

**INTERSTATE COMMISSION ON  
THE POTOMAC RIVER BASIN  
Rockville, Maryland**

**FINANCIAL STATEMENTS  
September 30, 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Commissioners  
Interstate Commission on the Potomac River Basin  
Rockville, Maryland

### ***Report on the Financial Statements***

We have audited the accompanying statement of net position, and the related statements of revenues, expenses and changes in net position, and cash flows of the Interstate Commission on the Potomac River Basin (the Commission), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Interstate Commission on the Potomac River Basin as of September 30, 2015, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, 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 certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

***Other 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 on pages 21-24 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. 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 March 16, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 Commission's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

Calverton, Maryland

March 16, 2016

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2015**

**Introduction**

Our discussion and analysis provides 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, 2015.

**Financial Highlights**

- Total operating revenues decreased by approximately \$83,000, from the prior year.
- Two jurisdictions were unable to make full membership payments during FY 2015.
- The Federal government did not make a direct appropriation to the operations of the Commission during FY 2015.
- Net position increased by approximately \$128,800, during 2015 compared with an increase of \$5,800, in the prior year.
- Approximately 58% of operating revenues in FY 2015 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 Interstate Commission on the Potomac River Basin's financial statements as of and for the year ended September 30, 2015, are prepared using the standards of the Governmental Accounting Standards Board, and the reporting model found in Statement Number 34 (GASB-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, 2015. 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-34 requires that ICPRB revenues (and expenses) be categorized as "operating" and "non-operating". Significantly, the annual signatory member appropriations are considered to be "non-operating" because the appropriations are not associated with specific project activities. Those 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 signatory 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.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2015**

These statements do not address fiduciary funds and activities (for ICPRB, these include 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 (formerly ING Financial Advisors, LLC), through employee 401K and deferred compensation payroll deductions and ICPRB payments as matching contributions to the 401K Program. An independent, third-party administrator assists with program administration. The individual employee is able to 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 generous 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 considered to be 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) non-profit 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 (3) 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 non-regulatory 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 (3) primary water utilities who serve the region.

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

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015**

	<b>September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>Variance</b>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 428,957	\$ 647,888	\$ (218,931)
Investments	1,826,800	1,467,477	359,323
Accounts Receivable	187,478	267,651	(80,173)
Prepaid Expenses	41,400	28,175	13,225
<b>TOTAL CURRENT ASSETS</b>	2,484,635	2,411,191	73,444
<b>NON-CURRENT ASSETS</b>	64,534	62,012	2,522
<b>TOTAL ASSETS</b>	<u>\$ 2,549,169</u>	<u>\$ 2,473,203</u>	<u>\$ 75,966</u>
<b>TOTAL LIABILITIES</b>	\$ 579,364	\$ 628,371	\$ (49,007)
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	39,971	43,817	(3,846)
<b>NET POSITION</b>			
Net Investment in Capital Assets	40,723	45,328	(4,605)
Unrestricted	1,889,111	1,755,687	133,424
<b>TOTAL NET POSITION</b>	1,929,834	1,801,015	128,819
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 2,549,169</u>	<u>\$ 2,473,203</u>	<u>\$ 75,966</u>

As noted above, net position increased by approximately \$129,000, or 7%, over 2014. That includes an increase of total assets of approximately \$76,000, a decrease of total liabilities of approximately \$49,000, and a decrease of deferred inflows of resources of approximately \$3,800. Deferred inflows of resources refers to the rent abatement received at the beginning of the lease for office space, about \$3,800 of which is recognized in each year of the lease.

Our analysis below focuses on the changes in net assets for the denoted fiscal periods.



**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015**

	<u>September 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>Variance</u>
<b>OPERATING REVENUES</b>			
Federal Grants and Contracts	\$ 1,012,063	\$ 976,434	\$ 35,629
Non Federal Grants and Contracts	734,035	852,335	(118,300)
<b>TOTAL OPERATING REVENUES</b>	<u>1,746,098</u>	<u>1,828,769</u>	<u>(82,671)</u>
<b>NONOPERATING REVENUES</b>			
Member Jurisdiction Contributions	468,475	354,850	113,625.00
Investment Income	10,950	21,420	(10,470)
Miscellaneous Income	3,858	6,964	(3,106)
<b>TOTAL NONOPERATING REVENUES</b>	<u>483,283</u>	<u>383,234</u>	<u>100,049</u>
<b>TOTAL REVENUES</b>	2,229,381	2,212,003	17,378
<b>EXPENSES</b>			
Program Expenses	1,433,712	1,510,058	(76,346)
Management and General Expenses	666,850	696,109	(29,259)
<b>TOTAL EXPENSES</b>	<u>2,100,562</u>	<u>2,206,167</u>	<u>(105,605)</u>
<b>INCREASE IN NET POSITION</b>	<u>\$ 128,819</u>	<u>\$ 5,836</u>	<u>\$ 122,983</u>

Total operating revenues decreased by \$82,700 from the prior fiscal year. An increase in Federal grants and contracts was more than offset by the decrease in non-Federal grants and contracts. Non-operating revenue increased by \$100,000, which is due to the resumption of signatory dues payments by the Commonwealth of Virginia. Other, smaller, sources of non-operating revenue, investment income and miscellaneous income, both declined compared to the previous year. Specific sources of revenue for FY 2015 are listed in Supporting Schedules SS-4, SS-5, and SS-6.

While only 21% of total revenue, the member contributions, as noted earlier, are extremely important to Commission operations as they are used: To provide for core operating expenses of the Commission; to meet cost share requirements of grants, and; to provide flexibility to fund Commission directed activities without depending solely on grants.

Total expenses decreased by \$105,600 compared to FY2014. Just over half that amount, about \$55,500, is accounted for by a decrease in salaries and fringe benefits. Expenses for Management and General Services see SS-7, decreased by \$29,260 (4.2%) while expenses for Program Services decreased by \$76,350 (5%).

The ICPRB budget, prepared annually in connection with a Program Plan by the staff, is approved by the Commission in June for implementation beginning on October 1. It is a planning tool that directs staff and funding resources to specific projects or grants. Changes to the initial budget are normal as additional projects and grants are pursued throughout the course of a year's operations. Amendments to the formal budget take place when new projects are obtained or when cumulative changes are greater than \$20,000. The Commission amended its budget twice, at the March and September 2015 meetings.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015**

**Capital Asset and Long-term Debt Activity**

During fiscal year 2015, ICPRB acquired \$27,135 in fixed assets and also disposed of assets valued (purchase price) at \$14,222 that were obsolete or non-functional. The majority of both acquisitions and disposals were computers and computing related equipment.

At the end of FY2015, long-term liabilities included unearned deposits \$279,896 by water authorities for future CO-OP Section work and a capital lease obligation of \$9,710 for a copier. For more detailed information about the Commission's capital assets and long-term obligations, see Notes 4 and 5 to the financial statements.

**The Commission's Upcoming Year**

In recent years, ICPRB has been successful in managing its expenses consistent with fluctuations in revenue. Looking ahead, the Commission hopes to increase staff by a few positions, as warranted by project income. Increased staff size will better position the Commission to make progress on the Strategic Plan. Restoration of the Federal member contribution, which will greatly improve the Commission's ability to carry out its Strategic Plan, will remain a priority.

## **FINANCIAL STATEMENTS**

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 428,957
Investments	1,826,800
Accounts Receivable, net	
Signatory Contributions, net (SS-1)	26,500
Federal Financial Assistance, (SS-2)	106,792
Special Projects Contracts, (SS-3)	54,186
Prepaid Expenses	41,400
Total Current Assets	<u>2,484,635</u>

**NONCURRENT ASSETS**

Furniture and Equipment, Net	50,433
Security Deposit	14,101
Total Noncurrent Assets	<u>64,534</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 2,549,169</u></b>
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**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable	\$ 37,462
Accrued Expenses	1,427
Compensated Absences	144,388
Unearned Signatory State Contributions	106,481
Current Portion of Noncurrent Liabilities	2,592
Total Current Liabilities	<u>292,350</u>

**LONG-TERM LIABILITIES**

Water Authorities CO-OP Deposits	279,896
Capital Lease Payable	7,118
Total Long-Term Liabilities	<u>287,014</u>
Total Liabilities	<u>579,364</u>

**DEFERRED INFLOWS OF RESOURCES**

Rent Abatement	<u>39,971</u>
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**NET POSITION**

Net Investment in Capital Assets	40,723
Unrestricted	1,889,111
Total Net Position	<u>1,929,834</u>

<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b><u>\$ 2,549,169</u></b>
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The accompanying notes are an integral part of this financial statement.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**September 30, 2015**

**OPERATING REVENUES**

Grants-Federal (SS-4)	\$ 1,012,063
Grants and Contracts- Non-Federal (SS-5)	<u>734,035</u>
Total operating revenues	<u>1,746,098</u>

**OPERATING EXPENSES**

Salary	1,252,889
FICA	90,890
Hospitalization and Disability Insurance	80,478
Retirement	61,533
Transit Subsidy	858
Workmen's Compensation	3,836
Rent	169,406
Equipment	6,657
Equipment Maintenance and Rental	22,701
Postage	1,472
Supplies and Office Expense	30,709
Communications	20,477
Insurance and Bond	7,203
Audit and Accounting	20,238
Travel	22,885
Educational Resources	10,623
Training	590
Meeting Expense	14,157
Contracts	228,320
Consultants	18,000
Bad Debt Expense	12,027
Depreciation Expense	<u>24,613</u>
Total Operating Expenses	<u>2,100,562</u>
Operating Loss	<u>(354,464)</u>

**NONOPERATING REVENUES**

Signatory Contributions (SS-6)	468,475
Investment Income	10,950
Miscellaneous Revenue	<u>3,858</u>
Total Nonoperating Revenues	<u>483,283</u>

**CHANGE IN NET POSITION**

	<u>128,819</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>1,801,015</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 1,929,834</u></u>

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

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**STATEMENT OF CASH FLOWS**  
**September 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Receipts from Grants and Contracts	\$ 1,814,244
Payments to Vendors	(778,077)
Payments to Employees	<u>(1,306,354)</u>
Net Cash Used in Operating Activities	<u>(270,187)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Signatory Contributions for Operations	430,600
Excess Deposits from CO-OP Water Authorities	(14,821)
Other Receipts	<u>3,858</u>
Net Cash Provided by Noncapital Financing Activities	<u>419,637</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of Capital Assets	(17,425)
Capital Lease Principle Payments	<u>(2,583)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(20,008)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and Dividends	10,950
Purchases of Investments	(820,854)
Sale of Investments	<u>461,531</u>
Net Cash Used by Investing Activities	<u>(348,373)</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (218,931)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 647,888

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 428,957

**RECONCILIATION OF OPERATING LOSS TO  
NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (354,464)
Adjustments to Reconcile Net Loss to Net	
Cash Used by Operating Activities:	
Depreciation Expense	24,613
Deferred Rent Abatement	(3,846)
Effects of Changes in Nonoperating Assets and Liabilities:	
Accounts Receivable	80,173
Prepaid Expenses	(13,225)
Accounts Payable	(11,252)
Accrued Expenses	(844)
Accrued Compensated Absences	<u>8,658</u>
Net Cash Used in Operating Activities	<u><u>\$ (270,187)</u></u>

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**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 generally accepted accounting principles (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, 2015, the CO-OP Section received \$470,754 in cash from the water suppliers while providing \$487,997 worth of services. Unearned CO-OP revenues at September 30, 2015 were \$279,896, amounts included in the liability amounts are shown below:

	<b>Amount</b>
Cash	49,847
Investments	302,076
Fixed Assets	4,936
Less: Interfund Receivables	76,963
Total	<u>\$ 279,896</u>

**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.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The Commission prepares its financial statements in conformity with generally accepted accounting principles, 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 non-operating 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**

All investments of the Commission are reported at fair value.

**Accounts Receivable**

Accounts receivables 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, 2015, an allowance of \$689,125 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 fair market 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. Depreciation on all assets is provided on the straight-line basis over three years for Computers & Equipment, and five years for Furniture & Fixtures.



**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 includes in deferred inflows of resources unamortized amounts as a result of escalating lease payments and straight line lease expense. This amount will be expensed over the life of the lease.

**NOTE 2 - LIBRARY COLLECTION**

The Interstate Commission on the Potomac River Basin has accumulated a sizeable and extensive technical library. Although this library is not carried as an asset on the books of the Commission, 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	\$ 156,306
Cash in interest bearing money market funds	<u>272,651</u>
Total cash	<u><u>\$ 428,957</u></u>

**INVESTMENTS**

Blackrock US Government Fund	\$ 51,528
Mortgage backed securities	222,628
Nonnegotiable certificates of deposit	<u>1,552,644</u>
Total investments	<u><u>\$ 1,826,800</u></u>

All amounts are reported at fair value as quoted on openly traded markets. Net unrealized gain (losses) for the fiscal year ended September 30, 2014 was \$10,950.

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. \$156,306 of the Commission's cash balances are insured by the Federal Deposit Insurance Corporation, up to the \$250,000 per insured bank limit. As of September 30, 2015, \$272,651 of the Commission's cash balance was held by a broker that is covered by the Securities Investor Protection Corporation.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

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:

	<b>Less than 1 year</b>	<b>1-5 Years</b>	<b>Greater than 5 Years</b>	<b>Total</b>
Nonnegotiable Certificates of Deposit	\$ 288,641	\$ 1,264,003	\$ -	\$ 1,552,644
Blackrock US Government Fund	51,528	-	-	51,528
Mortgage Backed Securities	1,025	78,143	143,460	222,628
Total	<u>\$ 341,194</u>	<u>\$ 1,342,146</u>	<u>\$ 143,460</u>	<u>\$ 1,826,800</u>

The Commission was not exposed to foreign currency risk as of September 30, 2015.

**NOTE 4 – FURNITURE AND EQUIPMENT**

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

	<b>September 30, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>September 30, 2015</b>
Depreciable Capital Assets:				
Furniture and Equipment	\$ 261,891	\$ 27,135	\$ (14,222)	\$ 274,804
Less: Accumulated Depreciation	213,980	24,613	(14,222)	224,371
Total	<u>\$ 47,911</u>	<u>\$ 2,522</u>	<u>\$ -</u>	<u>\$ 50,433</u>

**NOTE 5 – LONG-TERM LIABILITIES**

A summary of changes in long-term indebtedness (including current portion) for the Commission was as follows:

	<b>September 30, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>September 30, 2015</b>	<b>Current</b>
Capital Lease Payable	<u>\$ 2,583</u>	<u>\$ 9,710</u>	<u>\$ 2,583</u>	<u>\$ 9,710</u>	<u>\$ 2,592</u>

The Commission leases a copier under an agreement that is classified as a capital lease. The cost of equipment under the capital lease is included in the statement of net position as furniture & equipment and was \$9,710, as of September 30, 2015. Accumulated depreciation of the leased equipment at September 30, 2015 was \$162. Depreciation of assets under capital leases is included in depreciation expense.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)**

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of September 30, 2015, were as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 2,592
2017	2,592
2018	2,592
2019	2,592
2020	<u>2,592</u>
Total minimum lease payments	12,960
Less: Amount representing interest	<u>3,250</u>
Capital lease obligation	<u><u>\$ 9,710</u></u>

**NOTE 6 - LEASE AGREEMENTS**

In July 2013, the Commission entered into a lease agreement with SYN-Rock, LLC to rent 7,201 square feet of the office building located at 30 West Gude Drive, Rockville, Maryland 20850. The terms of the lease run from November 13, 2013 to November 30, 2024. The base annual rent is \$169,224, payable in monthly installments of \$14,102, which increase by 2.75% each subsequent year. The lease also calls for the tenant to pay 5.47% of the increase in operating expenses from the initial lease year. Future lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 182,753
2018	187,779
2019	192,943
2020	198,249
2020-2024	<u>849,033</u>
Total minimum future lease payments	<u><u>\$ 1,610,757</u></u>

**NOTE 7 – CONTRIBUTIONS – SIGNATORY AGENCIES**

The actual revenues from the signatory states and the U.S. Government for the fiscal year ended September 30, 2015, and cash received by September 30, 2015, compared with the amounts requested as required in Article IV of the Compact for the Interstate Commission on the Potomac River Basin, as amended September 25, 1970 on a non accrual basis were as follows:

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE 7 – CONTRIBUTIONS – SIGNATORY AGENCIES (CONTINUED)**

<b>Signatory</b>	<b>Signatory</b>		<b>Balance</b>
	<b>Appropriation</b>	<b>Cash Collections</b>	
District of Columbia	\$ 69,000	\$ 69,000	\$ -
Maryland	157,750	141,975	15,775
Pennsylvania	50,500	37,875	12,625
Virginia	151,500	151,500	-
West Virginia	55,500	41,625	13,875
	<u>\$ 484,250</u>	<u>\$ 441,975</u>	<u>\$ 42,275</u>

**NOTE 8 – PUBLICATIONS**

The Interstate Commission on the Potomac River Basin currently maintains a collection of map sets of the Potomac River for sale and distribution to the public. The Commission also has other publications including proceedings from conferences and other meetings, maps, technical brochures and reports. Current Commission policy allows for free distribution of each new publication to a specified list of individuals and organizations and to others at the discretion of the Commission.

The remainder of the publications are available for distribution upon payment of reproduction costs. A specific, identifiable market does not exist for most publications, and obsolescence is not readily determinable. All costs are expensed at the time of publication with no asset value being placed thereon. The current sales value of map sets on hand at September 30, 2015, is approximately \$23,984, based on the suggested retail price of the map sets.

**NOTE 9 – 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, 2015, the pension plan's current membership was 30 participants.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE 9 – 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 6 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 \$193,291. Employer matching contributions for the year totaled \$61,533.

**NOTE 10 – 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, death, or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of an IRC Section 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 Code 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 11 – COMPENSATED ABSENCES**

A future obligation exists to the employees of the Commission who have accumulated unused annual leave and comp 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, 2015, that obligation was \$144,388.

This information is an integral part of the accompanying financial statements.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE 12 – CONCENTRATIONS**

During the fiscal year ended September 30, 2015, reimbursements from the Environmental Protection Agency represented approximately 58% of the Commissions operating revenues.

**NOTE 13 – JOINT VENTURES**

The Commission has entered into 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, 2015, the Commission expended \$81,712 in DWSPP related expenses.

**NOTE 14 – CONTINGENCIES**

The Commission receives Federal grant funding from the United States Environmental Protection Agency and the National Oceanic and Atmospheric Administration. The grants are subject to review and audit under the "Office of Management and Budget Circular A-133." 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 in excess of allowable costs.

**SUPPORTING SCHEDULES TO THE FINANCIAL STATEMENTS**

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN  
SUPPORTING SCHEDULES TO THE FINANCIAL STATEMENTS  
As of September 30, 2015**

**SS-1 – SCHEDULE OF SIGNATORY CONTRIBUTIONS RECEIVABLE**

<u>Signatory</u>	<u>Fiscal Year</u>		
District of Columbia	FYE 11		\$ 69,000
Maryland	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	<u>10,607</u>	161,125
Pennsylvania	FYE 15	12,625	
	FYE 13	3,375	
	FYE 12	<u>1,125</u>	17,125
Virginia	FYE 14		113,625
	FYE 13		151,500
	FYE 12		151,500
	FYE 11		<u>37,875</u>
West Virginia	FYE 15		<u>13,875</u>
			715,625
Less: Allowance for doubtful accounts			<u>(689,125)</u>
<b>Total Signatory State Contributions Receivable</b>			<u><u>\$ 26,500</u></u>

**SS-2 – SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE RECEIVABLE**

EPA 106	\$ 64,412
EPA Ches. Bay Pgm. 2015	12,071
WV Algae Sampling III	<u>30,309</u>
<b>Total Federal Financial Assistance Receiveable</b>	<u><u>\$ 106,792</u></u>

**SS-3 – SCHEDULE OF SPECIAL PROJECT CONTRACTS RECEIVABLE**

MDE Support Turf Grass	\$ 1,650
MDE P6 Development II	30,000
VA Accotink	10,000
Source Water Partnership Projects	<u>12,536</u>
<b>Total of Special Projects Contracts Receiveable</b>	<u><u>\$ 54,186</u></u>



**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN  
SUPPORTING SCHEDULES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2015**

**SS-4 – SCHEDULE OF FEDERAL GRANTS REVENUE**

<b>Grant</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
EPA 106 (#803)	\$ 786,068	\$ 786,068	\$ -
EPA WV Algae Sampling III	16,500	22,528	6,028
EPA WV Algae Sampling IV	40,795	38,852	(1,943)
EPA Ches. Bay Pgm 2015	90,898	85,530	(5,368)
EPA Ches. Bay Pgm 2016	42,750	48,049	5,299
EPA VA Accotink Benthic TMDL	22,000	22,000	-
CBT #12664	-	2,979	2,979
EPA Source Water Partnership (WV)	6,057	6,057	-
<b>Total</b>	<b>\$ 1,005,068</b>	<b>\$ 1,012,063</b>	<b>\$ 6,995</b>

**SS-5 – SCHEDULE OF NON-FEDERAL GRANTS REVENUE**

<b>Project</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
MDE On-Site Support CBW Model	\$ 22,581	\$ 24,273	\$ 1,692
MDE Support-Turf Grass	12,000	2,640	(9,360)
MDE P6 Development II	120,000	100,000	(20,000)
Source Water Partnership (state and private)	65,630	65,630	-
Honorarium	-	300	300
VA Accotink Benthic TMDL	21,000	21,000	-
CO-OP Utility Support	541,710	487,997	(53,713)
Potomac River Ramble	-	1,000	1,000
Rain Barrel - Sales #619	-	1,350	1,350
Community Improve Projects Volunteer #622	-	14,208	14,208
CBT #13074	-	1,248	1,248
MC Pet Waste	-	2,389	2,389
VA Chlor Ref Curves	12,000	12,000	-
<b>Total</b>	<b>\$ 794,921</b>	<b>\$ 734,035</b>	<b>\$ (60,886)</b>

**SS-6 – SCHEDULE OF SIGNATORY CONTRIBUTIONS**

<b>Signatory</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
District of Columbia	\$ 69,000	\$ 69,000	\$ -
Maryland	157,750	141,975	(15,775)
Pennsylvania	50,500	50,500	-
Virginia	151,500	151,500	-
West Virginia	55,500	55,500	-
<b>Total</b>	<b>\$ 484,250</b>	<b>\$ 468,475</b>	<b>\$ (15,775)</b>

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN**  
**SCHEDULE OF EXPENSES BY FUNCTION WITH BUDGET VERSUS ACTUALS TOTALS (SS-7)**  
**For the Year Ended September 30, 2015**

	Program Services					Supporting Service						Actual Vs.
	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	Final Budget Variance
Salary	\$ 79,165	\$ 212,439	\$ 33,966	36,097	\$ 473,633	\$ 417,589	\$1,252,889	\$ -	\$ 1,252,889	\$ 1,391,403	\$ 1,266,063	\$ (13,174)
Allocated Fringe	33,463	89,798	14,357	15,258	200,206	(353,082)	-	-	-	-	-	-
FICA	-	-	-	-	-	90,890	90,890	-	90,890	106,311	96,579	(5,689)
Hospitalization and												
Disability Insurance	-	-	-	-	-	80,478	80,478	-	80,478	117,119	101,116	(20,638)
Retirement	-	-	-	-	-	61,533	61,533	-	61,533	86,838	79,004	(17,471)
Transit Subsidy	-	-	-	-	-	858	858	-	858	3,000	3,000	(2,142)
Workmen's Compensation	-	-	-	-	-	3,836	3,836	-	3,836	5,600	3,836	-
Rent	-	-	-	-	-	169,406	169,406	-	169,406	196,339	196,339	(26,933)
Equipment	-	2,712	-	3,945	-	-	6,657	-	6,657	24,000	24,000	(17,343)
Equipment Maint. & Rental	-	-	-	-	-	22,701	22,701	-	22,701	35,192	35,543	(12,842)
Postage	-	40	-	33	24	1,375	1,472	-	1,472	2,850	1,750	(278)
Supplies & Office Expense	2,434	5,716	5,067	2,057	2,927	12,508	30,709	-	30,709	27,802	37,021	(6,312)
Communications	-	1,321	-	-	251	18,905	20,477	-	20,477	23,610	18,610	1,867
Insurance & Bond	-	-	718	-	-	6,485	7,203	-	7,203	9,900	8,200	(997)
Audit & Accounting	-	-	-	-	-	20,238	20,238	-	20,238	22,000	22,000	(1,762)
Travel	375	4,140	2,914	5,042	9,399	1,015	22,885	-	22,885	18,541	24,419	(1,534)
Educational Resources	-	-	125	-	6,710	3,788	10,623	-	10,623	13,010	11,510	(887)
Training	-	-	-	-	-	590	590	-	590	5,100	5,100	(4,510)
Meeting Expense	-	892	-	-	365	12,900	14,157	-	14,157	21,500	12,600	1,557
Contracts	24,467	144,548	14,248	-	4,860	40,197	228,320	-	228,320	201,368	212,277	16,043
Consultants	-	-	-	-	-	18,000	18,000	-	18,000	24,000	28,500	(10,500)
Bad Debt Expense	-	-	-	-	-	12,027	12,027	-	12,027	-	-	12,027
Depreciation Expense	-	-	-	-	-	24,613	24,613	-	24,613	25,000	25,000	(387)
Total	<u>\$ 139,904</u>	<u>\$ 461,606</u>	<u>\$ 71,395</u>	<u>\$ 62,432</u>	<u>\$ 698,375</u>	<u>\$ 666,850</u>	<u>\$2,100,562</u>	<u>\$ -</u>	<u>\$ 2,100,562</u>	<u>\$ 2,360,483</u>	<u>\$ 2,212,467</u>	<u>\$ (111,905)</u>