Balance	60,136	79,028
Total liabilities covered by budgetary resources	7,228,876	4,601,555 *
<b>Total Liabilities</b>	\$8,395,569 *	\$6,022,292

\*Rounding

Appalachian Regional Commission  
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**NOTE 6 – OTHER LIABILITIES**

As of September 30, 2011, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$336,580; Employer Contribution and Taxes Payable of \$2,393 and Benefits Due and Payable \$1,313,024. Other Liabilities Federal consists of Advances from Other – Federal in the amount of \$172,500; and Employer Contributions and Taxes Payable of \$30,220.

As of September 30, 2010, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$321,384; Unfunded Leave in the amount of \$474,172; Advances from Other – Public in the amount of \$20,483; Unfunded Pension Liability of \$870,581; Accrued Health and Flexible Spending Benefits of \$87,323; and Other Agency Transactions of \$79,028. Other Intragovernmental liabilities consist of Liability for Deposit Funds of \$75,984 and Employer Contributions and Taxes Payable of \$30,209.

	<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2011	Other Liabilities	1,313,024	338,973	\$1,651,997
2010	Other Liabilities	1,531,587	321,384	\$1,852,971
	<u>Intragovernmental</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2011	Other Liabilities	172,500	30,220	\$202,720
2010	Other Liabilities	75,984	30,209	\$106,193

**NOTE 7 – RETIREMENT PLANS**

**Federal**

ARC participates in the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) for federal and certain non-federal employees. The CSRS and FERS plans are administered by the OPM. ARC’s contributions to these plans for FY 2011 were \$16,429 and \$91,724 for CSRS and FERS, respectively and contributions for FY 2010 were \$22,256 and \$91,504 for CSRS and FERS, respectively.

Several employees also participate in the Federal Employees Health Benefit plan (FEHB) and the Federal Employees Group Life Insurance program (FEGLI), also administered by OPM. ARC pays a portion of the cost of current employees. Post-retirement benefits are paid by OPM. ARC’s contributions to these plans for FY 2011 were \$50,425 and \$1,246 and for 2010 were \$56,247 and \$1,594 for FEHB and FEGLI, respectively.

ARC does not report in its financial statements CSRS, FERS, FEHB or FEGLI assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees.

ARC also contributed \$37,087 and \$37,206 to the Federal Thrift Savings plan for all eligible employees for the years ended September 30, 2011 and 2010, respectively.

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**Non-Federal**

The following table presents the pension benefit expense for the defined benefit pension plan by component for fiscal years 2011 and 2010:

	2011	2010
Service cost	\$697,334	\$698,288
Interest cost	812,277	758,355
Expected return	(733,140)	(568,229)
Amortization of prior service cost	414,676	418,870
Recognized loss	335,340	434,546
Net periodic benefit cost	<u>\$1,526,487</u>	<u>\$1,741,830</u>

The following table presents the pension liability by component for fiscal years 2011 and 2010:

	2011	2010
Pension liability at October 1	\$870,581	\$700,075
Net periodic benefit expense	\$1,526,487	\$1,741,829
Contributions	(1,737,951)	(1,571,323)
Pension liability at September 30	<u>\$659,117</u>	<u>\$870,581</u>

	2011	2010
<u>Additional Information</u>		
Benefit obligation	(\$16,333,674)	(\$15,738,745)
Fair value of plan assets	11,357,236	9,361,327
Funded status	(\$4,976,438)	(\$6,377,418)
Employer contribution	\$1,710,447	\$1,555,670
Participant contribution	27,504	15,653
<u>Benefits paid</u>	236,063	52,008
Net periodic benefit expense	1,526,487	1,741,830

The accumulated benefit obligation was \$14,503,027 and \$13,814,127 at September 30, 2011 and 2010, respectively.

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Weighted-average of economic assumptions used to determine benefit obligations at September 30:

	<u>2011</u>	<u>2010</u>
Discount rate	5.20%	5.20%
Rate of compensation increase	3.00%	3.00%

Weighted-average of economic assumptions used to determine net periodic benefit cost for the years ended September 30:

	<u>2011</u>	<u>2010</u>
Discount rate	5.20%	5.50%
Expected return on plan assets	7.25%	7.25%
Rate of compensation increase	3.00%	3.00%

Historical returns of multiple asset classes were analyzed to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted-average rate was developed based on those overall rates and the target asset allocation plan.

**Plan Assets**

Pension plan weighted-average asset allocations at September 30 are as follows:

<u>Asset Category</u>	<u>2011</u>	<u>2010</u>
Cash	73.49%	13.04%
Debt securities	8.54%	33.62%
Equity securities	16.98%	51.19%
Other	0.99%	2.15%
Total assets	<u>100.00%</u>	<u>100.00%</u>

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The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Fiscal Year	Amount
2012	6,681,136
2013	814,327
2014	2,975,168
2015	2,068,185
2016	183,688
Years 2017-2020	5,957,348

ARC contributed \$220,700 and \$209,937 to the 401(k) plan for the years ended September 30, 2011 and 2010, respectively.

**NOTE 8 – OPERATING LEASE**

ARC's lease for its office commenced on January 1, 2007 and extends through December 31, 2016. The future minimum lease payments required under this lease are as follows:

Fiscal Year	Amount
2012	901,520
2013	926,607
2014	945,139
2015	964,042
2016	983,690
Thereafter	246,675
Total	<u>\$4,967,673</u>

Rent expense for the years ended September 30, 2011 and 2010 was \$764,960 and \$844,495, respectively.

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Notes to Financial Statements  
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**NOTE 9 – EARMARKED FUND**

Condensed financial information for the ARC trust fund for the years ended September 30 is:

	2011	2010
<b>Balance Sheets</b>		
ASSETS		
Fund Balance with Treasury	\$ 1,572,117	\$ 2,360,000
Cash in Commercial Institutions	60,136	79,028
Accounts Receivable	1,022,750	
Total Assets	\$ 2,655,004 *	\$ 2,439,029 *
LIABILITIES AND NET POSITION		
Intragovernmental		
Other Liabilities	\$ 16,963	\$ 15,835
Total Intragovernmental	16,963	15,835
With the Public		
Accounts Payable	21,182	50,725
Other Liabilities	1,369,465	1,528,868
Total With the Public	1,390,647	1,579,593
Total Liabilities	\$ 1,407,610	\$ 1,595,427 *
Cumulative Results of Operations	1,247,394	843,602
Total Net Position	1,247,394	843,602
Total Liabilities and Net Position	\$ 2,655,004	\$ 2,439,029
<b>Statements of Net Cost</b>		
Gross Program Costs	\$ 7,778,208	\$ 8,095,753
Less Earned Revenues	4,091,000	3,979,000
Net Program Costs	\$ 3,687,208	\$ 4,116,753
Net Cost of Operations	\$ 3,687,208	\$ 4,116,753
<b>Statements of Changes in Net Position</b>		
Net Position Beginning of Period	\$ 843,602	\$ 981,354
Transfers In/Out Without Reimbursement	4,091,000	3,979,000
Total Financing Sources	4,091,000	3,979,000
Net Cost of Operations	\$ 3,687,208	\$ 4,116,753
Net Change	\$ 403,792	\$ (137,753)
Cumulative Results of Operations	\$ 1,247,394	\$ 843,602
*Rounding		
Net Position End of Period	\$ 1,247,394	\$ 843,602

Appalachian Regional Commission  
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**NOTE 10 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE**

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

	Total 2011	Total 2010
Program A		
Intragovernmental costs	10,438,974	5,430,261
Public costs	72,488,408	63,307,861
Total Program A costs	<u>82,927,382</u>	<u>68,738,122</u>
Intragovernmental earned revenue		1,541,729
Public earned revenue	4,137,540	3,979,000
Total Program A earned revenue	<u>4,137,540</u>	<u>5,520,729</u>
Total Program A Net Costs	<u><u>78,789,842</u></u>	<u><u>63,217,393</u></u>

Appalachian Regional Commission  
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**NOTE 11 – STATUS OF BUDGETARY RESOURCES**

A. Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Statement of Budgetary Resources consist of the following:

	<u>2011</u>	<u>2010</u>
Direct Obligations		
Category A	2,119,580	1,932,648
Category B	75,502,549	78,020,651
Exempt	<u>12,321,044</u>	<u>12,035,458</u>
Total direct obligations	89,943,174 *	91,988,758 *

\*Rounding

B. Permanent Indefinite Appropriations

The Commission's permanent indefinite appropriation includes the trust fund. These funds are described in Note 9.

C. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources (SBR) and the actual balances published in the Budget of the U.S. Government (President's Budget). The Budget of the U. S. Government, with the Actual column completed for 2010 and 2009, was reconciled to the Statement of Budgetary resources as follows:

(Dollars in Millions)	<b>2010</b>			
	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$120	\$92	\$8	\$69
<u>Reconciling Items</u>				
Offsetting collections and receipts	(7)	(5)	(7)	1
Budget of the U.S. Government	<u>\$113</u>	<u>\$87</u>	<u>\$1</u>	<u>\$70</u>

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	<b>2009</b>			
(Dollars in Millions)	Budgetary <u>Resources</u>	Obligations <u>Incurred</u>	Distributed Offsetting <u>Receipts</u>	Net <u>Outlays</u>
Statement of Budgetary Resources	\$121	\$92	\$7	\$68
<u>Reconciling Items</u>				
Offsetting collections and receipts	(10)	(9)	(6)	1
Budget of the U.S. Government	<u>\$111</u>	<u>\$83</u>	<u>\$1</u>	<u>\$69</u>

**NOTE 12 – UNDELIVERED ORDERS AT THE END OF THE PERIOD**

Undelivered orders represent the value of goods and services ordered and obligated that have not been received. The amount of Unpaid Obligated Balance, Net, End of Period shown on the Statement of Budgetary Resources includes obligations relating to Undelivered Orders (goods and services contracted for but not yet received at the end of the year) and Delivered Orders, Obligations Unpaid (amounts owed at the end of the year by ARC for goods and services received). The amount of each is as follows:

	<u>Undelivered Orders</u>	<u>Delivered Orders, Obligations Unpaid</u>	<u>Unpaid Obl. Balance, Net</u>
2011	\$140,697,902	\$6,908,917	\$147,606,819
2010	\$136,290,889	\$4,395,846	\$140,686,735

**NOTE 13 – RESTATEMENTS**

ARC's fiscal year 2010 financial statements have been restated to include the effects for correction of errors that overstated Cumulative Results of Operations by \$77,097,343 while understating Unexpended Appropriations by the same amount, with no net effect on total Net Position. Since there was no impact on total Net Position, the previously issued unqualified audit opinion is unaffected.

	<u>Original Amount</u>	<u>Restated</u>	<u>Change</u>
Net Position			
Unexpended Appropriations-Other Funds	\$133,589,444	\$210,686,787	(\$77,097,343)
Cumulative Results of Operations - Earmarked Funds	\$843,602	\$843,602	\$0
Cumulative Results of Operations - Other Funds	\$76,877,234	(\$220,109)	\$77,097,343
	<u>\$211,310,280</u>	<u>\$211,310,280</u>	<u>\$0</u>

Appalachian Regional Commission  
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Management and the accounting service provider discovered this error while preparing the financial statements and accompanying notes for fiscal year ended September 30, 2010 and traced the source of the error to fiscal year 2007. During fiscal year 2007, ARC voluntarily converted from Non-Profit accounting and reporting standards to Federal financial accounting and reporting standards, which includes a unique set of budgetary accounts not present in non-profit or commercial accounting. During the conversion, an error occurred in the calculation of the beginning balances for Cumulative Results of Operations and Unexpended Appropriations. Net position is the sum of these two amounts. This error was recently discovered when additional tie-point reconciliations were incorporated to ensure accurate reporting. These tie-point reconciliations were not available at the time of conversion to reconcile ARC's standard general ledger balances. This error has resulted in a restatement of the prior year financial statements due to the Cumulative Results of Operations being overstated and the Unexpended Appropriations being understated.

Upon discovery of the error, management and the service provider commenced corrective actions. A reclassification of \$77,097,343 was posted to the Balance Sheet and the Statement of Changes in Net Position for FY2010. The reclassification resulted in a decrease of Cumulative Results of Operations and an increase in Unexpended Appropriations. The reclassification results in a material misstatement on the financial statements between the line item of Cumulative Results of Operations and Unexpended Appropriations. While the amount is material in nature, the error results in a minimal overall impact on the financial statements given that the restatement is a reclassification of line items within Net Position. There is no change to the overall Net Position line item.

In accordance with current standards, the error is being corrected with this issuance of the financial statements. The previously year financial statements are being restated for comparative purposes. In addition, the appropriate disclosure and communication requirements were followed.

Appalachian Regional Commission  
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**NOTE 14 – RECONCILIATION OF NET COST OF OPERATIONS  
(PROPRIETARY) TO BUDGET**

	2011	2010
<b><i>Resources Used to Finance Activities:</i></b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 89,943,174	\$ 91,988,758
Less: Spending Authority from Offsetting Collections and Recoveries	6,663,444	6,439,353
Obligations Net of Offsetting Collections and Recoveries	83,279,730	85,549,405
Less: Distributed Offsetting Receipts	4,091,000	7,958,000
Net Obligations	79,188,730	77,591,405
Other Resources		
Imputed Financing from Costs Absorbed by Others	72,740	117,143
<i>Total Resources Used to Finance Activities</i>	79,261,470	77,708,548
<b><i>Resources Used to Finance Items not Part of the Net Cost of Operations</i></b>		
Change in Budgetary Resources Obligated for Goods		
Services and Benefits Ordered But Not Yet Provided	(3,792,764)	14,658,429
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	4,089,170	
<i>Total Resources Used to Finance Items Not Part of the Net Cost of Operations</i>	296,406	14,658,429
<i>Total Resources Used to Finance the Net Cost of Operations</i>	78,965,064	63,050,118
<b><i>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</i></b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	(175,222)	(3,231)
Other (+/-)		170,506
<i>Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods</i>	(175,222)	167,275
<i>Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period</i>	(175,222)	167,275
<i>Net Cost of Operations</i>	\$ 78,789,842 *	\$ 63,217,393

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

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**NOTE 15 – SUBSEQUENT EVENTS**

ARC has evaluated subsequent events occurring after the balance sheet date and through the date of November 16, 2011, the date the financial statements were available for release. Based upon this evaluation, ARC has determined that no subsequent events have occurred which require disclosure in the financial statements.

APPENDIX A –  
APPALACHIAN REGIONAL COMMISSION COMMENTS ON  
DRAFT AUDIT REPORT



**APPALACHIAN  
REGIONAL  
COMMISSION**

*A Proud Past,  
A New Vision*

November 16, 2011

Mark E. Albrecht, CPA, Partner  
Martin & Wall, A Division of Chortek & Gottschalk  
1633 Q Street, NW, Suite 230  
Washington, DC 20009

Dear Mr. Albrecht:

We have reviewed the draft audit report provided to us relating to your audit of Appalachian Regional Commission for the fiscal years ended September 30, 2011 and 2010. We concur with the facts and conclusions in the draft report.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Hunter", written over a horizontal line.

Thomas M. Hunter  
Executive Director

A handwritten signature in black ink, appearing to read "William T. Grant", written over a horizontal line.

William T. Grant  
Director, Finance and Administration