

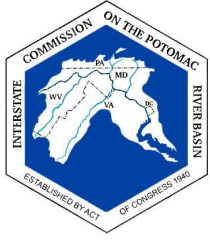
INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN

EIGHTY-FIRST FINANCIAL STATEMENTS & INDEPENDENT AUDITORS REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

**30 W. GUDE DRIVE, SUITE 450
Rockville, MD 20850
(301) 274-8100
www.potomacriver.org**

The ICPRB is an interstate compact commission established by Congress in 1940. Its mission is the enhancement, protection, and conservation of the water resources of the Potomac River and its tributaries through regional and interstate cooperation. Represented by appointed commissioners, the ICPRB includes the District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia, and the federal government.



Interstate Commission on the Potomac River Basin

30 West Gude Drive, Suite 450

Rockville, MD 20850

301.984.1908

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Chair

D. Lee Currey

June 29, 2022

Vice Chair

Lisa Daniels

Rachel Reamy

Auditor of Public Accounts

Commonwealth of Virginia

PO Box 1295

Richmond, VA 23218

District of Columbia

Willem Brakel (*)

Tiffany M. Potter

Jeffrey M. Seltzer

Kimberly L. Jones (a)

Hamid Karimi (a)

James T. Tsai (a)

Dear Ms. Reamy:

Maryland

Gov. Lawrence J. Hogan

Catherine R. McCabe, Esq.

Nancy A. Hausrath (a)

D. Lee Currey (a*)

We are enclosing a copy of the Single Audit Report and Eighty-First Financial Statement for the period of October 1, 2020 to September 30, 2021.

Pennsylvania

Patrick McDonnell

Rep. Dan Moul

William Willis

Lisa Daniels (a*)

Adam McClain (a)

The submission of this audit report, as in each preceding year, satisfies compliance with the contract between the state of Virginia and the Interstate Commission on the Potomac River Basin.

Virginia

Paul A. Holland

Del. Alfonso Lopez

Michael Rolband

Scott W. Kudlas (a*)

Mark E. Peterson (a)

Sincerely,

Michael

Nardolilli

Digitally signed by Michael Nardolilli
DN: cn=Michael Nardolilli, o=ICPRB, ou=
equal-mardolilli@icprb.org, c=US
Date: 2022.06.29 11:55:30 -0400

Michael Nardolilli

Executive Director

West Virginia

Harold Ward

Mindy S. Neil (a*)

Phyllis M. Cole (a)

Encl.

United States

Darryl Madden

Robert Sussman (*)

BG Thomas J. Tickner

Amy M. Guise (a)

Executive Director

Michael A. Nardolilli

General Counsel

Robert L. Bolle

(*)--Executive Committee

(a)--Alternate

The ICPRB is an interstate compact commission established by Congress in 1940. Its mission is to protect and enhance the waters and related resources of the Potomac River basin through science, regional cooperation, and education. Represented by appointed commissioners, the ICPRB includes the District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia, and the federal government.

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2021



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**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2021**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	10
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	11
STATEMENTS OF CASH FLOWS	12
NOTES TO FINANCIAL STATEMENTS	13
SUPPORTING SCHEDULES TO THE FINANCIAL STATEMENTS	
COMBINING STATEMENT OF NET POSITION	22
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	23
SS-1 — SCHEDULE OF SIGNATORY CONTRIBUTIONS RECEIVABLE	24
SS-2 — SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE RECEIVABLE	24
SS-3 — SCHEDULE OF SPECIAL PROJECT CONTRACTS RECEIVABLE	24
SS-4 — SCHEDULE OF FEDERAL GRANTS REVENUE	25
SS-5 — SCHEDULE OF NONFEDERAL GRANTS REVENUE	25
SS-6 — SCHEDULE OF SIGNATORY CONTRIBUTIONS	25
SS-7 — SCHEDULE OF EXPENSES BY FUNCTION WITH BUDGET VERSUS ACTUALS TOTALS	26



INDEPENDENT AUDITORS' REPORT

Commissioners
Interstate Commission on the Potomac River Basin
Rockville, Maryland

Report on the Financial Statements

We have audited the accompanying statement financial statements of the Interstate Commission on the Potomac River Basin (the Commission), as of and for the year ended September 30, 2021, 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, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 25 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2022, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Greenbelt, Maryland
February 23, 2022

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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, 2021.

Financial Highlights

- Total operating revenues decreased by \$84,432, from the prior year.
- The federal government did not make a direct appropriation to the operations of the Commission during FY 2021.
- Net position increased by \$131,173, during 2021 compared with an increase of \$214,764, in the prior year.
- Approximately 54% of operating revenues in FY 2021 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, 2021, 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, 2021. 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.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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

	September 30,		
	2021	2020	Variance
Current Assets			
Cash and Cash Equivalents	\$ 1,368,650	\$ 613,902	\$ 754,748
Investments	1,770,150	2,494,635	(724,485)
Accounts Receivable	310,936	222,394	88,542
Prepaid Expenses	28,684	43,395	(14,711)
Total Current Assets	3,478,420	3,374,326	104,094
Noncurrent Assets	38,686	40,162	(1,476)
Total Assets	<u>\$ 3,517,106</u>	<u>\$ 3,414,488</u>	<u>\$ 102,618</u>
Total Liabilities	\$ 876,650	\$ 920,049	\$ (43,399)
Net Position			
Net Investment in Capital Assets	24,585	26,061	(1,476)
Unrestricted	2,615,871	2,468,378	147,493
Total Net Position	2,640,456	2,494,439	146,017
Total Liabilities and Net Position	<u>\$ 3,517,106</u>	<u>\$ 3,414,488</u>	<u>\$ 102,618</u>

As noted above, net position increased by approximately \$131,200, or 5.3%, over 2020. That includes an increase of total assets of approximately \$87,000, and a decrease of total liabilities of approximately \$43,300. Cash and investments had variances of approximately \$725,000 due to the composition of the investment portfolio. Our analysis below focuses on the changes in net position for the denoted fiscal periods.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

	For the Year Ended September 30,		Variance
	2021	2020	
Operating Revenues			
Federal Grants and Contracts	\$ 953,516	\$ 891,136	\$ 62,380
Nonfederal Grants and Contracts	817,185	963,997	(146,812)
Total Operating Revenues	1,770,701	1,855,133	(84,432)
Nonoperating Revenues			
Member Jurisdiction Contributions	484,250	484,250	-
Investment Income	5,874	57,115	(51,241)
Miscellaneous Income	7,906	4,751	3,155
Total Nonoperating Revenues	498,030	546,116	(48,086)
Total Revenues	2,268,731	2,401,249	(132,518)
Operating Expenses			
Program Expenses	1,415,872	1,436,808	(20,936)
Management and General Expenses	706,842	749,677	(42,835)
Total Expenses	2,122,714	2,186,485	(63,771)
Increase in Net Position	146,017	214,764	(68,747)
Ending Net Position	<u>\$ 2,640,456</u>	<u>\$ 2,494,439</u>	<u>\$ 146,017</u>

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Total operating revenues decreased by approximately \$84,400 from the prior fiscal year, the result of an increase in federal and nonfederal grants and contracts offset by decreases in local grants expenditures, mainly related to the CO-OP . 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 \$790,344 in revenue and those grants continue from year to year. Nonoperating revenue is shown to decrease by approximately \$48,000, but that decrease is mostly the result of investment income. Specific sources of revenue for FY 2021 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: (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 \$63,700 compared to FY 2020. This decrease was due almost entirely 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.

As in the past years, the Commission amended its budget three times during the year, at its December, June, and September 2021 meetings. The minor variances were due to operational ebb and flow of revenues and expenses.

Capital Asset and Long-term Debt Activity

During fiscal year 2021, ICPRB acquired \$11,592 in fixed assets mainly composed of computers and computing related equipment.

At the end of FY2021, long-term liabilities included unearned deposits of \$575,094 by water authorities for future CO-OP Section work. 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

FY2021 marked the second year of coping with the global pandemic. Fortunately, the Commission and Staff adapted to the "virtual" work environment rather well. Commission offices remained "open" during the entire year while almost all Commission Staff were able to telework. The bylaws change and the safety protocols adopted in FY2020 remained in place.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Despite the pandemic, the Commission recorded several impressive achievements in FY2021. After months of consultations with a stakeholder group known as the Supplemental Storage Work Group, on June 15, 2021, the Commission adopted the "Resolution on Enhancing Water Supply Resilience for the Washington Metropolitan Area." This landmark document set up a three-fold process for reviewing and updating the foundational documents of the ICPRB: (1) a Task Force to examine the Water Supply Coordination Agreement; (2) a Workgroup to review changes to the Low Flow Allocation Agreement (LFAA); and (3) a scientific Workshop on the state-of-the-art approaches to environmental flows for large river systems. In addition, ICPRB's Potomac River Basin Source Water Protection Partnership (DWSPP) completed a Land Prioritization Project that will help protect the sources of drinking water throughout the Basin. Finally, ICPRB embarked on an ambitious project to educate the Congress about the need to secure supplemental drinking water facilities to serve the DC area.

In FY2022, ICPRB will implement the June 15, 2021, Resolution, beginning with the LFAA Workshop and the environmental flows Workshop. Working with the Members of DWSPP, ICPRB will continue to market the Land Prioritization tool to land trusts and governments. Moreover, ICPRB will continue to spearhead efforts to secure funding for new off-river water storage.

On the financial front, the four legs of ICPRB remain secure. The jurisdictions in the Compact have weathered the pandemic well and we anticipate each signatory to meet their financial obligations to fund Commission activities, except for the federal government who has not contributed to the Commission since 2009. The water suppliers remain committed to backing the great work of ICPRB Staff in running the CO-OP. Similarly, the Members of DWSPP approved a budget maintaining their strong support for ICPRB's work for the Partnership. Finally, in FY2022, while our grant base is solid, ICPRB will be working hard to tap into the dollars that will soon flow from the Infrastructure Investment and Jobs Act (IIJA). Staff will be examining whether there is any work that could be done for the states where set aside funds could be used and reminding the Basin states of ICPRB's willingness to assist with its proven staff expertise. A potential role for ICPRB in the infrastructure funding could be planning activities (climate change resilience planning, hazard planning -- floods/droughts --- NEPA plans, etc.) and/or assisting the jurisdictions with stakeholder collaboration processes. Staff will also be involved in discussions on how ICPRB could tap into the \$238 million provided in the IIJA for Chesapeake Bay restoration efforts to meet pollution reduction targets. As it pertains to the Bay Program, ICPRB could expand its existing role in data management and modeling as well as workgroup participation and through the WIP3 planning process and local TMDL development and implementation. At one time, ICPRB supported an additional data manager at the Bay Program and using IIJA funds ICPRB could hire additional staff to provide technical support.

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,368,650
Investments	1,770,150
Accounts Receivable, Net	
Signatory Contributions, Net (SS-1)	108,437
Federal Financial Assistance, (SS-2)	156,519
Special Projects Contracts, (SS-3)	45,980
Prepaid Expenses	28,684
Total Current Assets	<u>3,478,420</u>

Noncurrent Assets

Furniture and Equipment, Net	24,585
Security Deposit	14,101
Total Noncurrent Assets	<u>38,686</u>

Total Assets	<u><u>\$ 3,517,106</u></u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 73,956
Compensated Absences	127,106
Unearned Signatory State Contributions	37,875
Total Current Liabilities	<u>238,937</u>

LONG-TERM LIABILITIES

Water Authorities CO-OP	521,393
DWSP Deposits	49,951
Rent Abatement	66,369
Total Long-Term Liabilities	<u>637,713</u>

Total Liabilities	876,650
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NET POSITION

Net Investment in Capital Assets	24,585
Unrestricted	2,615,871
Total Net Position	<u>2,640,456</u>

Total Liabilities and Net Position	<u><u>\$ 3,517,106</u></u>
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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, 2021**

OPERATING REVENUES

Grants-Federal (SS-4)	\$ 953,516
Grants and Contracts-Nonfederal (SS-5)	817,185
Total Operating Revenues	<u>1,770,701</u>

OPERATING EXPENSES

Salary	1,362,355
FICA	100,424
Hospitalization and Disability Insurance	73,376
Retirement	78,498
Workmens' Compensation	1,995
Rent	200,395
Equipment	8,093
Equipment Maintenance and Rental	3,325
Postage	428
Supplies and Office Expense	104,109
Communications	22,726
Insurance and Bond	4,513
Audit and Accounting	21,220
Travel	7,295
Educational Resources	14,005
Training	8,652
Meeting Expense	129
Contracts	66,448
Consultants	31,660
Depreciation Expense	13,068
Total Operating Expenses	<u>2,122,714</u>
Operating Loss	<u>(352,013)</u>

NONOPERATING REVENUES

Signatory Contributions (SS-6)	484,250
Investment Income	5,874
Miscellaneous Revenue	7,906
Total Nonoperating Revenues	<u>498,030</u>

CHANGE IN NET POSITION

146,017

Net Position - Beginning of Year

2,494,439

NET POSITION - END OF YEAR

\$ 2,640,456

See accompanying Notes to Financial Statements.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Receipts from Grants and Contracts	\$ 1,682,159
Payments to Vendors	(620,178)
Payments to Employees	(1,452,169)
Net Cash Used by Operating Activities	<u>(390,188)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Signatory Contributions for Operations	375,687
Excess Deposits from Water Authorities CO-OP and DWSP	42,576
Other Payments	7,906
Net Cash Provided by Noncapital Financing Activities	<u>426,169</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Assets	<u>(11,592)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest and Dividends	5,874
Purchases of Investments	(934,947)
Sale of Investments	1,659,432
Net Cash Provided by Investing Activities	<u>730,359</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

754,748

Cash and Cash Equivalents - Beginning of Year

613,902

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,368,650

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

Operating Loss	\$ (352,013)
Adjustments to Reconcile Net Loss to Net	
Cash Used by Operating Activities:	
Depreciation Expense	13,068
Deferred Rent Abatement	(13,641)
Effects of Changes in Operating Assets and Liabilities:	
Accounts Receivable	(88,542)
Prepaid Expenses	14,711
Accounts Payable	38,893
Accrued Expenses	(2,664)
Net Cash Used by Operating Activities	<u><u>\$ (390,188)</u></u>

See accompanying Notes to Financial Statements.

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021, the CO-OP Section received \$580,546 in cash from the water suppliers, and ICPRB incurred expenses of \$540,321 for services. Unearned CO-OP revenues at September 30, 2021 were \$521,393.

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, 2021, the Commission expended \$111,488 in DWSPP related expenses. Unearned DWSPP revenues at September 30, 2021 were \$53,701.

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, 2021

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.

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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. Mutual funds classified in Level 1 are valued using quoted in active markets for those securities.

Accounts Receivable

Accounts receivable represent amounts due from governmental agencies for unreimbursed costs and yearly signatory contributions. Management records an allowance for amounts that are deemed to be uncollectible. As of September 30, 2021, an allowance of \$430,943 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 and equipment, and five years for furniture and fixtures.

Deposits

Unearned revenues arise when resources are received by the Commission before it has a legal claim to them, as when cash deposits are received prior to the incurrence of qualifying expenditures. Deposits consisted of the following as of September 30, 2021:

<u>Issuer</u>	<u>Amount</u>
Water Authorities CO-OP Deposits	\$ 521,393
Drinking Water Source Protection Partnership Deposits	49,951
Total	<u>\$ 571,344</u>

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, 2021.

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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	\$ 307,140
Cash in Interest Bearing Money Market Funds	1,061,510
Total Cash	<u>\$ 1,368,650</u>

Investments

Mortgage-Backed Securities	\$ 32,051
Mutual Funds	303,181
Nonnegotiable Certificates of Deposit	1,434,918
Total Investments	<u>\$ 1,770,150</u>

The Commission has the following recurring fair value measurements as of September 30, 2021.

	Level 1	Level 2	Level 3	Total
Investments at Fair Value Level:				
Mortgage-Backed Securities	\$ -	\$ 32,051	\$ -	\$ 32,051
Mutual Funds	303,181	-	-	303,181
Total	<u>\$ 303,181</u>	<u>\$ 32,051</u>	<u>\$ -</u>	335,232
Investments at Amortized Costs:				
Certificates of Deposit				1,434,918
Total				<u>\$ 1,770,150</u>

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. \$335,619 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, 2021, \$1,061,510 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.

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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.

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

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

Issuer	Amount
Lakeside Bank	\$ 155,672

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	\$ 1,597	\$ 773	\$ 29,681	\$ 32,051
Nonnegotiable Certificates of Deposit	716,434	718,484	-	1,434,918
Total	<u>\$ 718,031</u>	<u>\$ 719,257</u>	<u>\$ 29,681</u>	<u>\$ 1,466,969</u>

The Commission was not exposed to foreign currency risk as of September 30, 2021.

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

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

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4 FURNITURE AND EQUIPMENT

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

	September 30, 2020	Additions	Deletions	September 30, 2021
Depreciable Capital Assets:				
Furniture and Equipment	\$ 246,451	\$ 11,592	\$ -	\$ 258,043
Less: Accumulated				
Depreciation	220,390	13,068	-	233,458
Total	<u>\$ 26,061</u>	<u>\$ (1,476)</u>	<u>\$ -</u>	<u>\$ 24,585</u>

NOTE 5 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 \$200,093 for the year ended September 30, 2021. Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 209,903
2023	215,059
2024	220,972
2025	36,994
Total Minimum Future Lease Payments	<u>\$ 682,928</u>

NOTE 6 CONTRIBUTIONS – SIGNATORY AGENCIES

The actual revenues from the signatory states and the U.S. government for the fiscal year ended September 30, 2021, and cash received by September 30, 2021, 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:

<u>Signatory</u>	<u>Signatory Appropriation</u>	<u>Cash Collections</u>	<u>Balance</u>
District of Columbia	\$ 69,000	\$ -	\$ 69,000
Maryland	157,750	118,313	39,437
Pennsylvania	50,500	50,500	-
Virginia	151,500	151,500	-
West Virginia	55,500	55,500	-
Total	<u>\$ 484,250</u>	<u>\$ 375,813</u>	<u>\$ 108,437</u>

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 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, 2021, is approximately \$14,056, based on the suggested retail price of the map sets.

NOTE 8 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, 2021, the pension plan's current membership is 19 participants.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the return earned on investments of the contributions. The contributions made by an employee vest immediately and contributions made by the Commission vest after six years of employment. An employee who leaves the employment of the Commission is entitled to his or her contributions and the Commission's contributions if vesting requirements are satisfied. As determined by the Commission, each employee must contribute at least 6.25% of his or her gross earnings to the plan. The Commission is required to contribute an amount equal to 6.25% of the employee's gross earnings. Employee contributions for the year totaled \$124,955. Employer matching contributions for the year totaled \$78,498.

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 DEFERRED COMPENSATION PLAN

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

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

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

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

NOTE 10 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, 2021, that obligation was \$127,106.

NOTE 11 CONCENTRATIONS

During the fiscal year ended September 30, 2021, reimbursements from the Environmental Protection Agency represented approximately 48% of the Commissions operating revenues.

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 12 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 13 RISK MANAGEMENT

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

SUPPORTING SCHEDULES TO FINANCIAL STATEMENTS

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SUPPORTING SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

COMBINING STATEMENT OF NET POSITION

ASSETS				
	Operations	CO-OP	DWSP	Total
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,237,925	\$ 77,024	\$ 53,701	\$ 1,368,650
Investments	1,266,477	503,673	-	1,770,150
Accounts Receivable, Net				
Signatory Contributions, Net	108,437	-	-	108,437
Federal Financial Assistance	156,519	-	-	156,519
Special Projects Contracts	45,980	-	-	45,980
Prepaid Expenses	28,684	-	-	28,684
Total Current Assets	<u>2,844,022</u>	<u>580,697</u>	<u>53,701</u>	<u>3,478,420</u>
Noncurrent Assets				
Furniture and Equipment, Net	20,309	4,276	-	24,585
Security Deposit	14,101	-	-	14,101
Total Noncurrent Assets	<u>34,410</u>	<u>4,276</u>	<u>-</u>	<u>38,686</u>
Total Assets	<u>\$ 2,878,432</u>	<u>\$ 584,973</u>	<u>\$ 53,701</u>	<u>\$ 3,517,106</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 73,956	\$ -	\$ -	\$ 73,956
Compensated Absences	127,106	-	-	127,106
Unearned Signatory State Contributions	37,875	-	-	37,875
Interfund Activity	(67,330)	63,580	3,750	-
Total Current Liabilities	<u>171,607</u>	<u>63,580</u>	<u>3,750</u>	<u>238,937</u>
LONG-TERM LIABILITIES				
Water Authorities CO-OP and DWSP Deposits	-	521,393	49,951	571,344
Rent Abatement	66,369	-	-	66,369
Total Long-Term Liabilities	<u>66,369</u>	<u>521,393</u>	<u>49,951</u>	<u>637,713</u>
Total Liabilities	237,976	584,973	53,701	876,650
NET POSITION				
Net Investment in Capital Assets	20,309	4,276	-	24,585
Unrestricted	2,620,147	(4,276)	-	2,615,871
Total Net Position	<u>2,640,456</u>	<u>-</u>	<u>-</u>	<u>2,640,456</u>
Total Liabilities and Net Position	<u>\$ 2,878,432</u>	<u>\$ 584,973</u>	<u>\$ 53,701</u>	<u>\$ 3,517,106</u>

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SUPPORTING SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

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

	<u>Operations</u>	<u>CO-OP</u>	<u>DWSPP</u>	<u>Total</u>
OPERATING REVENUES				
Grants-Federal	\$ 934,121	\$ -	\$ 19,395	\$ 953,516
Grants and Contracts-Nonfederal	216,334	540,321	60,530	817,185
Total Operating Revenues	<u>1,150,455</u>	<u>540,321</u>	<u>79,925</u>	<u>1,770,701</u>
OPERATING EXPENSES				
Salary	1,110,424	204,987	46,944	1,362,355
Fringe	(113,369)	92,244	21,125	-
FICA	100,424	-	-	100,424
Hospitalization and Disability Insurance	73,376	-	-	73,376
Retirement	78,498	-	-	78,498
Workmen's Compensation	1,995	-	-	1,995
Rent	200,395	-	-	200,395
Equipment	5,974	2,119	-	8,093
Equipment Maintenance and Rental	3,325	-	-	3,325
Postage	428	-	-	428
Supplies and Office Expense	95,536	4,770	3,803	104,109
Communications	22,441	285	-	22,726
Insurance and Bond	4,513	-	-	4,513
Audit and Accounting	21,220	-	-	21,220
Travel	4,572	2,723	-	7,295
Educational Resources	14,005	-	-	14,005
Training	7,315	1,337	-	8,652
Meeting Expense	129	-	-	129
Contracts	7,580	58,868	-	66,448
Consultants	31,660	-	-	31,660
Bad Debt Expense	-	-	-	-
Depreciation Expense	13,068	-	-	13,068
Indirect	(212,604)	172,988	39,616	-
Total Operating Expenses	<u>1,470,905</u>	<u>540,321</u>	<u>111,488</u>	<u>2,122,714</u>
Operating Loss	<u>(320,450)</u>	<u>-</u>	<u>(31,563)</u>	<u>(352,013)</u>
NONOPERATING REVENUES				
Transfers	(31,563)	-	31,563	-
Signatory Contributions	484,250	-	-	484,250
Investment Income	5,874	-	-	5,874
Miscellaneous Revenue	7,906	-	-	7,906
Total Nonoperating Revenues	<u>466,467</u>	<u>-</u>	<u>31,563</u>	<u>498,030</u>
CHANGE IN NET POSITION	146,017	-	-	146,017
Net Position - Beginning of Year	<u>2,494,439</u>	<u>-</u>	<u>-</u>	<u>2,494,439</u>
NET POSITION - END OF YEAR	<u><u>\$ 2,640,456</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,640,456</u></u>

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SUPPORTING SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

SS-1 — SCHEDULE OF SIGNATORY CONTRIBUTIONS RECEIVABLE

Signatory	Fiscal Year			
District of Columbia	FYE 21	\$ 69,000		
	FYE 11	<u>69,000</u>		\$ 138,000
Maryland	FYE 21		39,437	
	FYE 20		11,831	
	FYE 19		15,775	
	FYE 18		15,775	
	FYE 15		15,775	
	FYE 14		15,775	
	FYE 13		15,775	
	FYE 07		31,710	
	FYE 06		34,635	
	FYE 05		8,022	
	FYE 04		18,100	
	FYE 97		10,726	
	FYE 96		<u>10,607</u>	243,943
Pennsylvania	FYE 18		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>	<u>454,500</u>
				853,568
Less: Allowance for Doubtful Accounts				<u>(745,131)</u>
Total Signatory State Contributions Receivable				<u>\$ 108,437</u>

SS-2 — SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE RECEIVABLE

EPA 106	\$ 86,227
EPA Ches. Bay Pgm 2021	8,553
NWQI Little Pipe Creeks	2,156
COG River Spill Model Project	47,088
EPA VA Accotink SaMS	<u>12,495</u>
Total Federal Financial Assistance Receivable	<u>\$ 156,519</u>

SS-3 — SCHEDULE OF SPECIAL PROJECT CONTRACTS RECEIVABLE

Monitoring Initiative w/CWP	\$ 7,500
Source Water Partnership Projects	6,465
PA ACCD Support	1,884
MDE TMDL Support FY2021	30,000
DWQ Land Mapping	<u>131</u>
Total of Special Projects Contracts Receivable	<u>\$ 45,980</u>

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SUPPORTING SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

SS-4 — SCHEDULE OF FEDERAL GRANTS REVENUE

Grant	Budget	Actual	Variance
EPA 106	\$ 653,000	\$ 653,000	\$ -
EPA Ches. Bay Pgm 2021	105,000	98,883	(6,117)
EPA Ches. Bay Pgm 2022	40,000	38,461	(1,539)
EPA VA Accotink SaMS	45,695	36,947	(8,748)
Source Water Partnership	19,395	19,395	-
NWQI Little Pipe Creeks	20,500	2,156	(18,344)
COG River Spill Model Project	125,000	104,674	(20,326)
Total	<u>\$ 1,008,590</u>	<u>\$ 953,516</u>	<u>\$ (55,074)</u>

SS-5 — SCHEDULE OF NONFEDERAL GRANTS REVENUE

Project	Budget	Actual	Variance
Source Water Partnership	\$ 56,711	\$ 60,530	\$ 3,819
MDE TMDL Support 2020	75,000	75,000	-
MDE TMDL Support 2021	60,000	60,000	-
CO-OP Utility Support	863,107	540,322	(322,785)
MDE MS4 BIO Data	14,000	14,000	-
PA CARP FY2020	31,210	31,210	-
PA ACCD Support	5,900	5,902	2
DWQ Land Mapping	9,700	9,700	-
Monitoring Initiative w/CWP	100,000	7,500	(92,500)
PA Franklin County Support	7,620	7,618	(2)
PA Franklin County Support	18,523	5,403	(13,120)
Total	<u>\$ 1,241,771</u>	<u>\$ 817,185</u>	<u>\$ (424,586)</u>

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	<u>\$ 1,134,250</u>	<u>\$ 484,250</u>	<u>\$ (650,000)</u>

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SCHEDULE OF EXPENSES BY FUNCTION WITH BUDGET VERSUS ACTUALS TOTALS (SS-7)
YEAR ENDED SEPTEMBER 30, 2021

	Program Services				Supporting Service		Fixed Asset Adjustment	Adjusted Total	Original Budget	Final Budget	Actual vs. Final Budget Variance		
	Public				Cross Cutting	Living Resources						Education and Information	Management and General
	Water Quality	Water Resources	Education and Information	Living Resources									
Salary	\$ 106,811	\$ 322,055	\$ 26,855	\$ 16,107	\$ 407,005	\$ 483,522	\$ 1,362,355	\$ -	\$ 1,362,355	\$ 1,526,402	\$ -	\$ (164,047)	
Allocated Fringe	48,065	144,924	12,085	7,248	183,153	(395,475)	-	-	-	-	-	-	
FICA	-	-	-	-	-	100,424	100,424	-	100,424	118,063	118,063	(17,639)	
Insurance	-	-	-	-	-	73,376	73,376	-	73,376	123,453	123,453	(50,077)	
Retirement	-	-	-	-	-	78,498	78,498	-	78,498	95,275	95,275	(16,777)	
Workmens' Compensation	-	-	-	-	-	1,995	1,995	-	1,995	5,600	5,600	(3,605)	
Rent	-	-	-	-	-	200,395	200,395	-	200,395	202,309	202,309	(1,914)	
Equipment	-	2,119	-	-	5,974	-	8,093	-	8,093	30,800	30,800	(22,707)	
Equipment Maintenance and Rental	-	-	-	-	-	3,325	3,325	-	3,325	53,692	53,692	(50,367)	
Postage	-	-	-	-	-	428	428	-	428	600	600	(172)	
Supplies and Office Expense	1,300	29,135	22	-	13,160	60,492	104,109	-	104,109	47,567	48,067	56,042	
Communications	-	285	-	-	-	22,441	22,726	-	22,726	21,920	21,920	806	
Insurance and Bond	-	-	-	-	-	4,513	4,513	-	4,513	8,200	8,200	(3,687)	
Audit and Accounting	-	-	-	-	-	21,220	21,220	-	21,220	25,000	25,000	(3,780)	
Travel	-	2,723	-	-	4,241	331	7,295	-	7,295	25,706	25,706	(18,411)	
Educational Resources	500	-	-	-	13,205	300	14,005	-	14,005	13,285	13,285	720	
Training	-	1,337	-	-	1,115	6,200	8,652	-	8,652	14,100	14,100	(5,448)	
Meeting Expense	-	-	-	-	-	129	129	-	129	20,600	36,100	(35,971)	
Contracts	7,080	58,868	-	-	500	-	66,448	-	66,448	394,444	447,969	(381,521)	
Consultants	-	-	-	-	-	31,660	31,660	-	31,660	21,000	32,145	(485)	
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation Expense	-	-	-	-	-	13,068	13,068	-	13,068	25,000	25,000	(11,932)	
Total	\$ 163,756	\$ 561,446	\$ 38,962	\$ 23,355	\$ 628,353	\$ 706,842	\$ 2,122,714	\$ -	\$ 2,122,714	\$ 2,773,016	\$ 2,853,686	\$ (730,972)	

INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SINGLE AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2021



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**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2021**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	8
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	10



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Commissioners
Interstate Commission on the Potomac River Basin
Rockville, Maryland

We have audited, in accordance with the 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, the financial statements of the Interstate Commission on the Potomac River Basin (the Commission) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 23, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Greenbelt, Maryland
February 23, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Commissioners
Interstate Commission on the Potomac River Basin
Rockville, Maryland

Report on Compliance for Each Major Federal Program

We have audited the Interstate Commission on the Potomac River Basin's (the Commission) compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended September 30, 2021. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Commission as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We issued our report thereon dated February 23, 2022, which expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Greenbelt, Maryland
February 23, 2022

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2021**

Federal Agency	Assistance Listing Number (ALN)	Federal Program	Pass-Through Entity	Assistance ID Number	Program or Award Amount(2)	Total Awards Expended(3)	Expended by ALN Number	Passed-Through to Subrecipients
USDA	10.902	NWQI Little Pipe Creeks	N/A	NR213B19XXXXC001	\$ 123,000	\$ 2,156	\$ 2,156	\$ -
EPA	66.419	Water Pollution Control	N/A	I-98339415	653,000	653,000	653,000	-
EPA	66.466	Chesapeake Bay Program	N/A	CB-96351301	147,152	98,883		-
			N/A	CB-96351301	148,605	38,416		-
					295,757	137,299	137,299	-
EPA	66.454	VA Accotink SaMS(1)	VADEQ	21*2829	38,574	36,947	36,947	-
EPA	66.468	Safe Drinking Water Set Aside	MDE	U00P2600142	6,465	6,465	-	-
			VA DOH		6,465	6,465	-	-
			WVDHHR	G210457	6,465	6,465	-	-
					19,395	19,395	19,395	-
DHS	97.067	COG River Spill Model Project	MWCOG	19UASI117-02	125,000	104,674	104,674	-
				TOTAL	\$ 1,254,726	\$ 953,471	\$ 953,471	\$ -

AGENCY AND PASS-THROUGH ENTITY CODES:

USDA U.S. DEPARTMENT OF AGRICULTURE
EPA ENVIRONMENTAL PROTECTION AGENCY
DHS U.S DEPARTMENT OF HOMELAND SECURITY
VADEQ VIRGINIA DEPARTMENT OF ENVIRONMENTAL QUALITY
MDE MARYLAND DEPARTMENT OF THE ENVIRONMENT
VA DOH VIRGINIA DEPARTMENT OF HEALTH
WVDHHR WEST VIRGINIA DEPARTMENT OF HEALTH AND HUMAN RESOURCES
MWCOG METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
N/A NOT APPLICABLE

- (1) Fixed fee contract.
(2) Total grant amount, may cover periods outside of fiscal year.
(3) Fiscal year expenditure prepared under generally accepted accounting principles applied to governmental agencies.

See Notes to Schedule of Expenditures of Federal Awards.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Interstate Commission on the Potomac River Basin (the Commission) for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Commission.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards has been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 SUBRECIPIENTS

There were no awards provided to subrecipients for the year ended September 30, 2021.

NOTE 3 INDIRECT COSTS

The Commission did not elect to use the 10% de minimis cost rate for indirect costs.

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

- | | |
|---|-------------------------------------|
| 1. Type of auditors’ report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| • Material weakness(es) identified? | _____ Yes <u> x </u> No |
| • Significant deficiency(ies) identified?
reported | _____ Yes <u> x </u> None |
| 3. Noncompliance material to basic financial
statements noted? | _____ Yes <u> x </u> No |

Federal Awards

- | | |
|---|-------------------------------------|
| 1. Internal control over major federal programs: | |
| • Material weakness(es) identified? | _____ Yes <u> x </u> No |
| • Significant deficiency(ies) identified?
reported | _____ Yes <u> x </u> None |
| 2. Type of auditor’s report issued on compliance
for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to
be reported in accordance with 2 CFR 200.516(a) | _____ Yes <u> x </u> No |

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
66.419	Water Pollution Control
Dollar threshold used to determine Type A projects:	<u>\$ 750,000</u>
Auditee qualify as low-risk auditee?	<u> x </u> Yes _____ No

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
SEPTEMBER 30, 2021**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**INTERSTATE COMMISSION ON THE POTOMAC RIVER BASIN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2021**

Prior Year Findings

None Reported.