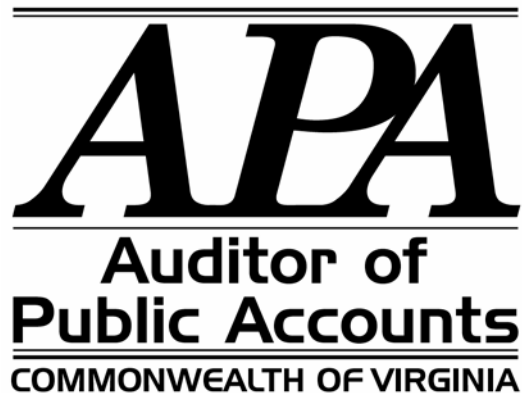


**POTOMAC RIVER FISHERIES COMMISSION**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2006**



## **AUDIT SUMMARY**

Our audit of the Potomac River Fisheries Commission for the year ended June 30, 2006, found:

- proper recording and reporting of all transactions, in all material respects, in the Commission's financial system;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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## AGENCY BACKGROUND AND FINANCIAL INFORMATION

The Potomac River Fisheries Commission is a bi-state commission established to conserve and improve the fishery resources of the tidewater portion of the Potomac River. The Commission's leadership consists of eight Commissioners, four representing Maryland and four representing Virginia.

The Commission is responsible for reseeding and replanting oyster beds, prescribing the type, size, and description of seafood which may be taken or caught, issuing licenses for the taking of finfish, crabs, oysters, clams and for boats, vessels, and equipment used for such taking, and imposing an inspection tax on oysters caught in the Potomac River.

During the current and previous fiscal years, the Commission received revenues from the following sources:

|                             | <u>2006</u>       | <u>2005</u>       |
|-----------------------------|-------------------|-------------------|
| Virginia appropriations     | \$ 155,000        | \$ 155,000        |
| Maryland appropriations     | 155,000           | 155,000           |
| Federal grant               | 83,101            | 92,100            |
| Sport fishing licenses      | 90,643            | 86,268            |
| Commercial fishing licenses | 62,425            | 63,055            |
| Commercial crab licenses    | 61,685            | 59,070            |
| Commercial oyster licenses  | 13,780            | 2,580             |
| Oyster bushel tax           | 4,073             | 305               |
| Interest and miscellaneous  | <u>13,152</u>     | <u>9,439</u>      |
| Total revenue               | <u>\$ 638,859</u> | <u>\$ 622,817</u> |

The Commission experienced revenue increases for fiscal year 2006. A significant increase in the sales of oyster licenses and sport fishing licenses contributed to this increase. However, the increase in oyster license revenue will be temporary. The Commission supported the planting of seed oyster beds several years ago that have now matured. Commercial fishermen have found these beds and are harvesting them to the fullest extent. The Commission expects that the fishermen will fully harvest these beds by the close of fiscal year 2007 and oyster license revenues will return to the fiscal year 2005 level by fiscal year 2008. In addition, the agency received additional interest income due to improved savings rates.

A timing difference between the Federal fiscal year and the Commission's fiscal year caused the decrease in Federal grant revenues. The grant funds for fiscal year 2006 did not become available for use until September 2005. The Commission is unable to financially support related grant projects until the grant funds are available. Therefore, the Commission was unable to use all of the grant funds during fiscal year 2006. As of July 2006, the Commission obtained a multi-year grant which will allow them to use grant funds to the fullest extent possible.

The Commission had the following expenses during the current and previous fiscal years:

|                              | <u>2006</u>       | <u>2005</u>       |
|------------------------------|-------------------|-------------------|
| Capital improvements reserve | \$ -              | \$ 166,470        |
| Federal grant                | 78,151            | 82,351            |
| Fixed assets                 | 3,086             | 36,744            |
| Contractual services         | 82,476            | 81,915            |
| Insurance                    | 8,122             | 6,421             |
| Development and repletion    | 49,728            | 57,903            |
| Materials and supplies       | 41,337            | 40,215            |
| Personnel services           | <u>298,489</u>    | <u>269,938</u>    |
| Total expenses               | <u>\$ 561,389</u> | <u>\$ 741,957</u> |

Expenses decreased by \$180,568 from fiscal year 2005. During fiscal year 2005, the Commission completed construction and outfitting of its new office building, resulting in the reduction of fixed asset expenses and capital improvements reserve. Insurance and personnel expenses increased because the Commission now has an additional staff member, an assistant executive secretary, to provide continuity of services and operations as the present executive secretary nears retirement.

The Commission closed fiscal year 2005 with an overall operating loss of \$119,140, which is attributed to the capital expenses of setting up the new office building for operations. This set up included the purchase of new office furniture and computers for five staff members. The Commission closed fiscal year 2006 with an overall operating gain of \$81,734, which is consistent with operations in previous years that did not include large capital expenses.

Prior to and during construction of the new office building, the Commission set aside funds in a capital account to pay for the building construction. Upon completion of the building, total cost for the building was \$811,500. The Commission did not have adequate funds in the capital account to pay all construction expenses. As a result, the Commission obtained a bank loan for \$165,000 to cover the remaining construction costs. The 5.75 percent interest note has minimum monthly payments of \$1,811 with a final balloon payment due on January 3, 2009. The Commission made \$3,000 monthly payments during fiscal years 2005 and 2006 towards the loan balance. The Commission made an additional \$50,000 principal-only payment June 2006 with the approval of the Board of Commissioners. This lump sum payment brought the June 30, 2006 loan balance down to \$72,445. Beginning with fiscal 2007, the Commission is now making \$4,000 monthly payments. The intention remains to pay the note in full before the final payment is due.

The Commission continues to place any excess cash into both the Maryland and Virginia Local Government Investment Pools. These accounts represent just over \$106,000 in investment funds.



**Walter J. Kucharski, Auditor**

# Commonwealth of Virginia

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

April 17, 2007

The Honorable Timothy M. Kaine  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.,  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We have audited the financial records and operations of the **Potomac Rivers Fisheries Commission** for the year ended June 30, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

## AUDIT OBJECTIVES

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commission's accounting records, review the adequacy of the Commission's internal controls, and test for compliance with applicable laws and regulations.

## AUDIT SCOPE AND METHODOLOGY

The Commission's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the relevant internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Cash and investments  
Fixed assets  
Payroll

Federal grant revenues and expenditures  
License revenues  
Operating and capital expenditures

We performed audit tests to determine whether the Commission's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Commission's operations. We tested transactions and

performed analytical procedures, including budgetary and trend analysis. We confirmed bank and material loan balances with outside parties.

### CONCLUSIONS

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commission's accounting records. The Commission records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commission's accounting records.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on May 16, 2007.

This report is intended for the information and use of the Governor and General Assembly, management, and citizens of the Commonwealth of Virginia and the state of Maryland and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

DBC/whb

POTOMAC RIVER FISHERIES COMMISSION  
Colonial Beach, Virginia  
(As of June 30, 2006)

COMMISSIONERS

Virginia

Steven G. Bowman

Ida Hall

J. T. Holland, Vice Chairman

Kyle J. Schick, Secretary

Maryland

Robert H. Bowes

William L. Rice, Sr., Chairman

Mike Slattery

Officers

Kirby A. Carpenter, Executive Secretary

J. Clifford Hutt, Senior Advisor

Michael C. Mayo, Legal Officer



