INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN

SEVENTY-NINETH FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
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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, 2019, 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 Commission as of September 30, 2019, 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 through 23 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 relate 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.

To the Commissioners
Interstate Commission on the Potomac River Basin

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020, 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 result 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 Commission's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, Maryland
January 27, 2020

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, 2019.

Financial Highlights

- Total operating revenues increased by approximately $64,402, from the prior year.
- The Federal government did not make a direct appropriation to the operations of the Commission during FY 2019.
- Net position increased by $170,621, during 2019 compared with an increase of $11,369, in the prior year.
- Approximately 38% of operating revenues in FY 2019 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, 2019, 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, 2019. 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 "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 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, 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 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) 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, 2019	September 30, 2018	Variance
Current Assets			
Cash and Cash Equivalents	$ 380,151	$ 312,039	$ 68,112
Investments	2,495,667	2,463,209	32,458
Accounts Receivable	219,312	150,664	68,648
Prepaid Expenses	40,044	31,527	8,517
Total Current Assets	3,135,174	2,957,439	177,735
Noncurrent Assets	37,577	41,255	(3,678)
Total Assets	$ 3,172,751	$ 2,998,694	$ 174,057
Total Liabilities	$ 893,076	$ 889,640	$ 3,436
Net Position			
Net Investment in Capital Assets	21,542	23,276	(1,734)
Unrestricted	2,258,133	2,085,778	172,355
Total Net Position	2,279,675	2,109,054	170,621
Total Liabilities and Net Position	$ 3,172,751	$ 2,998,694	$ 174,057

As noted above, net position increased by approximately $170,600, or 8.1%, over 2018. That includes an increase of total assets of approximately $174,100, and an increase of total liabilities of approximately $3,400.

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

	For the Year Ended September 30, 2019	For the Year Ended September 30, 2018	Variance
Operating Revenues			
Federal Grants and Contracts	$ 830,335	$ 859,730	$ (29,395)
Nonfederal Grants and Contracts	879,305	785,508	93,797
Total Operating Revenues	1,709,640	1,645,238	64,402
Nonoperating Revenues			
Member Jurisdiction Contributions	484,250	484,250	-
Investment Income	70,112	17,441	52,671
Miscellaneous Income	1,064	2,281	(1,217)
Total Nonoperating Revenues	555,426	503,972	51,454
Total Revenues	2,265,066	2,149,210	115,856
Expenses			
Program Expenses	1,374,585	1,454,162	(79,577)
Management and General Expenses	719,860	683,679	36,181
Total Expenses	2,094,445	2,137,841	(43,396)
Increase in Net Position	$ 170,621	$ 11,369	$ 159,252

Total operating revenues increased by approximately $64,400 from the prior fiscal year, the result of an increase in nonfederal grants and contracts. 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 $758,596 in revenue and those grants continue from year to year. Nonoperating revenue is shown to increase by approximately $51,400, but that increase is mostly the result of investment income. Specific sources of revenue for FY 2019 are listed in Supporting Schedules SS-4, SS-5, and SS-6.

While only 22% of total revenue, the member contributions, as noted earlier, 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 decreased by approximately $43,400 compared to FY 2018. This decrease was due almost entirely to reductions in project related expenses, i.e. direct rather than indirect expenses.

The ICPRB budget, prepared annually in connection with a Program Plan by the staff, is approved by the Commission at its 4th quarter meeting for implementation 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 three times during the year, at its December, June, and August 2019 meetings.

Capital Asset and Long-term Debt Activity

During fiscal year 2019, ICPRB acquired $11,829 in fixed assets, and disposed of assets valued (purchase price) at $2,679 that were obsolete or nonfunctional. Most of both acquisitions and disposals were computers and computing related equipment.

At the end of FY2019, long-term liabilities included unearned deposits of $524,080 by water authorities for future CO-OP Section work and a capital lease obligation of $1,934 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 the last year, ICPRB has successfully transitioned to a new Executive Director who will be focusing on new sources of revenue for the agency. The Executive Director will be very active in trying to obtain the financial support from the federal government that was set forth in the Compact, but has not been provided for the last ten years. In addition, the agency will be celebrating its 80th anniversary in 2020, and that occasion provides opportunities both to increase the visibility of the ICPRB as well as to obtain additional revenue from sponsorships for its anniversary event. The Commission will continue to pay close attention to Congressional decisions on the Federal budget that might expand or decrease new grant opportunities. The Commission will pursue grant opportunities, both Federal and other, to make progress on implementing the long-term Potomac Basin Comprehensive Plan that was completed in 2018.

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 380,151
Investments	2,495,667
Accounts Receivable, Net	
Signatory Contributions, Net (SS-1)	28,400
Federal Financial Assistance, (SS-2)	120,912
Special Projects Contracts, (SS-3)	70,000
Prepaid Expenses	40,044
Total Current Assets	3,135,174
Noncurrent Assets	
Furniture and Equipment, Net	23,476
Security Deposit	14,101
Total Noncurrent Assets	37,577
Total Assets	$ 3,172,751
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	$ 67,298
Compensated Absences	105,084
Unearned Signatory State Contributions	106,481
Current Portion of Noncurrent Liabilities	1,934
Total Current Liabilities	280,797
LONG-TERM LIABILITIES	
Water Authorities CO-OP Deposits	524,080
Rent Abatement	88,199
Total Long-Term Liabilities	612,279
Total Liabilities	893,076
NET POSITION	
Net Investment in Capital Assets	21,542
Unrestricted	2,258,133
Total Net Position	2,279,675
Total Liabilities and Net Position	$ 3,172,751

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, 2019

OPERATING REVENUES	
Grants-Federal (SS-4)	$ 830,335
Grants and Contracts-Non-Federal (SS-5)	879,305
Total Operating Revenues	1,709,640
OPERATING EXPENSES	
Salary	1,330,701
FICA	101,269
Hospitalization and Disability Insurance	68,828
Retirement	72,966
Workmen's Compensation	3,646
Rent	198,830
Equipment	1,943
Equipment Maintenance and Rental	24,533
Postage	682
Supplies and Office Expense	33,698
Communications	20,041
Insurance and Bond	7,069
Audit and Accounting	21,695
Travel	29,420
Educational Resources	11,929
Training	4,496
Meeting Expense	7,413
Contracts	99,307
Consultants	18,000
Bad Debt Expense	22,472
Depreciation Expense	15,507
Total Operating Expenses	2,094,445
Operating Loss	(384,805)
NONOPERATING REVENUES	
Signatory Contributions (SS-6)	484,250
Investment Income	70,112
Miscellaneous Revenue	1,064
Total Nonoperating Revenues	555,426
CHANGE IN NET POSITION	170,621
Net Position - Beginning of Year	2,109,054
NET POSITION - END OF YEAR	$ 2,279,675

See accompanying Notes to Financial Statements.

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
STATEMENTS OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Receipts from Grants and Contracts	$ 1,618,520
Payments to Vendors	(619,568)
Payments to Employees	(1,449,612)
Net Cash Used by Operating Activities	(450,660)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Signatory Contributions for Operations	484,250
Excess Deposits from CO-OP Water Authorities	12,529
Other Payments	(1,888)
Net Cash Provided by Noncapital Financing Activities	494,891
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(11,829)
Capital Lease Principal Payments	(1,944)
Net Cash Used by Capital and Related Financing Activities	(13,773)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends	70,112
Purchases of Investments	(849,727)
Sale of Investments	817,269
Net Cash Provided by Investing Activities	37,654
NET DECREASE IN CASH AND CASH EQUIVALENTS	68,112
Cash and Cash Equivalents - Beginning of Year	312,039
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 380,151
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (384,805)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	15,507
Deferred Rent Abatement	(2,883)
Effects of Changes in Operating Assets and Liabilities:	
Accounts Receivable	(68,648)
Prepaid Expenses	(8,517)
Accounts Payable	40,135
Accrued Expenses	(41,449)
Net Cash Used by Operating Activities	$ (450,660)

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 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, 2019, the CO-OP Section received $379,953 in cash from the water suppliers while providing $367,424 worth of services. Unearned CO-OP revenues at September 30, 2019 were $524,080, amounts included in the liability amounts are shown below:

	Amount
Cash	$ 74,982
Investments	696,148
Fixed Assets	2,038
Less: Interfund Receivables	(249,088)
Total	$ 524,080

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. Following 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.

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, 2019, an allowance of $415,168 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. Depreciation on all assets is provided on the straight-line method over three years for Computers & Equipment, and five years for Furniture & Fixtures.

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, 2019.

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	$ 39,413
Cash in Interest Bearing Money Market Funds	340,738
Total Cash	$ 380,151
Investments	
Mortgage-Backed Securities	$ 54,722
Nonnegotiable Certificates of Deposit	2,440,945
Total Investments	$ 2,495,667

The Commission has the following recurring fair value measurements as of September 30, 2019.

	Level 1	Level 2	Level 3	Total
Investments at Fair Value Level:				
Mortgage-Backed Securities	$ -	$ 54,722	$ -	$ 54,722
Investments at Amortized Costs:				
Certificates of Deposit				2,440,945
Total				$ 2,495,667

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. $93,388 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, 2019, $342,723 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. 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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 a position in one Certificates of Deposit that exceeded 5% of total investments as follows:

Issuer	Amount
Lakeside Bank	$ 138,263

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	$ 3,507	$ 11,924	$ 39,291	$ 54,722
Nonnegotiable Certificates of Deposit	633,716	1,807,229	-	2,440,945
Total	$ 637,223	$ 1,819,153	$ 39,291	$ 2,495,667

The Commission was not exposed to foreign currency risk as of September 30, 2019.

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.

NOTE 4 FURNITURE AND EQUIPMENT

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

Depreciable Capital Assets:	September 30, 2018	Additions	Deletions	September 30, 2019
Furniture and Equipment	$ 219,554	$ 11,829	$ (2,679)	$ 228,704
Less: Accumulated Depreciation	192,400	15,507	(2,679)	205,228
Total	$ 27,154	$ (3,678)	$ -	$ 23,476

NOTE 5 LONG-TERM LIABILITIES

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

	September 30, 2018	Additions	Deletions	September 30, 2019	Current
Capital Lease Payable	$ 3,878	$ -	$ 1,944	$ 1,934	$ 1,934

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, 2019. Accumulated depreciation of the leased equipment at September 30, 2019 was $7,930.Depreciation of assets under capital leases is included in depreciation expense.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of September 30, 2019, were as follows:

Year Ending September 30,	Amount
2020	$ 2,592
Less: Amount Representing Interest	(658)
Capital Lease Obligation	$ 1,934

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. Lease expense was $198,680 for the year ended September 30, 2019. Future minimum lease payments are as follows:

Year Ending September 30,	Amount
2020	$ 198,249
2021	203,701
2022	209,303
2023	215,059
2024	220,972
2025	36,994
Total Minimum Future Lease Payments	$ 1,084,278

NOTE 7 CONTRIBUTIONS – SIGNATORY AGENCIES

The actual revenues from the signatory states and the U.S. government for the fiscal year ended September 30, 2019, and cash received by September 30, 2019, 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
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	55,500	-
Total	$ 484,250	$ 455,850	$ 28,400

NOTE 8 PUBLICATIONS

The Commission 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, 2019, is approximately $16,072, 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, 2019, the pension plan's current membership was 22 participants.

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 $178,653. Employer matching contributions for the year totaled $72,966.

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, 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 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 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, 2019, that obligation was $105,084.

NOTE 12 CONCENTRATIONS

During the fiscal year ended September 30, 2019, reimbursements from the Environmental Protection Agency represented approximately 38% 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, 2019, the Commission expended $70,645 in DWSPP related expenses.

NOTE 14 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 in excess of allowable costs.

NOTE 15 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 risk have not exceeded insurance coverage for the past two years.

SUPPORTING SCHEDULES TO THE FINANCIAL STATEMENTS

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SUPPORTING SCHEDULES TO THE FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2019

SS-1 — SCHEDULE OF SIGNATORY CONTRIBUTIONS RECEIVABLE

Signatory	Fiscal Year				
District of Columbia	FYE 11				$ 69,000
Maryland	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			192,675
Pennsylvania	FYE 19		$ 12,625		
	FYE 18		12,625		
	FYE 13		3,375		
	FYE 12		1,125		29,750
Virginia	FYE 14			$ 113,625	
	FYE 13			151,500	
	FYE 12			151,500	
	FYE 11			37,875	454,500
					745,925
Less: Allowance for Doubtful Accounts					(717,525)
Total Signatory State Contributions Receivable					$ 28,400

SS-2 — SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE RECEIVABLE

VA Accotink SaMS	$ 6,000
Source Water Partnership Projects	6,465
WV Algae Sampling VI	8,023
EPA 106	82,148
EPA Ches. Bay Pgm 2018	18,276
Total Federal Financial Assistance Receivable	$ 120,912

SS-3 — SCHEDULE OF SPECIAL PROJECT CONTRACTS RECEIVABLE

MDE MS4 Data Analysis Pilot	$ 10,000
MDE Box Model Estuary Assess(19-20')	60,000
Total of Special Projects Contracts Receivable	$ 70,000

SS-4 — SCHEDULE OF FEDERAL GRANTS REVENUE

Grant	Budget	Actual	Variance
EPA 106	$ 635,000	$ 635,000	$ -
EPA Ches. Bay Pgm 2019	96,505	83,865	(12,640)
EPA Ches. Bay Pgm 2020	57,847	39,632	(18,215)
MDE Corsica River Analysis	20,000	20,000	-
EPA VA Accotink SaMS	22,205	15,706	(6,499)
WV Algae Sampling VII	29,667	29,667	-
EPA Source Water Partnership (WV)	6,465	6,465	-
Total	$ 867,689	$ 830,335	$ (37,354)

SS-5 — SCHEDULE OF NONFEDERAL GRANTS REVENUE

Project	Budget	Actual	Variance
Source Water Partnership	$ 72,641	$ 63,176	$ (9,465)
MDE TMDL Support 2018-2019	75,000	75,000	-
MDE Box Model Estuary Assess(19-20')	60,000	60,000	-
CO-OP Utility Support	655,564	560,413	(95,151)
MDE MS4 Data Data Analysis Pilot	90,000	65,000	(25,000)
MDE MS4 BIO Data	35,000	35,000	-
SRBC WIP3 Pilot Project	20,716	20,716	-
Total	$ 1,008,921	$ 879,305	$ (129,616)

SS-6 — SCHEDULE OF SIGNATORY CONTRIBUTIONS

Signatory	Budget	Actual	Variance
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	$ 484,250	$ (650,000)

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SCHEDULE OF EXPENSES BY FUNCTION WITH BUDGET VERSUS ACTUALS TOTALS (SS-7)
YEAR ENDED SEPTEMBER 30, 2019

	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	$ 123,481	$ 282,241	$ 28,688	$ 13,515	$ 402,289	$ 480,487	$ 1,330,701	$ -	$ 1,330,701	$ 1,376,126	$ 1,390,456	$ (59,755)
Allocated Fringe	53,395	122,039	12,405	5,844	173,950	(367,633)	-	-	-	-	-	-
FICA	-	-	-	-	-	101,269	101,269	-	101,269	106,407	110,308	(9,039)
Insurance	-	-	-	-	-	68,828	68,828	-	68,828	122,427	122,530	(53,702)
Retirement	-	-	-	-	-	72,966	72,966	-	72,966	85,883	86,778	(13,812)
Transit Subsidy	-	-	-	-	-	-	-	-	-	3,000	-	-
Workmen's Compensation	-	-	-	-	-	3,646	3,646	-	3,646	5,600	5,600	(1,954)
Rent	-	150	-	-	-	198,680	198,830	-	198,830	201,809	201,809	(2,979)
Equipment	-	1,943	-	-	-	-	1,943	-	1,943	47,948	47,948	(46,005)
Equipment Maint. & Rental	-	-	-	-	718	23,815	24,533	-	24,533	31,792	31,792	(7,259)
Postage	-	-	-	-	62	620	682	-	682	600	600	82
Supplies & Office Expense	2,467	7,396	-	119	7,173	16,543	33,698	-	33,698	46,236	47,180	(13,482)
Communications	90	865	-	-	69	19,017	20,041	-	20,041	20,350	20,350	(309)
Insurance & Bond	-	743	-	-	-	6,326	7,069	-	7,069	8,950	8,950	(1,881)
Audit & Accounting	-	-	-	-	-	21,695	21,695	-	21,695	25,000	25,000	(3,305)
Travel	1,621	11,497	24	1,145	12,152	2,981	29,420	-	29,420	28,127	29,427	(7)
Educational Resources	-	-	-	-	8,010	3,919	11,929	-	11,929	13,150	13,150	(1,221)
Training	-	-	-	-	676	3,820	4,496	-	4,496	11,600	11,600	(7,104)
Meeting Expense	-	511	-	-	-	6,902	7,413	-	7,413	23,800	15,300	(7,887)
Contracts	49,675	40,982	-	-	8,650	-	99,307	-	99,307	40,890	149,370	(50,063)
Consultants	-	-	-	-	-	18,000	18,000	-	18,000	21,000	21,000	(3,000)
Bad Debt Expense	-	-	-	-	-	22,472	22,472	-	22,472	-	-	22,472
Depreciation Expense	-	-	-	-	-	15,507	15,507	-	15,507	25,000	25,000	(9,493)
Total	$ 230,729	$ 468,367	$ 41,117	$ 20,623	$ 613,749	$ 719,860	$ 2,094,445	$ -	$ 2,094,445	$ 2,245,695	$ 2,364,148	$ (269,703)