

POTOMAC RIVER FISHERIES COMMISSION

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2005**



AUDIT SUMMARY

Our audit of the Potomac River Fisheries Commission for the year ended June 30, 2005, found:

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

AGENCY BACKGROUND AND FINANCIAL INFORMATION

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

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

During the fiscal year ended June 30, 2005, the Commission received revenue from the following sources:

Virginia appropriations	\$155,000
Maryland appropriations	155,000
Federal grant	92,100
Sport fishing licenses	86,268
Commercial fishing licenses	63,055
Commercial crab licenses	59,070
Commercial oyster licenses	2,580
Oyster bushel tax	305
Interest and miscellaneous	<u>9,439</u>
Total revenue	<u>\$622,817</u>

Revenues decreased by \$850 when compared to fiscal year 2004. The decreased revenues occurred primarily because of a decrease in federal projects during fiscal year 2005 compared to fiscal year 2004.

The Commission had the following expenses during fiscal year 2005:

Capital improvements reserve	\$166,470
Federal grant	82,351
Fixed assets	36,744
Contractual services	81,915
Insurance	6,421
Development and repletion	57,903
Materials and supplies	40,215
Personnel services	<u>269,938</u>
Total expenses	<u>\$741,957</u>

Expenses increased by \$150,278 from fiscal year 2004. During fiscal year 2005, the Commission completed construction and made final payments on its new office building. The Commission also purchased office furniture and computers for the new office building and a new, replacement vehicle for Commission use. The Commission closed fiscal year 2005 with an overall operating loss of \$119,140.

Prior to and during construction of the new office building, the Commission set aside funds in a capital account to pay for the building construction. Upon completion of the building, total cost for the building was \$811,500. However, the Commission did not have adequate funds in the capital account to pay all construction expenses. As a result, the Commission obtained a bank loan for \$165,000 to cover the

remaining construction costs. The 5.75 percent interest note has minimum monthly payments of \$1,811 with a final balloon payment due on January 3, 2009. The Commission is making \$3,000 monthly payments towards the loan balance of \$151,357. The Commission intends to make a substantial principal payment upon receipt of the fiscal year 2007 appropriation with the intention of paying the note in full before the final payment is due.

The Commission continues to place any excess cash into both the Maryland and Virginia Local Government Investment Pools. These accounts represent just over \$85,000 in investment funds.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

April 12, 2006

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

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Potomac Rivers Fisheries Commission** for the year ended June 30, 2005. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives

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

Audit Scope and Methodology

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

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

Cash and investments
Fixed assets
Accrued leave

Federal grant revenues and expenditures
License revenues
Operating and capital expenditures

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

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

Conclusions

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

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

EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on April 17, 2006. This report is intended for the information and use of the Governor and General Assembly, management, and citizens of the Commonwealth of Virginia and the state of Maryland and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

DBC/kva

POTOMAC RIVER FISHERIES COMMISSION

COMMISSIONERS

Virginia

Ida Hall

J.T. Holland

William A. Pruitt

Kyle J. Schick

Maryland

Robert H. Bowes

Kenneth Keen

Howard Kimball

William L. Rice, Sr.

OFFICERS

Kirby A. Carpenter, Executive Secretary

J. Clifford Hutt, Senior Advisor

Michael C. Mayo, Legal Officer