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BY THE COMPTROLLER GENERAL

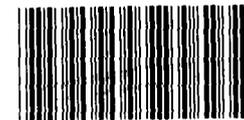
# Report To The Congress

OF THE UNITED STATES

## Review Of The Audit Of The Susquehanna River Basin Commission's Financial Statements For The Fiscal Year Ended June 30, 1983

GAO reviewed the independent certified public accountant's audit of the Susquehanna River Basin Commission's financial statements for the fiscal year ended June 30, 1983. GAO found nothing which would indicate that the independent certified public accountant's opinion on the financial statements is inappropriate or cannot be relied on. GAO therefore concurs with the opinion.

In the opinion of the Commission's independent certified public accountant, the Commission's financial statements present fairly the financial position of the Commission at June 30, 1983, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



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GAO/AFMD-83-102  
SEPTEMBER 30, 1983

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

B-206586

To the President of the Senate and the  
Speaker of the House of Representatives

This report presents the results of our review of Main Hurdman's audit of the financial statements of the Susquehanna River Basin Commission for the year ended June 30, 1983. Our review was made pursuant to the provisions of Public Law 91-575, which authorizes the U.S. General Accounting Office to audit the financial transactions of the Commission in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States.

In order to avoid unnecessary duplication and expense and to make the most efficient use of our available resources, we are relying on the work and report of the Commission's independent certified public accountant. We made inquiries, examined Main Hurdman's workpapers, and performed analytical procedures to determine the quality of the auditor's work and the extent to which we could rely on it. We reviewed the adequacy of the auditor's work on internal controls and compliance with laws and regulations.

In the opinion of Main Hurdman, the Commission's financial statements present fairly the financial position of the Commission at June 30, 1983, and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. During our review we found nothing which would indicate that Main Hurdman's opinion on the Commission's 1983 financial statements is inappropriate or cannot be relied on. The auditor's work did not disclose any material internal control weaknesses or noncompliance with laws and regulations. We concur with and transmit to the Congress Main Hurdman's opinion on the Commission's financial statements. The opinion and financial statements are in appendix I.

We are sending copies of this report to the Director of the Office of Management and Budget and to the Commissioners of the Susquehanna River Basin Commission.

*Charles A. Bowsher*  
Comptroller General  
of the United States





10 South Market Square, P.O. Box 1190, Harrisburg, PA 17108-1190 - Telephone: (717) 238-7131

The Commissioners  
Susquehanna River Basin  
Commission  
Harrisburg, Pennsylvania

We have examined the balance sheet of the Susquehanna River Basin Commission as of June 30, 1983 and the related statements of revenues and expenditures, revenues and expenditures - budget and actual, changes in fund balance and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Susquehanna River Basin Commission at June 30, 1983, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Main Hurdman*

July 15, 1983

KMG Klynveld Main Goerdeler-International firm

## SUSQUEHANNA RIVER BASIN COMMISSION

## BALANCE SHEET

June 30, 1983

ASSETS

Cash		\$ 130,901
Certificates of deposit		1,300,000
Interest receivable on investments		6,003
Accounts receivable		26,490
Property and equipment, at cost		
Land	\$ 10,621	
Building	689,557	
Equipment	165,474	
	865,652	
Accumulated depreciation	199,798	665,854
		<u>\$ 2,129,248</u>

LIABILITIES, RESERVES AND FUND BALANCE

Liabilities		\$	2,787
Payroll deductions			25,736
Accrued salaries and wages			68,895
Accrued vacation			5,554
Accrued payroll and sales tax			4,246
Accrued retirement			27,633
Deferred revenues			239,132
Mortgage payable			
Total liabilities			373,983
Fund balance		\$	49,862
Reserved for encumbrances			50,000
Reserved for unemployment compensation			3,611
Reserved for capital building program			159,408
Reserved for equipment purchases			75,000
Reserved for working capital			990,662
Reserved for fiscal stabilization			1,328,543
Investment in property and equipment			426,722
			<u>\$ 2,129,248</u>

The accompanying notes are an integral part of these financial statements.

SUSQUEHANNA RIVER BASIN COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES  
Year Ended June 30, 1983

	<u>Provided for in current year</u>	<u>Prior year encumbrances expended</u>	<u>Total</u>
<b>Revenues</b>			
Signatory parties			
State of Maryland	\$	\$	\$ 225,000
State of New York			90,000
Commonwealth of Pennsylvania			225,000
United States government			217,000
EPA water quality grants			102,174
Interest income			142,269
Building rental income			40,889
Other income			1,270
Water Resources Council - groundwater study			350,760
Special projects			<u>125,184</u>
Total revenues			<u>1,519,546</u>
<b>Expenditures</b>			
Personal services	694,591		694,591
Employee benefits	217,426		217,426
Special contractual services	254,876	118,892	373,768
Travel and subsistence	16,230	749	16,979
Communications, utilities and rent	43,240	2,535	45,775
Printing and advertising	13,940		13,940
Repairs and maintenance	12,224	200	12,424
Other contractual services	17,125		17,125
Mortgage payments	24,327		24,327
Supplies and materials	12,775	1,222	13,997
Miscellaneous expense	8,790	83	8,873
Capital outlay	<u>16,803</u>		<u>16,803</u>
Total expenditures	<u>\$ 1,332,347</u>	<u>\$ 123,681</u>	<u>1,456,028</u>
Excess of revenues over expenditures			<u>\$ 63,518</u>

The accompanying notes are an integral  
part of these financial statements.

SUSQUEHANNA RIVER BASIN COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

Year Ended June 30, 1983

	<u>Actual</u>	<u>Final Budget</u>
<b>Revenues</b>		
Signatory parties		
State of Maryland	\$ 225,000	\$ 225,000
State of New York	90,000	90,000
Commonwealth of Pennsylvania	225,000	225,000
United States government	217,000	217,000
Appropriation from fiscal stabilization		241,330
Environmental Protection Agency - water quality grants	102,174	90,000
Interest income	142,269	43,000
Building rental income	40,889	37,000
Other income	1,270	2,000
Water Resources Council - groundwater study	350,760	350,760
Special projects	<u>125,184</u>	<u>72,200</u>
Total revenues	<u>1,519,546</u>	<u>1,593,290</u>
<b>Expenditures</b>		
Personal services	694,591	775,000
Employee benefits	217,426	208,500
Special contractual services	295,390	295,482
Travel and subsistence	17,030	23,500
Communications, utilities and rent	46,490	50,500
Printing and advertising	13,940	15,500
Repairs and maintenance	12,223	12,900
Other contractual services	17,125	17,673
Mortgage payments	24,327	24,327
Supplies and materials	13,977	20,500
Miscellaneous expense	8,970	11,000
Capital outlay	<u>20,718</u>	<u>29,000</u>
Total expenditures	<u>1,382,207</u>	<u>1,483,882</u>
Excess of revenues over expenditures - Non-GAAP Budgetary Basis	137,339	<u>\$ 109,408</u>
Net decrease in encumbrances	<u>(73,821)</u>	
Excess of revenues over expenditures - GAAP Basis	<u>\$ 63,518</u>	

The accompanying notes are an integral  
part of these financial statements.

SUSQUEHANNA RIVER BASIN COMMISSION  
 STATEMENT OF CHANGES IN FUND BALANCE  
 Year Ended June 30, 1983

	Fund Balance Reserved For					Fiscal Stabilization
	Encumbrances	Unemployment Compensation	Capital Building Program	Equipment Purchases	Working Capital	
Balance - July 1, 1982	\$ 124,339	\$ 37,870	\$ 3,611	\$	\$ 75,000	\$ 1,012,075
Prior year encumbrances	(124,339)					124,339
Unexpended prior year encumbrances						
Excess of revenues over expenditures						63,518
Unemployment compensation claims paid		(12,041)				
Current year reserve for unemployment compensation		24,171				
Current year reservation of fiscal stabilization	49,862			159,408		(209,270)
Balance - June 30, 1983	<u>\$ 49,862</u>	<u>\$ 50,000</u>	<u>\$ 3,611</u>	<u>\$ 159,408</u>	<u>\$ 75,000</u>	<u>\$ 990,662</u>

The accompanying notes are an integral part of these financial statements.

SUSQUEHANNA RIVER BASIN COMMISSION  
 STATEMENT OF CHANGES IN FINANCIAL POSITION  
 Year Ended June 30, 1983

<b>Source of funds</b>	
Excess of revenues over expenditures	\$ 63,518
Decrease in certificates of deposit	350,000
Decrease in interest receivable	8,520
Decrease in accounts receivable	799
Increase in accrued salaries and wages	6,192
Increase in accrued vacation pay	8,367
Increase in accrued payroll taxes	163
Increase in accrued retirement	789
Increase in deferred revenue	27,633
Provision for current year unemployment compensation	<u>24,171</u>
Total source of funds	<u>490,152</u>
<b>Use of funds</b>	
Decrease in accounts and contracts payable	52,222
Decrease in payroll deductions	2,070
Decrease in advance from groundwater study	350,760
Unemployment compensation claims paid	<u>12,041</u>
Total use of funds	<u>417,093</u>
Increase in cash	<u>\$ 73,059</u>

The accompanying notes are an integral  
 part of these financial statements.

SUSQUEHANNA RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

Operation

The Susquehanna River Basin Commission operations are governed by the Susquehanna River Basin Compact, which has been approved by the four signatory parties, the states of Maryland and New York, the Commonwealth of Pennsylvania, and the United States government.

Basis of Accounting

The Commission follows the modified accrual basis of accounting. Under this method, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include:

- . Prepaid expenses are not recorded.
- . Interest on the mortgage is recorded as an expenditure when due.
- . The encumbrance method of accounting has been adopted as an additional modification.
- . Revenues are recognized at the time of expenditure on special programs where the expenditure of funds is the prime factor for determining eligibility for the grant funds.

Budgets and Budgetary Accounting

The Commission adopts a budget annually to control its revenues and expenditures. For budgeting purposes, revenue is recognized when received except for revenue susceptible to accrual and expenditures are recorded using the encumbrance method of accounting. Under this method, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable are recorded as expenditures.

Encumbrances

For financial reporting purposes, encumbrances are recorded in order to reserve that portion of the applicable appropriation. Encumbrances at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

## SUSQUEHANNA RIVER BASIN COMMISSION

NOTES TO FINANCIAL STATEMENTS  
(Continued)1 - Summary of Significant Accounting Policies (Continued)Property and Equipment

Property and equipment of the Commission are carried at cost. Renewals and betterments are capitalized when incurred and assets are removed from the records at time of disposal. Depreciation expense is computed on actual cost using the straight-line method at varying rates based on estimated useful lives and is charged against investment in property and equipment.

Retirement System

The Commission is part of the Commonwealth of Pennsylvania's retirement system. The Commission contributed 18.74% of compensation for full-time salaried employees during the year ended June 30, 1983. The employee contributes a mandatory 5% of gross compensation. Benefits are provided at age 60 or 35 years of service, whichever comes first.

Self-Insurance

The Commission has elected to be a self-insured participant in the Pennsylvania unemployment compensation program. The reserve for such claims is estimated by the Commission's administrators. The current year provision amounted to \$24,171.

2 - Mortgage Payable

The mortgage payable to CCNB Bank, N.A. requires monthly payments of \$2,084 including interest at the rate of 6.0% per annum. The initial term of the mortgage was five years with three additional 5 year periods ending October, 1997. Interest is not to exceed 6.0% during the term of the mortgage.

The aggregate debt service required for each of the next five years and thereafter based on an interest rate of 6.0% is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1984	\$ 10,954	\$ 14,050	\$ 25,004
1985	11,630	13,374	25,004
1986	12,347	12,657	25,004
1987	13,109	11,895	25,004
1988	13,917	11,087	25,004
Later Years	<u>177,175</u>	<u>54,125</u>	<u>231,300</u>
	<u>\$ 239,132</u>	<u>\$ 117,188</u>	<u>\$ 356,320</u>

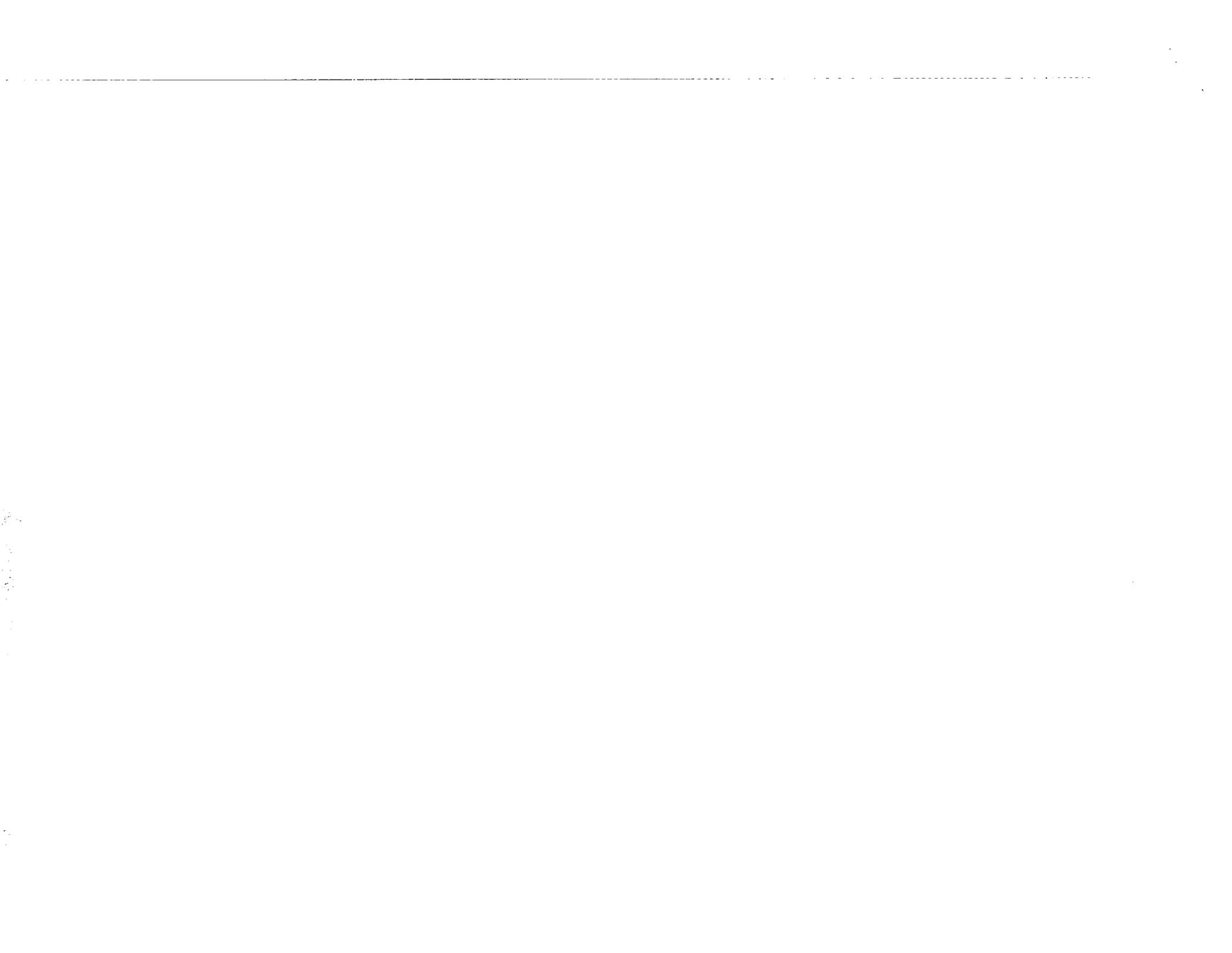
## SUSQUEHANNA RIVER BASIN COMMISSION

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - Lease Commitments**

The Commission leases office space to the Feinerman Insurance Agency under the terms of a five year lease agreement expiring May 31, 1987. Annual rentals under the lease are \$40,889.

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