INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2024

CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2024

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Commissioners
Interstate Commission on the Potomac River Basin
Rockville, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Interstate Commission on the Potomac River Basin (the Commission), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Interstate Commission on the Potomac River Basin's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of September 30, 2024, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied and certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2025, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, Maryland
May 27, 2025

Our discussion and analysis provide an overview of the financial performance of the Interstate Commission on the Potomac River Basin's (the Commission or ICPRB) activities for the fiscal year ended September 30, 2024.

FINANCIAL HIGHLIGHTS

- Total operating revenues increased by $117,762 from the prior year.
- The federal government made a direct appropriation of $650,000 to the operations of the Commission during FY 2024.
- Net position increased by $478,296 during 2024, compared to a decrease of $173,428 in the prior year.
- Approximately 44% of operating revenues in FY 2024 are from the U.S. Environmental Protection Agency as cost reimbursements through direct grants or as pass-through grants from state agencies.
- The Commission's Contingency Reserve funding account was not used during the reporting period.

USING THE COMMISSION'S FINANCIAL STATEMENTS

The Commission's financial statements as of and for the year ended September 30, 2024, are prepared using the standards of the Governmental Accounting Standards Board (GASB), and the reporting model found in Statement Number 34. Under these standards, the Commission is defined as a special purpose government engaged only in business-type activities as described in Note 1 of the financial statements. There are only three financial statements presented herein. The Statement of Net Position reflects a snapshot of the Commission's assets, liabilities, deferred inflows/outflows of resources and net position as of September 30, 2024. The Statement of Revenues, Expenses, and Changes in Net Position provides information about the financial activities of the Commission for the fiscal year then ended. The Statement of Cash Flows details the sources and uses of cash applicable to the various financial activities of the Commission and reconciles operating income or loss to the cash provided or (used) by these activities. There are several supporting schedules to the above-mentioned financial statements presented. These schedules provide additional details about the activities of the Commission.

The use of GASB Statement No. 34 requires that ICPRB revenues and expenses be categorized as "operating" and "nonoperating." Significantly, the annual signatory member appropriations are considered to be "nonoperating" because the appropriations are not associated with specific project activities. Those member appropriations, however, are mandated in the Compact creating ICPRB and the revenues are essential to Commission operations because they provide ICPRB the flexibility to undertake a base level of activities without additional grants and provide the monies ICPRB uses to meet the frequently imposed cost share requirements of grants. In other words, the member contributions are leveraged to enable larger grant revenues which, in turn, increase the number of activities ICPRB undertakes to fulfill the Compact mandate and mission.

These statements do not include fiduciary funds and activities. However, ICPRB maintains a 401k retirement plan and a separate deferred compensation plan, of which the Commission is the trustee and, as such, cannot use these assets to finance its operations. These funds are invested in VOYA Financial, through employee 401(k) and deferred compensation payroll deductions and ICPRB payments as matching contributions to the 401(k) Program. An independent, third-party administrator assists with program administration. The individual employee can select from multiple investment options and is provided with a minimum of a quarterly report from VOYA Financial. Individuals have access by telephone or by internet to the VOYA financial accounts to manage individual investments in their accounts as frequently as they need or desire within limits allowed by controlling securities laws and regulations. The ICPRB retirement and deferred compensation plans do not constitute long-term obligations for the Commission as they are fully funded by timely additions of employee-funded payroll deductions and the ICPRB matching share contribution of 6.25% of salary. This is a contribution that is treated as a fringe benefit for the employee. Its cost to the Commission is recovered as a recognized fringe benefit charge to all grants and projects. The Commission provides current employees with a cost-shared health care coverage and a cost-shared dental insurance plan. Neither plan creates a long-term obligation on the part of the Commission for continued coverage beyond the current period of employment.

OVERVIEW OF THE COMMISSION

The Commission is a quasi-governmental body that is an agency of its member jurisdictions. It was created in 1940, through an interstate compact, to serve as a water resources management entity by the Commonwealths of Pennsylvania and Virginia, the states of Maryland and West Virginia, the District of Columbia, and the United States. The Compact has been adopted and approved by the United States Congress and was amended in 1970 to add additional functions to the Commission's mandates. The Commission is not a 501(c)(3) nonprofit type organization but is an agency of the several States and the District of Columbia, who are signatories to the Compact. It undertakes projects funded from multiple sources to assist in management of the waters of the Potomac River Basin and the Potomac Valley Conservancy District.

The Commission operates with policy guidance and direction established by the three Commissioners (and their alternates) appointed by each member in accordance with jurisdiction statutes and the Compact. The Commission staff, primarily professional and technical experts, operates under the management of an executive director who reports to the Commissioners. The Commission is nonregulatory in nature and uses science to assist its members in quality and quantity issues of the water and related land resources of the Potomac basin. A strategic plan guides overall Commission operations and each year the Commission adopts a program plan and budget to implement its work in the basin. The 1970 amendment to the Compact authorized creation of separate sections for the "purpose of dealing with the problems of pollution and of water and associated land resources in specific areas which directly affect two or more, but not all, signatory bodies…" One such section, the Section for Cooperative Water Supply Operations on the Potomac (CO-OP), was established by Commission resolution in 1979 to provide administrative, technical, supervisory, and managerial services to ensure adequate water supply for the Metropolitan Washington region in the event of drought. This section is funded by assessments provided by the three primary water utilities who serve the region.

The following analysis focuses on the net position for the denoted fiscal periods.

	September 30, 2024	September 30, 2023	Variance
Current Assets:			
Cash and Cash Equivalents	$ 830,578	$ 455,553	$ 375,025
Investments	2,355,315	2,428,947	(73,632)
Accounts Receivable	423,737	248,081	175,656
Prepaid Expenses	64,789	35,252	29,537
Total Current Assets	3,674,419	3,167,833	506,586
Noncurrent Assets	73,669	30,510	43,159
Total Assets	$ 3,748,088	$ 3,198,343	$ 549,745
Total Liabilities	$ 653,812	$ 612,363	$ 41,449
Net Position:			
Net Investment in Capital Assets	43,441	30,282	13,159
Unrestricted	3,050,835	2,585,698	465,137
Total Net Position	3,094,276	2,615,980	478,296
Total Liabilities and Net Position	$ 3,748,088	$ 3,228,343	$ 519,745

As noted above, net position increased by $478,296, or 17%, over 2023. That includes an increase of total assets of $549,745, and an increase of total liabilities of $41,449 due to the Federal appropriation. Cash and investments had a net increase of $301,393 due the Federal appropriation. Our analysis below focuses on the changes in net position for the denoted fiscal periods.

	For the Year Ended September 30, 2024	For the Year Ended September 30, 2023	Variance
Operating Revenues:			
Federal Grants and Contracts	$ 988,580	$ 909,214	$ 79,366
Nonfederal Grants and Contracts	1,139,049	1,100,653	38,396
Total Operating Revenues	2,127,629	2,009,867	117,762
Nonoperating Revenues:			
Member Jurisdiction Contributions	1,134,250	484,250	650,000
Investment Income	141,515	91,907	49,608
Miscellaneous Income	3,822	60,112	(56,290)
Total Nonoperating Revenues	1,279,587	636,269	643,318
Total Revenues	3,407,216	2,646,136	761,080
Operating Expenses:			
Program Expenses	1,993,163	1,887,355	105,808
Management and General Expenses	935,757	932,209	3,548
Total Expenses	2,928,920	2,819,564	109,356
Increase in Net Position	478,296	(173,428)	651,724
Ending Net Position	$ 3,094,276	$ 2,615,980	$ 478,296

Total operating revenues increased by $117,762 from the prior fiscal year, the result of an increase in nonfederal grants. These grants have a typical lifespan of 1-2 years and each year, ICPRB is challenged with securing new ones. Within the federal grants category, the EPA Chesapeake Bay Program (Section 117) and the EPA Section 106 grants together contributed $938,671 in revenue and those grants continue from year to year. Nonoperating revenue is shown to increase by $643,318, mostly the result of member jurisdiction contributions. Specific sources of revenue for FY 2024 are listed in Supporting Schedules SS-4, SS-5, and SS-6.

Comprising 33% of total revenue, the member contributions are extremely important to Commission operations as they are used: (a) to provide for core operating expenses of the Commission; (b) to meet cost share requirements of grants, and (c) to provide flexibility to fund Commission directed activities without depending solely on grants.

Total expenses increased by $109,356 in FY 2024 compared to FY 2023. Approximately $114,000 of this increase was due to the implementation of salary adjustments recommended by an independent review of compensation and benefits at ICPRB performed by SmithPilot as shown in their Report delivered on November 10, 2022. (The last time salaries were increased occurred after a similar study by SmithPilot in 2015).

The ICPRB budget, prepared in connection with a Program Plan by the staff, is based on a Framework Budget adopted by the Commission at its third quarter meeting and approved by the Commission at its fourth quarter meetings for implementation on October 1.

As in the past years, the Commission amended its budget three times during the year, at its December, March, and September meetings. The minor variances were due to operational ebb and flow of revenues and expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During fiscal year 2024, ICPRB acquired $38,328 in fixed assets composed of computers and computing related equipment.

At the end of FY 2024, long-term liabilities included unearned deposits of $309,540 by water authorities for future CO-OP Section work. For more detailed information about the Commission's capital assets, see Note 4 to the financial statements.

THE COMMISSION'S UPCOMING YEAR

During fiscal year 2025, ICPRB will continue efforts to implement the "Resolution on Enhancing Water Supply Resilience for the Washington Metropolitan Area" that was adopted by the Commission on June 15, 2021. Commissioners and CO-OP Staff are in the last stages of the finalization of the important update to the Low Flow Allocation Agreement. In addition, during FY25, the Commission will launch the "Collaborative Process" pursuant to a Resolution adopted at its annual meeting on September 12, 2023, to consider environmental and human needs in water supply operations and long-term planning in the Washington metropolitan area.

During FY25, ICPRB will be holding Its Third Annual Potomac River Conference entitled "Reeling in the Challenge of Aquatic Invasive Species." The event will be held at the River View in Lorton, VA. Funding for this conference was included in the Community Project Funding request through Congressman Raskin's Office. Representing the federal government's annual commitment to support ICPRB, the successful FY24 earmark (totaling $650,000) will be used to fund a variety of studies and other activities during FY25. In FY25, the federal government did not include earmarks in the continuing resolution that funded the government. This means that community project funding, or congressionally directed spending, which would have provided specific funding for local projects, was removed from the FY25 budget.

On the other hand, the continuing resolution to fund the federal government in FY25, kept funding at FY24 levels, including funding for ICPRB's EPA Section 106 grant and other grants.

Moreover, in FY25, ICPRB will continue to work with the Metropolitan Washington Council of Governments to secure full funding for a Congressionally authorized study on ways to make the area's drinking water supply more resilient to drought and contamination events.

During FY25, ICPRB will move into a new office in downtown Rockville, MD. Taking advantage of the current glut of office, ICPRB secured a new lease beginning in November 2024 with a guarantee of 18 months of free rent at the new location, which is more accessible to Metro and nearby amenities.

Finally, ICPRB's other sources of financial support are secure. All signatory jurisdictions have indicated their continuing support for ICPRB under the Compact. And support from the CO-OP suppliers is strong.

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 830,578
Investments	2,355,315
Accounts Receivable, Net:	
Signatory Contributions, Net (SS-1)	37,875
Federal Financial Assistance, (SS-2)	136,243
Special Projects Contracts, (SS-3)	249,619
Prepaid Expenses	64,789
Total Current Assets	3,674,419
NONCURRENT ASSETS	
Capital Assets, Net	43,441
Security Deposit	30,228
Total Noncurrent Assets	73,669
Total Assets	$ 3,748,088
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	$ 43,350
Compensated Absences	144,735
Unearned Signatory State Contributions	156,187
Total Current Liabilities	344,272
LONG-TERM LIABILITIES	
Security Deposit:	
Water Authorities CO-OP	309,540
Total Liabilities	653,812
NET POSITION	
Net Investment in Capital Assets	43,441
Unrestricted	3,050,835
Total Net Position	3,094,276
Total Liabilities and Net Position	$ 3,748,088

See accompanying Notes to Financial Statements.

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2024

OPERATING REVENUES	
Grants-Federal (SS-4)	$ 988,580
Grants and Contracts-Nonfederal (SS-5)	1,139,049
Total Operating Revenues	2,127,629
OPERATING EXPENSES	
Salary	1,763,937
FICA	131,153
Hospitalization and Disability Insurance	102,512
Retirement	100,469
Workmen's Compensation	3,642
Rental Costs and Interest	236,319
Equipment	970
Equipment Maintenance and Rental	7,412
Postage	1,699
Supplies and Office Expense	159,895
Communications	17,946
Insurance and Bond	10,319
Audit and Accounting	28,000
Travel	44,868
Educational Resources	13,968
Training	5,370
Meeting Expense	5,925
Contracts	256,959
Consultants	18,494
Depreciation/Amortization Expense	19,063
Total Operating Expenses	2,928,920
OPERATING LOSS	(801,291)
NONOPERATING REVENUES	
Signatory Contributions (SS-6)	1,134,250
Investment Income	141,515
Miscellaneous Revenue	3,822
Total Net Nonoperating Revenues	1,279,587
CHANGE IN NET POSITION	478,296
Net Position - Beginning of Year	2,615,980
NET POSITION - END OF YEAR	$ 3,094,276

See accompanying Notes to Financial Statements.

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Receipts from Grants and Contracts	$ 1,951,973
Payments to Vendors	(1,149,144)
Payments to Employees	(1,872,087)
Net Cash Used by Operating Activities	(1,069,258)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Signatory Contributions for Operations	1,252,562
Excess Deposits from Water Authorities CO-OP and DWSP	11,080
Other Payments	3,822
Net Cash Provided by Noncapital Financing Activities	1,267,464
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(38,328)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends	141,515
Purchases of Investments	(1,045,520)
Sale of Investments	1,119,152
Net Cash Provided by Investing Activities	215,147
NET INCREASE IN CASH AND CASH EQUIVALENTS	375,025
Cash and Cash Equivalents - Beginning of Year	455,553
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 830,578
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (801,291)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization Expense	19,063
Loss on Disposal of Fixed Assets	6,106
Effects of Changes in Operating Assets and Liabilities:	
Accounts Receivable	(175,656)
Prepaid Expenses	(29,537)
Accounts Payable	(85,632)
Accrued Expenses	(2,311)
Net Cash Used by Operating Activities	$ (1,069,258)

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interstate Commission on the Potomac River Basin (the Commission) was established, by an act of Congress on July 11, 1940, later amended September 25, 1970, to protect and enhance the environment of the Potomac Valley Conservancy District as that environment may be related to or affected by the use or abuse of the water and associated land resources.

The Commission's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Reporting Entity

These financial statements present the Commission as a special purpose government engaged only in business-type activities. The Commission Compact authorizes creation of separate "sections" to conduct work when an issue involves more than one jurisdiction, but less than all member bodies. One section has been created – the Section for Cooperative Water Supply Operations on the Potomac (CO-OP). This Section focuses on management of water supply operations serving the greater metropolitan Washington region during drought periods. In accordance with the Compact, the members of the CO-OP are responsible for the separate funding of the Section and the members have worked with the metropolitan area water suppliers who provide the funds for the Section staffing and other resources and requirements. During the fiscal year ended September 30, 2024, the CO-OP Section received $592,936 in cash from the water suppliers, and ICPRB incurred expenses of $577,412 for services. Unearned CO-OP revenues at September 30, 2024 were $309,540.

The Commission has entered the Potomac River Basin Drinking Water Source Protection Partnership (DWSPP), which is a collaborative effort by drinking water suppliers and government agencies to undertake activities that protect shared drinking water sources. Coordination of DWSPP activities has been entrusted to the Commission, which includes providing basic administrative support, communication support, and data analysis assistance. During the year ended September 30, 2024, the Commission expended $126,731 in DWSPP related expenses.

Measurement Focus and Basis of Accounting

The Commission utilizes the economic resources measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for special-purpose governments engaged in business type activities. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Signatory contributions are recorded as revenue in the period covered by the contribution as stipulated by the jurisdiction. Grants and service contracts are recognized as revenue upon the execution of the contract for the period the contract falls within ICPRB's fiscal year, and the expenditure of reimbursable costs. Expenditures are recognized in the accounting period in which the liability is incurred. Fiduciary funds and activities are not included in these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The Commission prepares its financial statements in conformity with GAAP, which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Operating and Nonoperating Revenues

The Commission defines all federal and state grants, contracts, and memorandums of understanding as operating revenues of services performed or provided. Revenues from capital grants, signatory state contributions, investment income, donations, and miscellaneous sales of publications are defined as nonoperating revenue.

Budgetary Data

Formal budgetary accounting is employed as a management control for the funds of the Commission. Annual operating budgets are adopted each fiscal year through passage of an annual budget and amended quarterly as required; however, the budget is not legally required. Budgetary control is exercised at the commissioner's level, with the exception of the executive director, who is authorized to adjust budget items in amounts not to exceed $20,000 per year.

Cash and Cash Equivalents

The Commission has defined cash and cash equivalents to include cash on hand, demand deposits, and money market funds. The Commission considers all investments purchased with an initial maturity of three months or less to be cash equivalents.

Investments

The Commission categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Transactions are recorded on the trade date. Realized gains and losses are determined using the purchase price of an investment. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses, and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis. Below is a description of the valuation methodologies used for assets measured at fair value.

Fixed income securities classified in Level 2 are valued using a matrix pricing technique. Mutual funds classified in Level 1 are valued using quoted in active markets for those securities.

Accounts Receivable

Accounts receivable represent amounts due from governmental agencies for unreimbursed costs and yearly signatory contributions. Management records an allowance for amounts that are deemed to be uncollectible. As of September 30, 2024, an allowance of $435,464 has been recorded.

Capital Assets

Capital assets purchased or acquired with an original cost of $1,000 or more are capitalized. Contributed assets are reported at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated by using the straight-line method over the estimated useful lives as follows:

Asset Category	Months
Computers and Equipment	36
Furniture and Fixtures	60

Deposits

Unearned revenues arise when resources are received by the Commission before it has a legal claim to them, as when cash deposits are received prior to the incurrence of qualifying expenditures. Deposits consisted of the following as of September 30, 2024:

Issuer	Amount
Water Authorities CO-OP Deposits	$ 309,540

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets and liabilities, the statement of net position may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time. The Commission did not have any deferred outflows or inflows as of September 30, 2024.

NOTE 2 LIBRARY COLLECTION

The Commission has accumulated a sizeable and extensive technical library. Although this library is not carried as an asset on the books of the Commission because the value cannot be readily determinable, it could have substantial value.

NOTE 3 CASH AND INVESTMENTS

The Commission's manual of operations allows surplus funds to be deposited in commercial banks, saving and loans, and similar depositories, or invest in short-term obligations of the U.S. government, including U.S. obligation mutual funds. Cash deposits and investments made by the Commission are summarized below.

Cash:	
Petty Cash and Cash in Interest-Bearing Checking Accounts	$ 77,365
Cash in Interest Bearing Money Market Funds	753,213
Total Cash	$ 830,578
Investments:	
Mortgage-Backed Securities	$ 14,074
Mutual Funds	57,210
Nonnegotiable Certificates of Deposit	2,284,031
Total Investments	$ 2,355,315

The Commission has the following recurring fair value measurements as of September 30, 2024.

	Level 1	Level 2	Level 3	Total
Investments at Fair Value Level:				
Mortgage-Backed Securities	$ -	$ 14,074	$ -	$ 14,074
Mutual Funds	57,210	-	-	57,210
Total	$ 57,210	$ 14,074	$ -	$ 71,284
Investments at Amortized Cost:				
Certificates of Deposit				$ 2,284,031
Total				$ 2,355,315

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. $231,148 of the Commission's bank balances are insured by the Federal Deposit Insurance Corporation, up to the $250,000 per insured bank limit. As of September 30, 2024, $753,205 of the Commission's cash balance was held by a broker that is covered by the Securities Investor Protection Corporation (SIPC). The limit of SIPC protection is $500,000, which includes a $250,000 limit for cash.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

The Commission's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. In the event of a financial institution's insolvency, recovery of Commission assets on deposit may be limited to account insurance or other protection afforded such deposits.

Concentration risk is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer. The Commission's policy does not establish a limit on the amount that can be invested in any one issuer.

The Commission held positions in Certificates of Deposit that exceeded 5% of total investments as follows:

Issuer	Amount
State Bank of India	$ 244,822
UBS Bank USA	230,354
Bank of America	252,380
Synchrony Bank	139,442
Bank Hapoalim	200,927
Bank of New York Mellon	170,452
Morgan Stanley	254,725
Lakeside Bank	200,002
Flagstar Bank	250,859
City National Bank	237,643

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The table below includes the Commission's holdings by type, fair value, and maturity:

	Less Than 1 Year	1-5 Years	Greater Than 5 Years	Total
Mortgage-Backed Securities	$ -	$ -	$ 14,074	$ 14,074
Nonnegotiable Certificates of Deposit	1,206,504	1,076,975	552	2,284,031
Total	$ 1,206,504	$ 1,076,975	$ 14,626	$ 2,298,105

The Commission was not exposed to foreign currency risk as of September 30, 2024.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating conducted by a nationally recognized statistical rating organization. The mortgage-backed securities held by the Commission were unrated.

The Commission does not have any policies that address custodial credit, interest rate, or credit risk.

NOTE 4 FURNITURE AND EQUIPMENT

A summary of changes in furniture and equipment of the Commission was as follows:

	October 1, 2023	Additions	Deletions	September 30, 2024
Depreciable Capital Assets:				
Furniture and Equipment	$ 265,502	$ 38,328	$ (21,475)	$ 282,355
Less: Accumulated Depreciation	235,220	19,063	(15,369)	238,914
Total	$ 30,282	$ 19,265	$ (6,106)	$ 43,441

NOTE 5 CONTRIBUTIONS – SIGNATORY AGENCIES

The actual revenues from the signatory states and the U.S. government for the fiscal year ended September 30, 2024, and cash received by September 30, 2024, compared with the amounts requested as required in Article IV of the Compact for the Commission, as amended September 25, 1970 on a nonaccrual basis were as follows:

Signatory	Signatory Appropriation	Cash Collections	Balance
Federal Government	$ 650,000	$ 650,000	$ -
District of Columbia	69,000	69,000	-
Maryland	157,750	157,750	-
Pennsylvania	50,500	50,500	-
Virginia	151,500	113,625	37,875
West Virginia	55,500	55,500	-
Total	$ 1,134,250	$ 1,096,375	$ 37,875

NOTE 6 RETIREMENT PLAN DESCRIPTION

The Interstate Commission on the Potomac River Basin Retirement Plan is a single employer plan that administers the Commission’s defined contribution pension plan for its employees. On October 1, 1985, the ICPRB Pension Trust amended its pension plan to a 401(k) plan. On October 1, 2009, the Commission made compliance amendments to its 401(k) plan to stay current with pension plan laws and regulations. A 401(k) plan treats employee contributions as a pre-tax contribution. The Commission is the only nonemployee contributor to the plan. As of September 30, 2024, the pension plan’s current membership is 21 participants.

NOTE 6 RETIREMENT PLAN DESCRIPTION(CONTINUED)

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the return earned on investments of the contributions. The contributions made by an employee vest immediately and contributions made by the Commission vest after six years of employment. An employee who leaves the employment of the Commission is entitled to his or her contributions and the Commission's contributions if vesting requirements are satisfied. As determined by the Commission, each employee must contribute at least 6.25% of his or her gross earnings to the plan. The Commission is required to contribute an amount equal to 6.25% of the employee's gross earnings. Employee contributions for the year totaled $157,015. Employer matching contributions for the year totaled $100,469.

NOTE 7 DEFERRED COMPENSATION PLAN

A deferred compensation plan was adopted at the Executive Committee meeting held June 20, 1974, for any employees who desire to participate in it. This plan was revised and approved at the Commission's business meeting on September 18, 1981, and again on September 12, 2004.

The deferred compensation plan is available to all employees of the Commission. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, or death.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of an Internal Revenue Code Section (IRC) 457 deferred compensation plan, all amounts of compensation deferred under this plan, all property and rights which may be purchased with such amounts and all income attributable to such amounts, property or rights shall be held in trust for a custodial account or annuity contract described in IRC Section 401(f) for the exclusive benefit of participants and their beneficiaries. All such amounts shall not be subject to the claims of the Sponsoring Employer's general creditors.

As part of its fiduciary role, the Commission has an obligation of due care in selecting the third-party administrator. In the opinion of the Commission's legal counsel, the Commission has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

NOTE 8 COMPENSATED ABSENCES

A future obligation exists to the employees of the Commission who have accumulated unused annual leave and compensation time.

Payment of unused annual leave accumulated up to the date of employment with the Commission is payable upon termination. Based on earning rates and accumulated unused leave as of September 30, 2024, that obligation was $144,735.

NOTE 9 CONCENTRATIONS

During the fiscal year ended September 30, 2024, reimbursements from the Environmental Protection Agency represented approximately 44% of the Commissions operating revenues.

NOTE 10 CONTINGENCIES

The Commission receives federal grant funding from the United States Environmental Protection Agency. These grants are subject to review and audit under the Uniform Guidance. Entitlement to these resources is conditional upon compliance with the terms and conditions of the agreements, including the expenditure of resources for allowable purposes until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received more than allowable costs.

NOTE 11 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft, injuries, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.

SUPPORTING SCHEDULES TO FINANCIAL STATEMENTS

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SUPPORTING SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

COMBINING STATEMENT OF NET POSITION

	Operations	CO-OP	DWSPP	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 818,952	$ 11,626	$ -	$ 830,578
Investments	1,666,812	688,503	-	2,355,315
Accounts Receivable, Net:				
Signatory Contributions, Net	37,875	-	-	37,875
Federal Financial Assistance	136,243	-	-	136,243
Special Projects Contracts	249,619	-	-	249,619
Prepaid Expenses	64,789	-	-	64,789
Total Current Assets	2,974,290	700,129	-	3,674,419
NONCURRENT ASSETS				
Furniture and Equipment, Net	34,782	8,659	-	43,441
Security Deposit	30,228	-	-	30,228
Total Noncurrent Assets	65,010	8,659	-	73,669
Total Assets	$ 3,039,300	$ 708,788	$ -	$ 3,748,088
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	$ 43,350	$ -	$ -	$ 43,350
Accrued Expenses	-	-	-	-
Compensated Absences	144,735	-	-	144,735
Unearned Signatory State Contributions	156,187	-	-	156,187
Interfund Activity	(399,248)	399,248	-	-
Total Current Liabilities	(54,976)	399,248	-	344,272
LONG-TERM LIABILITIES				
Security Deposit:				
Water Authorities CO-OP and DWSP Deposits	-	309,540	-	309,540
Total Liabilities	(54,976)	708,788	-	653,812
NET POSITION				
Net Investment in Capital Assets	34,782	8,659	-	43,441
Unrestricted	3,059,494	(8,659)	-	3,050,835
Total Net Position	3,094,276	-	-	3,094,276
Total Liabilities and Net Position	$ 3,039,300	$ 708,788	$ -	$ 3,748,088

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Operations	CO-OP	DWSPP	Total
OPERATING REVENUES				
Grants-Federal	$ 963,671	$ -	$ 24,909	$ 988,580
Grants and Contracts-Nonfederal	459,230	606,471	73,348	1,139,049
Total Operating Revenues	1,422,901	606,471	98,257	2,127,629
OPERATING EXPENSES				
Salary	1,492,312	219,993	51,632	1,763,937
Fringe	(127,501)	103,265	24,236	-
FICA	131,153	-	-	131,153
Hospitalization and Disability Insurance	102,512	-	-	102,512
Retirement	100,469	-	-	100,469
Workmen's Compensation	3,642	-	-	3,642
Rental Costs and Interest	236,319	-	-	236,319
Equipment	970	-	-	970
Equipment Maintenance and Rental	7,412	-	-	7,412
Postage	1,699	-	-	1,699
Supplies and Office Expense	153,761	2,911	3,223	159,895
Communications	17,705	241	-	17,946
Insurance and Bond	10,319	-	-	10,319
Audit and Accounting	28,000	-	-	28,000
Travel	40,085	2,334	2,449	44,868
Educational Resources	13,968	-	-	13,968
Meeting Expense	5,800	-	125	5,925
Contracts	193,453	63,506	-	256,959
Consultants	18,494	-	-	18,494
Bad Debt Expense	-	-	-	-
Depreciation Expense	19,063	-	-	19,063
Indirect	(228,619)	185,162	43,457	-
Total Operating Expenses	2,226,386	577,412	125,122	2,928,920
OPERATING LOSS	(803,485)	29,059	(26,865)	(801,291)
NONOPERATING REVENUES				
Transfers	(22,990)	(3,875)	26,865	-
Signatory Contributions	1,134,250	-	-	1,134,250
Investment Income	141,515	-	-	141,515
Miscellaneous Revenue	3,822	-	-	3,822
Total Nonoperating Revenues	1,256,597	(3,875)	26,865	1,279,587
CHANGE IN NET POSITION	453,112	25,184	-	478,296
Net Position - Beginning of Year	2,615,980	-	-	2,615,980
NET POSITION - END OF YEAR	$ 3,069,092	$ 25,184	$ -	$ 3,094,276

SS-1 – SCHEDULE OF SIGNATORY CONTRIBUTIONS RECEIVABLE

Signatory	Fiscal Year					
District of Columbia	FYE 11	$ 69,000				$ 69,000
Maryland	FYE 20		11,831			
	FYE 19		15,775			
	FYE 18		15,775			
	FYE 15		15,775			
	FYE 14		15,775			
	FYE 13		15,775			
	FYE 07		31,710			
	FYE 06		34,635			
	FYE 05		8,022			
	FYE 04		18,100			
	FYE 97		10,726			
	FYE 96		10,607			204,506
Pennsylvania	FYE 18			$ 12,625		
	FYE 13			3,375		
	FYE 12			1,125		17,125
Virginia	FYE 24				$ 37,875	
	FYE 14				113,625	
	FYE 13				151,500	
	FYE 12				151,500	
	FYE 11				37,875	492,375
						783,006
Less: Allowance for Doubtful Accounts						(745,131)
Total Signatory State Contributions Receivable						$ 37,875

SS-2 – SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE RECEIVABLE

EPA 106	$ 45,091
WV Asst. CWA 604b	37,758
EPA 117 FY23 - FY24	28,394
VADEQ Broad Run TMDL	25,000
Total Federal Financial Assistance Receivable	$ 136,243

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SUPPORTING SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

SS-3 – SCHEDULE OF SPECIAL PROJECT CONTRACTS RECEIVABLE

MDE Deep Creek Lake TMDL	$ 60,000
Source Water Partnership Projects	24,924
VA HAB Shenandoah	164,695
Total of Special Projects Contracts Receivable	$ 249,619

SS-4 – SCHEDULE OF FEDERAL GRANTS REVENUE

	Budget	Actual	Variance
GRANT			
EPA 106	$ 635,000	$ 635,000	$ -
EPA Ches. Bay Pgm 2023	264,506	243,354	(21,152)
EPA VA Accotink SaMS	65,000	60,317	(4,683)
Source Water Partnership	24,909	24,909	-
VADEQ Broad Run TMDL	-	25,000	25,000
Total	$ 989,415	$ 988,580	$ (835)

SS-5 – SCHEDULE OF NONFEDERAL GRANTS REVENUE

	Budget	Actual	Variance
PROJECT			
Source Water Partnership	$ 72,979	$ 73,348	$ 369
MDE TMDL Support 2023	163,993	120,000	(43,993)
CO-OP Utility Support	670,288	606,471	(63,817)
MDE literature review	83,288	83,288	-
WRF PFAS	75,000	3,711	(71,289)
MDE MS4 Monitoring	23,900	23,900	-
VA HAB Shenandoah	83,087	222,536	139,449
VA HAB Lake Anna WSP	5,000	5,795	795
Total	$ 1,177,535	$ 1,139,049	$ (38,486)

SS-6 – SCHEDULE OF SIGNATORY CONTRIBUTIONS

	Budget	Actual	Variance
SIGNATORY			
District of Columbia	$ 69,000	$ 69,000	$ -
Maryland	157,750	157,750	-
Pennsylvania	50,500	50,500	-
Virginia	151,500	151,500	-
West Virginia	55,500	55,500	-
Federal	650,000	650,000	-
Total	$ 1,134,250	$ 1,134,250	$ -

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SCHEDULE OF EXPENSES BY FUNCTION WITH BUDGET VERSUS ACTUALS TOTALS (SS-7)
YEAR ENDED SEPTEMBER 30, 2024

	Program Services					Supporting Service						
	Water Quality	Water Resources	Public Education and Information	Living Resources	Cross Cutting	Management and General	Total	Fixed Asset Adjustment	Adjusted Total	Original Budget	Final Budget	Actual Vs. Final Budget Variance
Salary	$ 154,180	$ 385,166	$ 46,529	$ 63,336	$ 482,802	$ 631,924	$ 1,763,937	$ -	$ 1,763,937	$ 2,009,238	$ 2,009,238	$ (245,301)
Allocated Fringe	72,371	180,797	21,840	29,729	226,626	(531,363)	-	-	-	-	-	-
FICA	-	-	-	-	-	131,153	131,153	-	131,153	152,773	152,773	(21,620)
Insurance	-	-	-	-	-	102,512	102,512	-	102,512	130,000	130,000	(27,488)
Retirement	-	-	-	-	-	100,469	100,469	-	100,469	125,000	125,000	(24,531)
Transit Subsidy	-	-	-	-	-	-	-	-	-	-	-	-
Workmen's Compensation	-	-	-	-	-	3,642	3,642	-	3,642	3,312	3,312	330
Rent	-	-	-	-	-	236,319	236,319	-	236,319	231,731	231,731	4,588
Equipment	-	-	-	-	-	970	970	-	970	10,000	10,000	(9,030)
Equipment Maintenance and Rental	-	7	-	-	-	7,405	7,412	-	7,412	5,000	5,000	2,412
Postage	-	-	-	-	376	1,323	1,699	-	1,699	585	585	1,114
Supplies and Office Expense	-	10,792	42	4,824	9,947	134,290	159,895	-	159,895	130,300	130,300	29,595
Communications	-	241	-	-	-	17,705	17,946	-	17,946	21,750	21,750	(3,804)
Insurance and Bond	-	-	-	-	-	10,319	10,319	-	10,319	7,910	7,910	2,409
Audit and Accounting	-	-	-	-	-	28,000	28,000	-	28,000	25,000	25,000	3,000
Travel	-	7,468	683	12,931	14,525	9,261	44,868	-	44,868	32,033	32,033	12,835
Educational Resources		-	-	-	9,468	4,500	13,968	-	13,968	4,500	4,500	9,468
Training	-	-	-	-	-	5,370	5,370	-	5,370	4,500	4,500	870
Meeting Expense	-	1,025	-	-	499	4,401	5,925	-	5,925	8,000	8,000	(2,075)
Contracts	-	86,331	-	169,238	1,390	-	256,959	-	256,959	262,496	262,496	(5,537)
Consultants	-	-	-	-	-	18,494	18,494	-	18,494	18,000	18,000	494
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation/Amortization Expense	-	-	-	-	-	19,063	19,063	-	19,063	-	-	19,063
Total	$ 226,551	$ 671,827	$ 69,094	$ 280,058	$ 745,633	$ 935,757	$ 2,928,920	$ -	$ 2,928,920	$ 3,182,128	$ 3,182,128	$ (253,208)