

# **Notes to Financial Statements**

**June 30,1998**

## **1. NATURE OF ORGANIZATION**

**The Midwest Interstate Low-Level Radioactive Waste Compact (The Midwest Compact) was formally established in October, 1983, to meet state responsibilities under the Federal Low-Level Radioactive Waste Policy Act of 1980 (PL 96-573) and the Low-Level Radioactive Waste Policy Amendments Act of 1985 (PL 99-240). The Midwest Compact consists of six states: Indiana, Iowa, Minnesota, Missouri, Ohio, and Wisconsin. The Midwest Compact established the Midwest Interstate Low-Level Radioactive Waste Compact Commission (the Commission), composed of one voting member representative from each member state.**

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Financial Statement Presentation**

**The Commission follows the guidelines established in Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for contributions Received and Contributions Made and SFAS No. 117, Financial Statements of Not-for-Profit Organizations. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. In accordance with SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Commission has no temporarily or permanently restricted net assets. As permitted, the Commission also uses fund accounting, and has also presented its financial statement by fund.**

**Management has determined that expenses incurred are primarily related to its program of providing for waste disposal capacity.**

**The Organization classifies its funds as follows:**

**General Fund - The General Fund is the operational fund of the Commission. From inception through June 30, 1989, the Midwest Compact's state members contributed to the Fund based on an approved annual budget. When future operational funding became available from rebate funds received by the Commission, the member states suspended contributions to the General Fund.**

**Rebate Fund - Rebate Funds are derived from disposal surcharges that were levied on generators of low-level radioactive waste from January 1986 through December 1992. The surcharges were mandated by the 1985 Low-level Radioactive Waste Policy Amendments Act, and 25% of the surcharges were placed in an escrow account administered by the Department of Energy. Rebates of the escrowed amounts served as an incentive to regions and states to meet Federal milestones for the development of their own disposal facilities. Use of these funds is restricted by law and classified as a deferred item in the accompanying financial statements. However, consistent with the Amendments Act, Rebate fund monies may be withdrawn and used by the Commission to the extent needed for general operations. The Commission recognizes revenues from the Rebate Fund when amounts are transferred for general operations. (See Note 5).**

**Export Fee Fund - The Export Fee Fund was established August 18, 1987, when the Commission approved a resolution imposing an export fee on Midwest Compact utilities. The funds are to be advanced to the host state to cover pre-operational costs for development of a regional disposal facility, excluding construction. (See Notes 3 and 5).**

### **Accounting Estimates**

**Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.**

### **Revenue Recognition**

**All support and revenue are considered to be available for general use unless specifically restricted.**

### **Cash**

**The commission includes in cash the amount held in an interest bearing checking account. Investment cash or cash equivalents within the Rebate and Export Fee Funds are included in investments in the accompanying statement of financial position due to the nature and the terms of those funds.**

### **Investments**

**The Commission adopted Statement of Financial Accounting Standards (SFAS) No. 124, Accounting for Certain Investments Held by Not-for-Profit**

Organizations as of July 1, 1996. Under SFAS No. 124 the commission's investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are restricted under the terms of the Rebate and Export Fee Funds and are recorded in the same manner as interest and dividend earnings within those funds.

#### Property and Equipment

Property and Equipment are stated at the lower of cost or estimated fair value. The commission uses the straight line method for depreciation purposes over the economic life of such capitalized items.

#### Income Tax Status

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

#### Employee Benefit Plan

A simplified Employee Pension Plan for salaried employees is based on a discretionary percent of the compensation of the eligible employees and is funded currently.

### **3. EXPORT FEE FUND**

As discussed in Note 2, the Export Fee Fund was established in 1987 as a result of a resolution passed by the Commission to impose fees on Midwest Compact utilities. The export fees are to be advanced to and used by the designated host state to cover pre-operational costs for development of a disposal facility.

The Commission has treated all export fees received as an advance from the utilities to be repaid at some point in the future at an interest rate that has yet to be determined. Interest expense on the advances equal to the net earnings of the Fund is therefore accrued and retained in a liability account on behalf of the utilities, which totalled \$1,355,852 at June 30, 1998. Funds advanced to the host state for pre-operational development costs were charged against Export Fee Fund earnings through June 30, 1997. Funds advanced to phase-out the development activities in fiscal year 1998 were funded by Rebate Fund via transfers to the General fund (Note 5). During the fourth quarter of fiscal 1998, the Commission made a partial distribution of export fees of \$6,673,396 as follows (See Notes):

	<u>Ratio %</u>	<u>Amount</u>
Cleveland Electric Illuminating	27.87563	\$1,860,251.18
Toledo Edison	9.46157	631,408.03
IES Utilities, Inc.	16.87788	1,126,327.77
Northern States Power Co.	20.48023	1,366,726.85
Unison Electric D/B/A Ameren UE	9.52785	635,831.16
Wisconsin Electric Power Co.	11.74655	783,893.80
Wisconsin Public Service Corp.	4.030029	268,957.21
	<u>100.00000%</u>	<u>\$6,673,396.00</u>

**In June 1997, based on the reduction in levels of low-level radioactive waste and the continuing availability of low-level radioactive waste facilities with sufficient capacity to accept waste for a lengthy, although indefinite time, the commission adopted a resolution halting all activities related to development of a low-level waste disposal facility. The Commission then adopted a resolution authorizing dissolution and distribution of the Fund.**

**A dispute has arisen among the utilities which contributed to the Fund concerning its proper distribution. In order to secure resolution of the dispute in a single proceeding, on or about June 4, 1998, the Commission filed an action for interpleader in the United States District Court for the District of Minnesota. In its prayer for relief, the Commission requested that the utilities, all named as defendants in the action, be ordered to interplead and settle among themselves their respective rights and claims to the Fund. The utilities answered and filed counterclaims against the Commission, alleging that the Commission breached undefined fiduciary duties and responsibilities by not recognizing the superiority of their respective, and competing, claims to the Fund. The Commission intends to vigorously contest the counterclaims.**

**It is expected that this interpleader action will be resolved in fiscal year 2000.**

#### **4. INVESTMENTS**

**Investments are recorded at market value, and consist of the following at June 30, 1998:**

Money market funds.	\$ 55,107.00
Corporate bonds	27,470.00
Government bonds (Federal National Mortgage Association, due in 1998)	5,112,229.00
Total	<u>\$5,194,806.00</u>

Given the nature and restrictions of the Rebate and Export Fee Funds, investment earnings are accumulated with the deferred rebate and interest payable - utilities accounts of the respective funds until restrictions are satisfied. At that time earnings are then recognized as revenue within the statement of activities. A reconciliation of investment accounts by fund and a summary of earnings follows:

	General Fund	Rebate Fund	Export Fee Fund	Total
Investments at June 30, 1997	\$13,899	\$1,718,195	\$9,989,517	\$11,721,611
State of Ohio receivable		(84,351)	84,351	
Interest earnings, unrealized gains (losses) on investments and other	(13,899)	85,463	499,067	570,631
		<u>(424,040)</u>	<u>(6,673,396)</u>	<u>7,097,436</u>
Investments at June 30, 1998	<u>\$ -</u>	<u>\$1,295,267</u>	<u>\$3,899,539</u>	<u>\$5,194,806</u>

## 5. FUTURE OPERATIONS

On June 26, 1997 the commission voted to halt development activities in Ohio for a regional disposal facility for low-level radioactive waste. Any Ohio development expenses incurred during the phase-out funding period (July 1, 1997 through September 30, 1997), were reimbursed from the Commission's Rebate fund rather than from the Export Fee Fund. The Ohio Low-Level Waste Facility Development Authority (the Authority) and the Ohio Health Department (the Department) have prepared final expenditure reports. The Commission reviewed the activities of both the authority and the Department for the phase-out period July 1, 1997 through September 30, 1997. Upon completion of the close-out program review, The Export Fee Fund had a final accounting. The final accounting identified an overcharge by the State of Ohio of \$84,351. The Rebate Fund reimbursed the Export Fee Fund for this amount which is recorded as a receivable in the Rebate fund.

During fiscal year 1999, the Commission intends to monitor national and regional developments regarding management of low-level radioactive waste, and will review office and staffing requirements at the June 1999 annual meeting.