POTOMAC RIVER FISHERIES COMMISSION

COLONIAL BEACH, VIRGINIA

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 1999

AUDITOR OF
PUBLIC
ACCOUNTS

COMMONWEALTH OF VIRGINIA

-TABLE OF CONTENTS-

INDEPENDENT AUDITOR'S REPORT:

Report on Financial Statements

Report on Compliance and on Internal Control over Financial Reporting

FINANCIAL STATEMENTS:

Balance Sheet – All Funds and Account Groups

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Cash Basis – Governmental Funds

Notes to the Financial Statements

AGENCY OFFICIALS

Commonwealth of Virginia

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

May 8, 2000

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

In conformity with the provisions of the "Potomac River Compact of 1958," contained in Article VI, Section 3(b), of Chapter 28 of the Acts of the 1959 Extra Session of the General Assembly of the Commonwealth of Virginia, we, acting jointly with the Legislative Auditor of Maryland, have audited the accounts and records of the **Potomac River Fisheries Commission** for the year ended June 30, 1999, and submit herewith our complete reports on financial statements, internal controls, and compliance.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We have audited the balance sheet of the Potomac River Fisheries Commission as of June 30, 1999, and the related statements of revenues, expenditures, and changes in fund balances for the year then ended. The financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Potomac River Fisheries Commission as of June 30, 1999, and the changes in fund balances for the year then ended, in conformity with generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the Potomac River Fisheries Commission as of and for the year ended June 30, 1999, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weaknesses 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

The Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting is intended solely for the information and use of the Governors and legislative bodies of Virginia and Maryland, the Board of Commissioners, and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on April 28, 2000.

AUDITOR OF PUBLIC ACCOUNTS

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POTOMAC RIVER FISHERIES COMMISSION
BALANCE SHEET - ALL FUNDS AND ACCOUNT GROUPS
As of June 30, 1999

	Governmental		Account Groups		Total
	General Fund	Special Revenue Fund	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
ASSETS AND OTHER DEBITS					
Assets:					
Cash (Note 3)	$ 38,425	$ -	$ -	$ -	$ 38,425
Accounts receivable	2,059	14,275	-	-	16,334
Investments (Note 4)	520,059	-	-	-	520,059
Fixed assets (Note 5)	-	-	135,590	-	135,590
Due from special revenue fund	14,275	-	-	-	14,275
Total assets	574,818	14,275	135,590	-	724,683
Other debits:					
Amount to be provided for compensated absences	-	-	-	36,971	36,971
Total assets and other debits	$ 574,818	$ 14,275	$ 135,590	$ 36,971	$ 761,654
LIABILITIES, EQUITY AND OTHER CREDITS					
Liabilities:					
Accrued expenses	$ 6,877	$ -	$ -	$ -	$ 6,877
Due to general fund	-	14,275	-	-	14,275
Compensated absences	-	-	-	36,971	36,971
Total liabilities	6,877	14,275	-	36,971	58,123
Equity and other credits:					
Investment in general fixed assets	-	-	135,590	-	135,590
Fund balance:					
Reserve for capital improvements	204,000	-	-	-	204,000
Unreserved	363,941	-	-	-	363,941
Total equity and other credits	567,941	-	135,590	-	703,531
Total liabilities, equity and other credits	$ 574,818	$ 14,275	$ 135,590	$ 36,971	$ 761,654

The accompanying notes to financial statements are an integral part of this statement.

POTOMAC RIVER FISHERIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 1999

	General Fund	Special Revenue Fund
Revenues:		
Sale of licenses:		
Fish	$ 62,356	$ -
Crab	63,245	-
Oyster	59,915	-
Sport fishing	38,828	-
Total sale of licenses	224,344	-
Appropriations by states:		
Virginia	165,558	-
Maryland	165,558	-
Oyster bushel inspection tax	10,013	-
Interest income	27,848	-
Miscellaneous	28,456	-
Federal grant	-	117,316
Total revenues	621,777	117,316
Expenditures:		
Operating expenditures:		
Personal services	197,112	23,885
Contractual services	62,431	61,440
Materials and supplies	46,372	-
Current charges and obligations	1,831	-
Indirect cost	-	21,010
Total operating expenditures	307,746	106,335
Development and repletion	129,166	-
Capital outlay	599	10,981
Total expenditures	437,511	117,316
Excess of revenues over expenditures	184,266	-
Fund balance at July 1, 1998	383,675	-
Fund balance at June 30, 1999	$ 567,941	$ -

The accompanying notes to financial statements are an integral part of this statement.

POTOMAC RIVER FISHERIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS - GOVERNMENT FUNDS
For the Year Ended June 30, 1999

	General Fund			Special Revenue Fund		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Sale of licenses:						
Fish	$60,000	$ 62,356	$ 2,356	$ -	$ -	$ -
Crab	60,000	63,245	3,245	-	-	-
Oyster	30,000	59,915	29,915	-	-	-
Clam	600	-	(600)	-	-	-
Sport fishing	30,000	38,828	8,828	-	-	-
Total sale of licenses	180,600	224,344	43,744	-	-	-
Appropriations by states:						
Virginia	165,558	165,558	-	-	-	-
Maryland	165,558	165,558	-	-	-	-
Oyster bushel inspection tax	10,000	10,013	13	-	-	-
Interest income	15,000	27,848	12,848	-	-	-
Miscellaneous	2,000	28,456	26,456	-	-	-
Federal grant	-	-	-	90,000	104,558	14,558
Total revenues	538,716	621,777	83,061	90,000	104,558	14,558
Expenditures:						
Operating expenditures:						
Personal services	212,237	197,255	14,982	17,000	23,885	(6,885)
Contractual services	132,700	64,132	68,568	55,000	62,957	(7,957)
Materials and supplies	45,400	46,478	(1,078)	-	-	-
Current charges and obligations	7,000	4,117	2,883	-	-	-
Indirect cost	-	-	-	-	21,010	(21,010)
Total operating expenditures	397,337	311,982	85,355	72,000	107,852	(35,852)
Development and repletion	254,379	129,166	125,213	-	-	-
Capital outlay	20,000	599	19,401	18,000	10,981	7,019
Total expenditures	671,716	441,747	229,969	90,000	118,833	(28,833)
Transfers in/(out)	-	(14,275)	(14,275)	-	14,275	14,275
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(133,000)	165,755	298,755	-	-	-
Fund balance at July 1, 1998	225,000	392,729	167,729	-	-	-
Fund balance at June 30, 1999	$92,000	$ 558,484	$ 466,484	$ -	$ -	$ -

The accompanying notes to financial statements are an integral part of this statement.

POTOMAC RIVER FISHERIES COMMISSION

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Potomac River Fisheries Commission is a bi-state commission established to conserve and improve the valuable fishery resources of the tidewater portion of the Potomac River. The Commission was established by the Maryland-Virginia Potomac River Compact of 1958.

B. Fund Structure

The activities of the Commission are presented in two classifications of funds and two account groups. The General Fund accounts for the ordinary operations of the Commission, which are financed primarily by the sale of licenses, collection of oyster taxes, and by appropriations from the General Funds of the Commonwealth of Virginia and the State of Maryland. The Special Revenue Fund accounts for transactions related to funds received under a federal grant program.

Account groups are used to establish accounting control over general fixed assets and long-term liabilities. Fixed assets do not provide current financial resources available for appropriation or expenditure. Long-term liabilities do not require an appropriation or expenditure during the current accounting period. Accordingly, fixed assets and long-term liabilities are accounted for in self-balancing account groups rather than governmental funds, which only account for sources and uses of current financial resources.

C. Basis of Accounting

The governmental funds are reported using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred through the receipt of goods or services, although payment may occur at a later date. The cash basis of accounting is used during the year and reports are prepared on the modified accrual basis at the end of the fiscal year.

D. General Fixed Assets

General fixed assets are valued at historical cost or estimated historical cost if actual cost is not available. The cost for the acquisition of general fixed assets is recorded as an expenditure in the General Fund. Accordingly, no depreciation is provided on general fixed assets.

E. Compensated Absences

Compensated absences reflected in the General Long-Term Debt Account Group represent the amounts of vacation and sick leave earned by employees of the Commission, but not taken at June 30, 1999. The amount reflects all earned vacation and sick leave and related FICA taxes expected to be paid under the Commission's leave pay-out policy upon employment termination.

F. Budgets and Budgetary Accounting

The Commission's budget is prepared principally on the cash basis of accounting. Since the budgetary (cash) basis differs from generally accepted accounting principles (GAAP), a reconciliation of actual data reported on the budgetary (cash) basis to actual data reported on the GAAP (modified accrual) basis is presented in Note 2.

G. Total Columns

Total columns on the financial statements are captioned "Total - Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

2. RECONCILIATION OF BUDGETARY (CASH) AND GAAP BASES OF ACCOUNTING

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Cash Basis - Governmental Funds presents comparisons of the legally adopted budget prepared on the cash basis with actual data prepared on the cash basis. To enhance this comparison, actual data on the cash basis is reconciled with the actual data on the modified accrual basis as follows:

	General Fund	Special Revenue Fund
Fund balances on budgetary (cash) basis - June 30, 1999	$ 558,484	-
Adjustments:		
Accrued revenues on GAAP basis	16,334	$ 14,275
Accrued expenditures on GAAP basis	(6,877)	(14,275)
Fund balances on GAAP basis - June 30, 1999	$ 567,941	$ -

3. CASH

Cash balances are maintained by the Commission in demand deposit and savings accounts, which are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

4. INVESTMENTS

Investments are stated at cost, which approximates market value. The Commission's investments consist of $262,256 and $257,803 in the local government pools of the Commonwealth of Virginia and the State of Maryland, respectively. The Commission's equity in these pools does not consist of specifically identifiable securities and, accordingly, has not been categorized as to level of risk.

5. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land	$ 14,120	$ -	$ -	$ 14,120
Buildings	45,530			45,530
Equipment	44,378	11,181	18,776	36,783
Building/Improvements	13,081			13,081
Furniture/Fixtures	6,879			6,879
Motor Vehicles	19,197	-	-	19,197
Total	$ 143,185	$ 11,181	$ 18,776	$ 135,590

6. PENSION PLAN AND OTHER POST RETIREMENT BENEFITS

The Potomac River Fisheries Commission, under Article 1, Section 7 of the Potomac River Compact, may extend to any employee membership in the Virginia Retirement System (VRS) or the Maryland Employee's Retirement System, whichever is applicable, subject to the laws relating to each retirement system. Substantially all employees of the Commission are covered under the VRS plan. VRS is an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for the Commonwealth of Virginia and its political subdivisions.

The Commission's payroll cost for employees covered by the VRS Plan was $157,356 for the year ended June 30, 1999. The Commission's total payroll cost was $220,997. The Commission's total VRS contribution was $19,831, which included the five percent employee contribution assumed by the employer.

Information regarding types of employees covered, benefit provisions, employee eligibility requirements including eligibility for vesting and authority under which benefit provision, as well as employer and employee obligations to contribute can be found in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR).

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 1999. The same report contains historical trend information, which shows VRS' progress in accumulating sufficient assets to pay benefits when due.

7. SURETY BOND

The employees of the Commission were covered under a Faithful Performance Blanket Position Bond with coverage in the amount of $25,000 for each employee with The Hartford Insurance Group.

8. DEFERRED COMPENSATION PLAN

In January 1996, the Commission adopted a deferred compensation plan through the National Association of Counties (NACo) and administered by PEBSCO. The plan was created in accordance with Internal Revenue Code Section 457. NACo assumes all regulatory, operational, administrative, and fiduciary responsibilities on behalf of the Commission. The Commission is responsible for the accounting, reconciliations, and record keeping associated with Commission employees' enrollment, payment to the plan through payroll deductions, and timely transfer of withheld funds to PEBSCO for investment. The plan, available to all Commission employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Pursuant to GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, management has determined that the Commission has no fiduciary relationship with plan participants. Accordingly, plan assets of $42,642 are not included in the financial statements.

9. SUBSEQUENT EVENT

On August 17, 1999, the Commission purchased three plots of land adjacent to the Commission's headquarters in Colonial Beach. The Commission paid $175,000 for the property. The Commission plans to use the property to expand its headquarters' facilities.

POTOMAC RIVER FISHERIES COMMISSION
Colonial Beach, Virginia

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Virginia

Kenneth W. Williams

John W. White, Sr.

Gordon M. Birkett, Vice Chair

William A. Pruitt

Maryland

Paul H. Kellam, III, Chair

Sarah J. Taylor-Rogers

William L. Rice, Sr.

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