

**TICHENOR & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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August 9, 2005

Mr. Clifford H. Jennings, Inspector General  
Appalachian Regional Commission  
1666 Connecticut Avenue, NW, Suite 215  
Washington, DC 20235


RE: Final Audit Report on of the following:

1. Northern Tier Regional Planning & Development Commission – Grant Nos. PA-8305-81-I-302-0930 and PA-7752E-93-I-302-1117

Dear Mr. Jennings:

Enclosed please find five copies of our final audit report on the above listed grantee. Report numbers have been included. It has been our pleasure working with you and your staff on this project. If we can be of further assistance, please call (502) 245-0775.

Sincerely,

  
William R. Tichenor  
Tichenor & Associates, LLP

Enclosures

WRT/jps

**AUDIT OF THE ARC REVOLVING LOAN FUND  
OPERATED BY  
Northern Tier Regional Planning & Development Commission  
Towanda, Pennsylvania**

**ARC Grant Numbers: PA-8305-81-I-302-0930  
PA-7752E-93-I-302-1117**

**December 1, 1981 through April 30, 2004**

**Prepared By:**

**Tichenor & Associates, LLP  
Certified Public Accountants  
304 Middletown Park Place, Suite C  
Louisville, Kentucky 40243**

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# TICHENOR & ASSOCIATES, LLP

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To: Appalachian Regional Commission (ARC)  
Office of Inspector General (OIG)

Report For: Federal Co-Chair Anne B. Pope  
ARC Executive Director Thomas M. Hunter  
OIG Report Number: 05-20

## Independent Auditor's Report

We have audited the ARC RLF grant Schedule of Fund Balance of the Northern Tier Regional Planning & Development Commission as of April 30, 2004, and the related Statement of Source and Application of Funds for the period of December 1, 1981 through April 30, 2004. These financial statements are the responsibility of the Northern Tier Regional Planning & Development Commission. Our responsibility is to express an opinion 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. We also used the ARC, OIG Audit Guide of ARC Revolving Loan Funds (RLF) as a guide. Those standards 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying ARC RLF grant financial statements present fairly in all material respects the financial position of the Northern Tier Regional Planning & Development Commission fiduciary activities as of April 30, 2004 and the source and application of funds resulting from fiduciary activities for the period of December 1, 1981 through April 30, 2004 in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 9, 2004 on our consideration of the Northern Tier Regional Planning & Development Commission's internal control over ARC RLF grant financial reporting and on our tests of compliance with certain provisions of laws and regulations, included herein. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



Tichenor & Associates, LLP  
Louisville, Kentucky  
July 9, 2004

**Northern Tier Regional Planning & Development Commission**

**SCHEDULE OF FUND BALANCE**

**(As of April 30, 2004)**

Cash in Bank	<u>\$ 277,877</u>
Loans Outstanding	<u>581,946</u>
Other Investments	<u>                    </u>
Due from Other Accounts	<u>                    </u>
Other Assets	<u>                    </u>
Less: Current Liabilities	<u>                    </u>
Fund Balance	<u>\$859,823</u>

The accompanying auditor's report should be read with these financial statements.

**Northern Tier Regional Planning & Development Commission**

**STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
(For the Period of December 1, 1981 through April 30, 2004)**

Source of Funds	
ARC Grant	<u>\$446,066</u>
Program Income Transferred	
from PA Department of Commerce	<u>49,049</u>
Loan Interest Income	<u>205,345</u>
Fees Charged	<u>19,223</u>
Other Income	<u>75,286</u>
Unexplained Difference	<u>171,075</u>
 Total Funds Available	 <u>\$966,044</u>
 Application of Funds	
Cash in Bank	<u>\$277,877</u>
Loans Outstanding	<u>581,946</u>
Grant Funds Returned	<u>37,447</u>
Loan Losses	<u>68,774</u>
Administrative Expenses	<u>0</u>
 Total Funds Applied	 <u>\$966,044</u>

The accompanying auditor's report should be read with these financial statements.

# TICHENOR & ASSOCIATES, LLP

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## **Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards**

We have audited the ARC RLF grant financial statements of the Northern Tier Regional Planning & Development Commission as of and for the period of December 1, 1981 through April 30, 2004, and have issued our report thereon dated July 9, 2004. 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.

### **COMPLIANCE**

As part of obtaining reasonable assurance about whether the Northern Tier Regional Planning & Development Commission ARC RLF grant financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Schedule of Findings.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Northern Tier Regional Planning & Development Commission's internal control over financial reporting for the ARC RLF grant in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Northern Tier Regional Planning & Development Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the ARC; however, the final report is a matter of public record and its distribution is not limited.

*Tichenor & Associates, LLP*  
Tichenor & Associates, LLP  
Louisville, Kentucky  
July 9, 2004



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## EXECUTIVE SUMMARY

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ARC makes grants to grantees. The grantee uses the grant funds to make loans to achieve economic benefits for a designated project area. As the loans are repaid, the principal funds and interest in excess of expenses are returned to the RLF to make other loans. The program's primary goal is private sector job creation and capital formation.

ARC requires that RLF projects be administered in accordance with the grantee's RLF plan. This plan defines specific objectives and operating procedures, including standards and selection criteria for loans. ARC does not normally approve or review individual RLF loans. Instead, ARC monitors RLF project grantee objectives for conformance with guidelines, the RLF plan and other grant agreement conditions.

The grantee is required to submit financial and progress reports to ARC.

### **Purpose:**

The purpose of the audit was to determine if (a) the administration by Northern Tier Regional Planning & Development Commission for its ARC Revolving Loan Fund Program was managed in accordance with the ARC approved grant and did not violate any restrictions imposed by the terms and conditions of the grant; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operation information applicable to the revolving loan program; and (c) that the objectives of the grant are being met.

### **Background:**

ARC awarded Grant Numbers PA-8305-81-I-302-0930 and PA-7752E-93-I-302-1117 to Northern Tier Regional Planning & Development Commission, effective December 1, 1981 and October 1, 1992, respectively. Total funding for the two grants was \$446,046. ARC did not require that the grants be matched with any grantee cash, contributed services, or in-kind contributions.

### **Scope:**

Tichenor & Associates, LLP, under contract to the Appalachian Regional Commission (ARC), Office of Inspector General (OIG), performed a financial, compliance and internal control audit in accordance with Government Auditing Standards and ARC, OIG Audit Guide of ARC Revolving Loan Funds (RLF) of ARC grant funds administered by Northern Tier Regional Planning & Development Commission for the period of December 1, 1981 through April 30, 2004.

As of April 30, 2004, Northern Tier Regional Planning & Development Commission had twenty-seven (27) ARC RLF loans outstanding, with an unpaid balance of \$581,946.

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## EXECUTIVE SUMMARY

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### **Audit Results:**

The audit resulted in the following:

#### 1. Compliance

- 1.1. The loan file for R & T Mechanical, Inc. does not contain a plan of succession. This was required in place of key person life insurance, but has not been completed by the borrower.
- 1.2. The grantee's lien against borrower collateral, in two instances, was subordinate to the position stipulated in the loan commitment letter. For S&D Lumber, the grantee should have a first position in the collateral, but instead has a third position. In the case of The Murus Company, the grantee should have a fourth position on the mortgage of commercial property, but instead has a sixth position.
- 1.3. The Operating Plan is not specific to the ARC RLF program; it does not include a statement identifying the planned source of funds for financing the administrative expenditures of operating the RLF. Nor does the Operating plan include the names of the Loan Review Committee members and a brief statement of each member's commercial loan experience.
- 1.4. A discrepancy of \$171,075 was noted in the grantee's records and the Statement of Source and Application of Funds, as of April 30, 2004.
- 1.5. The Statement of Source and Application of Funds includes overpayments made to the grantee by the ARC in the amount of \$34,020.

#### 2. Internal Control

- 2.1. Employees in key financial positions are not required to take mandatory vacations. The grantee policy is that the vacation time accrued must be used during the fiscal year or it is lost; however, it is not mandatory to take it.

Refer to the Schedule of Findings for more details on each audit finding.

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## EXECUTIVE SUMMARY

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### **Recommendations:**

We recommend that the ARC require that Northern Tier Regional Planning & Development Commission take the following actions:

#### 1. Compliance

- 1.1. When a plan of succession is required in lieu of key person life insurance, we recommend that adequate documentation supporting the plan of succession be obtained prior to releasing any loan funds.
- 1.2. We recommend that proper policies, procedures, and controls be instituted to make the securing of collateral a top priority and to ensure that all necessary documentation is filed in a timely manner.
- 1.3. We recommend that the Operating Plan include a statement identifying the planned source of funds for financing the administrative expenditures of operating the RLF and the names of Loan Review Committee members along with a brief statement of each member's commercial loan experience.
- 1.4. We recommend that the \$171,075 be returned to the ARC unless the discrepancy can be reconciled and properly documented.
- 1.5. We recommend that the \$34,020 be returned to the ARC and that adequate internal controls be implemented to prevent any possible future overpayments from the ARC going undetected.

#### 2. Internal Control

- 2.1. We recommend that employees in key financial positions be required to take annual vacations.

### **Auditee's Response:**

#### 1. Compliance

- 1.1. The grantee obtained a signed plan of succession from R & T Mechanical, Inc.
- 1.2. The grantee stated that its Loan Review Committee had agreed to a third position on the collateral of S&D Lumber and that they currently have a fourth position on the collateral of The Murus Company.
- 1.3. The grantee modified its RLF Operating Plan to include ARC specific guidelines.

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## EXECUTIVE SUMMARY

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1.4. The grantee has not been able to satisfactorily reconcile the discrepancy of \$171,075.

1.5. The grantee returned the \$34,020 to the ARC.

### 2. Internal Control

2.1. The grantee has not responded to this item.

A copy of Northern Tier Regional Planning & Development Commission's complete response to our draft report is included in the report as Exhibit – Auditee's Response.

### **Auditor's Conclusion:**

Because of the grantee's fiduciary responsibility to protect RLF funds, we continue to recommend that the ARC require that the grantee institute proper policies, procedures, and controls to ensure that all necessary documentation is filed in a timely manner, i.e. plans of succession are obtained prior to releasing loan funds and collateral is properly secured to protect the grantee in the event that a borrower defaults on a loan.

In accordance with ARC Guidelines (III.C.1.c.), we continue to recommend that the ARC require that the grantee include in its Operating Plan a statement identifying the planned source of funds for financing the administrative expenditures of operating the RLF and the names of Loan Review Committee members, along with a brief statement of each member's commercial loan experience.

Because the discrepancy of \$171,075 has not been adequately reconciled, we continue to recommend that this amount be returned to the ARC.

We also continue to recommend that employees in key financial positions be required to take annual vacations.

We believe that by implementing the above recommendations, Northern Tier Regional Planning & Development Commission will (a) be in compliance with the requirements and responsibilities of its ARC approved grant; and (b) strengthen its systems of internal controls providing for disclosure of pertinent financial and operational information applicable to the revolving loan program. We further believe that Northern Tier Regional Planning & Development Commission is meeting the objectives of its grant.

## Northern Tier Regional Planning & Development Commission

### SCHEDULE OF FINDINGS

#### SUMMARY OF AUDIT RESULTS

1. The auditors report expresses an unqualified opinion on the ARC RLF grant financial statements of the Northern Tier Regional Planning & Development Commission for the period of December 1, 1981 through April 30, 2004.
2. Five (5) instances of noncompliance were disclosed during the audit.
3. One (1) reportable condition was disclosed during the audit.

#### FINDINGS AND RECOMMENDATIONS

##### NONCOMPLIANCES

1. According to ARC Guidelines (V.B.4.), RLF loans to closely held corporations, partnerships or proprietorships dependent for their continuing success on certain individuals ordinarily will be required to provide and assign to the RLF, life insurance on these key persons. In addition, the grantee's RLF Operating Plan also states that key person life insurance or plans of succession may be required from the borrower.

During the loan file review of the R & T Mechanical, Inc., it was determined that the grantee required a plan of succession, in lieu of key person life insurance, as a condition of loan approval. However, no plan of succession for the borrower was found in the loan files.

The grantee stated that they simply have not followed up on this issue with the borrower.

Without the plan of succession, required as a condition for loan approval, the grantee exposes the ARC RLF program to the loss of principal. If the borrower would happen to cease operations due to the death of a key person, thus defaulting on the loan, the grantee would have no recourse and the loan would have to be written off.

When the continuing success of a closely held corporation, partnership, or proprietorship is dependent upon certain individuals, and the grantee chooses to require a plan of succession in lieu of key person life insurance, we recommend that the ARC require that the grantee procure adequate documentation of the plan of succession prior to releasing any loan funds.

In response to our draft report, the grantee obtained a signed plan of succession from R & T Mechanical, Inc. (See Exhibit – Auditee's Response.)

2. A vital part of deciding whether or not to approve a loan is determining the borrower's ability to repay. According to ARC Guidelines (V.B.1.), when appropriate and practical, RLF financing may be secured by various sources of collateral. In case of a borrower's default, the collateral assigned and the position obtained in the collateral is of utmost importance.

During the loan file review, it was noted that there were two loan files in which the collateral obtained had been compromised. For S&D Lumber loan, the grantee should have had a first position in the collateral, but instead has a third position. In the case of The Murus Company loan, the commitment letter states that the grantee is supposed to have a fourth position on the mortgage of commercial property. Subsequent documentation states that the grantee has a sixth position.

In regards to S&D Lumber, the grantee stated that their attorney failed to file the lien in a timely manner, thus resulting in their third position in the collateral.

In regards to The Murus Company, the grantee received an opinion letter from legal counsel that their mortgage would occupy sixth position instead of fourth, but failed to address this issue.

In the event that the borrower defaults on a loan and the grantee has an inferior position on secured collateral, it will not be possible to adequately determine the dollar amount that will be received. Also, if the grantee is not sure as to its position on secured collateral, they may be under collateralizing a loan.

We recommend that the ARC require that the grantee institute proper policies, procedures, and controls to make the securing of collateral a top priority and to ensure that all necessary documentation is filed in a timely manner.

In response to our draft report, the grantee's Loan Review Committee agreed to a third position on loan collateral with regards to the loan to S&D Lumber. Furthermore, the grantee stated that they currently have a fourth position on the loan to The Murus Company.

3. According to ARC Guidelines (III.C.1.c.), a statement identifying the planned source of funds for financing the administrative expenditures of operating the RLF must be incorporated into the RLF Operating Plan. ARC Guidelines (III.C.1.d.) also requires that the RLF Operating Plan include the names of Loan Review Committee members and a brief statement of each member's commercial loan experience.

The current RLF Operating Plan does not indicate whether or not administrative expenditures are not to be charged to the ARC RLF program. Nor does the Operating Plan include the names of Loan Review Committee members and a brief statement of each member's commercial loan experience.

The grantee stated that they were not aware that these items needed to be included in the operating plan.

Failure to include in the RLF Operating Plan a statement identifying the planned source of funds for financing the administrative expenditures of operating the RLF, as well as the names of Loan Committee members and a brief statement of each member's commercial loan experience is not consistent with ARC Guidelines.

While the grantee has never charged any administrative expenses to the ARC RLF program, we recommend that the ARC require that the grantee include in its Operating Plan a statement identifying the planned source of funds for financing the administrative expenditures of operating the RLF. We also recommend that the ARC require that the grantee include in its Operating Plan the names of Loan Review Committee members and a brief statement of each member's commercial loan experience.

In response to our draft report, the grantee modified its RLF Operating Plan to include ARC specific guidelines. (See Exhibit – Auditee's Response.)

4. ARC Guidelines (VI.F.6.) requires that grantees maintain accurate financial records of RLF activities.

A discrepancy of \$171,075 was noted in the grantee's records and the Statement of Source and Application of Funds as of April 30, 2004. The grantee's records showed "Cash in Bank" to be \$277,877 and "Funds Available for Loans" (from grantee prepared Schedule B-1) to be \$106,802 for the difference of \$171,075.

The grantee is researching the cause of this discrepancy.

Failure to maintain accurate records could result in funds being expended for purposes contrary to ARC objectives and/or excess cash being held by the grantee, contrary to ARC Guidelines (VI.D.3.).

We recommend that the ARC require that the grantee return the \$171,075 to the ARC, unless the discrepancy can be reconciled and properly documented.

In response to our draft report, the grantee has not been able to satisfactorily reconcile the \$171,075 discrepancy. (See Exhibit – Auditee's Response.)

5. ARC Guidelines (VI.F.6) requires that grantees maintain accurate financial records of RLF activities.

The Statement of Source and Application of Funds shows "ARC Grant" to be \$446,066; however, this amount should be \$412,046. The difference of \$34,020 is due to overpayments made to the grantee by the ARC in 1994 and 1996.

The grantee stated that this overpayment was due to a posting error by the ARC. The grantee further stated that, subsequent to our audit, they received a request from the ARC to repay the \$34,020.

Failure to maintain accurate records could result in funds being expended for purposes contrary to ARC objectives.

As instructed by the ARC, we recommend that the grantee return the \$34,020 to the ARC. We further recommend that the grantee implement adequate internal controls to prevent any possible future overpayments from the ARC going undetected.

In response to our draft report, the grantee returned the \$34,020 to the ARC. (See Exhibit – Auditee’s Response.)

## **REPORTABLE CONDITIONS**

1. Proper internal control procedures require that all employees in key financial positions be required to take annual vacations.

The detection of misappropriation of funds is made more difficult by not requiring that employees in key financial positions take annual vacations.

Presently, employees in key financial positions are not required to take annual vacations. The grantee policy is that the vacation time accrued must be used during the fiscal year or it is lost; however, it is not mandatory to take it.

We recommend that employees in key financial positions be required to take mandatory annual vacations.

The grantee has not responded to our draft report concerning this item.

## **AUDITOR’S CONCLUSION**

Because of the grantee’s fiduciary responsibility to protect RLF funds, we continue to recommend that the ARC require that the grantee institute proper policies, procedures, and controls to ensure that all necessary documentation is filed in a timely manner, i.e. plans of succession are obtained prior to releasing loan funds and collateral is properly secured to protect the grantee in the event that a borrower defaults on a loan.

In accordance with ARC Guidelines (III.C.1.c.), we continue to recommend that the ARC require that the grantee include in its Operating Plan a statement identifying the planned source of funds for financing the administrative expenditures of operating the RLF and the names of Loan Review Committee members, along with a brief statement of each member’s commercial loan experience.



Because the discrepancy of \$171,075 has not been adequately reconciled, we continue to recommend that this amount be returned to the ARC.

We also continue to recommend that employees in key financial positions be required to take annual vacations.

We believe that by implementing the above recommendations, Northern Tier Regional Planning & Development Commission will (a) be in compliance with the requirements and responsibilities of its ARC approved grant; and (b) strengthen its systems of internal controls providing for disclosure of pertinent financial and operational information applicable to the revolving loan program. We further believe that Northern Tier Regional Planning & Development Commission is meeting the objectives of its grant.

**EXHIBIT**

**Auditee's Response**

Jack Somerville, CPA  
Tichenor & Associates, LLP  
304 Middletown Park Place, Suite C  
Louisville, KY 40243

Dear Mr. Somerville:

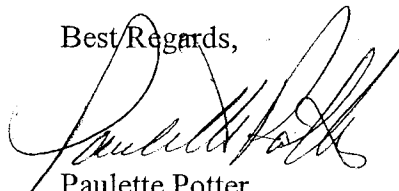
In response to the compliance issues addressed in page 7 of the executive summary, the following have been resolved:

- 1.1 R & T Mechanical, Inc. has signed the Plan of Succession, a copy of which is attached.
- 1.2 The NTRPDC Local Loan Review Committee members were polled and agreed to the subordinate position on collateral behind Peoples National Bank and in addition to subordinate to forthcoming lending to Pennsylvania Department of Community and Economic Development Pollution Prevention Loan Fund.  
NTRPDC contacted the First Citizens National Bank with regards to the Murus Company lien positions. The bank said that with the current re-structure of the company and loan payoffs with the bank, NTRPDC will be in no less than a fourth position.
- 1.3. Enclosed you will find the NTRPDC RLF Policy Manual has been modified to include ARC specific guidelines.

Items 1.4 and 1.5 are still under review by the NTRPDC Finance Department. They are working diligently to reconcile the issue.

Please do not hesitate to contact me if you have questions with the above mentioned information. Mr. Kenneth Reeves is the Financial Director at NTRPDC and can be contacted regarding the financial issues.

Best Regards,



Paulette Potter  
Loan Program Manager

**Northern Tier Regional Planning  
And  
Development Commission  
April 30, 2004  
March 11, 2005**

**Distribution List:**

Jack Somerville  
Kevin Abrams  
Kim Barnes  
Paulette Potter  
Laurie Lentz  
Susan Coates

The Tichenor audit covers the ARC loans administered by NTDPRC. Those funds are in two accounts.

The confirmed cash balance in First Liberty Bank Account Number 0000502737 is \$250,124. We refer to this loan fund as the ARC fund, Project #302.

Twenty - five percent of First Liberty Bank Account Number 0000500416 is \$ 29,090. We refer to this loan fund as the Tri-District ARC fund, Project #300.

This totals \$279, 090, reasonably close to the amount used in the Tichenor report of \$277,877.

The report calculates an Unexplained Difference of \$171,075.

The line items used to calculate the difference are totals from both loan funds.

The amounts calculated here only apply to what we call the ARC fund.

### **Cash on Hand / Unlocated Loan Disbursements**

We analyzed First Liberty Bank Account Number 0000502737 by each bank statement transaction as far back a June 30, 1995, the last hard copy available. We, and the bank were unable to recover any statements prior to that date.

We did locate a handwritten work paper that has information as far back as Nov. 22, 1994. It appears to be accurate. We used that information for that period. The balance on the sheet at June 30, 1995 agrees with the opening balance on our first bank statement.

Prior to that date we used loan histories for the first four loans that were outstanding between November 1994 and December 1994. The loan histories indicate payments of \$72,067.

Using the calculated amount described of \$72,067 and known initial funding of \$234,000, and two listed loan disbursements, the confirmed balance of \$160,696, is off by \$24,890. We do not know interest earned, or if there were any other disbursements.

There are three loan disbursements not accounted for. One is for (GMS#74) \$25,000. The other two are (GMS#58)\$16,740, and (GMS#59) \$37,000.

The loan profiles indicate loans were disbursed to clients on January 15, 1993. The worksheet indicates the first disbursement from ARC was received during December 1994.

### **Administrative Fees and Expenses**

We show disbursements from the ARC account in the amount of \$5,406. The Tichenor report shows none.

### **Loan Loss / Paid Loan**

That calculation uses both a net loans Outstanding and loan losses in the computation. Loan Losses are shown as \$67,774. That loan (#81 Forest City Mills) appears to be treated as a paid loan and an Uncollectible Loan.

### **February 1997 Payment**

During February 1997 there was a payment made from NTRPDC General Disbursements to the ARC cash account in the amount of \$6,839. The data explains the deposit is an amount due to adjust account control accounts. This amount is due back to NTRPDC General Disbursements.

**Northern Tier Regional Planning and Development  
 Summary ARC Cash Account #115  
 November 1, 1992 through April, 30 2004**

	Nov. 1992 through <u>June 1995</u>	July 1995 through <u>April 2004</u>
Original ARC Funding	\$ 234,000.00	
Loan Repayments	749,514.40	\$ 678,914.06
May 1997 transfer	6,839.47	6,839.47
Loans Disbursed	(750,000.00)	(625,000.00)
Loans Disbursed (suspected)	(24,890.00)	(25,000.00)
Under Utilized funds	37,447.00	37,447.00
Under Utilized funds	(37,447.00)	(37,447.00)
Interest (Investment)	29,546.22	25,027.00
Interest (pre statement)	-	10,526.00
Fees	10,526.00	(2,425.25)
Legal fees	(2,425.25)	(1,050.67)
NSF Checks	(1,050.67)	(107.60)
Fees and charges	(107.60)	-
Inter fund transfers	(1,134.19)	(1,134.19)
	(689.20)	(689.20)
	<u>250,129.18</u>	90,899.62
	160,586.00	251,485.62
Unreconciled Activity	5.18	
Balance April 30, 2004	<u><u>250,124.00</u></u>	