

Susquehanna River Basin Commission

**Financial Statements and
Compliance Report**

June 30, 2015

Susquehanna River Basin Commission

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Susquehanna River Basin Commission

Report Distribution List

June 30, 2015

Board of Commissioners
Susquehanna River Basin Commission
4423 North Front Street
Harrisburg, PA 17110

Federal Audit Clearing House
1201 East 10th Street
Jeffersonville, IN 47132



Independent Auditor's Report

To the Board of Commissioners
Susquehanna River Basin Commission
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Susquehanna River Basin Commission (the Commission) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 auditor's 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Susquehanna River Basin Commission as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Governmental Accounting Standards Board Statements

As described in Note 2 to the financial statements, the Susquehanna River Basin Commission adopted Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for its June 30, 2015 financial statements. Our opinions are not modified with respect this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of the Commission's proportionate share of the net pension liability, and schedule of Commission contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary information shown on page 52 and schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and presented for purposes of additional analysis and are 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 financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 November 5, 2015 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Reinsel Kintz Lesher LLP

November 5, 2015
Lancaster, Pennsylvania

Susquehanna River Basin Commission

Management's Discussion and Analysis

June 30, 2015

This section of the Susquehanna River Basin Commission's (the Commission) Annual Report presents management's discussion and analysis of the Commission's financial performance during the fiscal year ended June 30, 2015. The reader is encouraged to consider this information in conjunction with the Commission's fiscal year end financial statements.

Financial Highlights

The assets and deferred outflows of resources of the Susquehanna River Basin Commission exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by \$66,885,482, which is an increase of \$2,621,845 over the previous year (as restated). The Commission's cash and cash equivalents increased by \$1,253,035 and its investments increased by \$2,764,104. Liabilities increased by \$1,365,570 during the same period due primarily to an increase in the net pension liability of \$1,303,525 from the prior year.

The Commission's total revenues decreased by approximately \$1,812,100 this past year. This decrease was due primarily to investment earnings, which decreased approximately \$1,894,000 from 2014. Total operating expenses increased approximately \$491,500.

In fiscal year 2016, the Commission will continue to pursue grant opportunities and coordinate our activities with our member jurisdictions and other federal, state, and local agencies. It is also our intent to continue our research activities, which will be funded through a combination of sources, including Commission funds.

In 2008, the Commission adopted a Consumptive Use Mitigation Plan (CUMP), which presented the current state of consumptive water use in the Susquehanna River Basin, identified low flow mitigation needs and introduced the Commission's plan for meeting these needs. The plan includes: re-evaluation of Commission-owned storage at Cowanesque and Curwensville reservoirs, acquisition of additional storage, and revision of the structure and level of consumptive use fees charged. All studies and activities associated with the CUMP are and will continue to be funded from the Commission's Water Management Fund.

Significant capital expenditures will be required to purchase additional water storage projects in the foreseeable future. The Commission will use its reserve funds and borrow to finance these projects. The Commission has authority in its Susquehanna River Basin Compact to issue bonds to finance major projects if approved by the Commission's members.

Financial Statements

This discussion and analysis is intended to serve as an introduction to Susquehanna River Basin Commission's basic financial statements. The Commission's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains additional required supplementary information (budgetary schedules and post-employment benefits plan information) in addition to the basic financial statements themselves. These components are described below:

Basic Financial Statements

The government-wide financial statements present the financial picture of the Commission from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the Commission (including infrastructure) as well as all liabilities (including long-term debt and net pension liability).

Financial Statements (continued)

Basic Financial Statements (continued)

The fund financial statements include statements for three categories of activities - governmental, proprietary, and fiduciary. The Governmental Funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Proprietary Funds' principal ongoing operations. Proprietary Funds use the accrual basis of accounting. The Fiduciary Funds are used to account for resources held on behalf of other parties. Fiduciary Funds use the accrual basis of accounting.

The financial statements also include notes, which elaborate on some of the information in the financial statements that provide more detailed data. These financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The statement of net position and the statement of activities report information about the Commission as a whole and about its activities. These statements include all assets and liabilities of the Commission using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net position and changes in it from year to year. You can think of the Commission's net position - the difference between assets and deferred outflows and liabilities and deferred inflows - as one way to measure the Commission's financial health or financial position. Over time, increases and decreases in the Commission's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors such as changes in the Commission's federal and state grant programs and the condition of the Commission's capital assets, as well as other items, to assess the overall health of the Commission.

- Governmental activities - Most of the Commission's basic services are reported here, including permitting and monitoring.
- Business-type activities - The Commission charges a consumptive water use fee which is used to finance the cost of water supply related projects.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds - not the Commission as a whole. Some funds are required to be established by law or by bond covenants. However, the Commission may establish other funds to help it control and manage money for particular purposes or to show that it is setting aside money for larger capital improvement projects. The Commission has three kinds of funds - governmental, proprietary, and fiduciary.

Susquehanna River Basin Commission

Management's Discussion and Analysis

June 30, 2015

Financial Statements (continued)

Governmental Fund - Most of the Commission's basic services are reported in a Governmental Fund, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. This fund is reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and Governmental Fund statements with a reconciliation following each Governmental Fund statement.

Proprietary Funds - When the Commission charges customers for the services it provides, these services are generally reported in Proprietary Funds.

Fiduciary Funds - The Commission is the fiduciary for its Post-Employment Healthcare Benefit Trust. All of the Commission's fiduciary activities are reported in separate statements of fiduciary fund net position and changes in fiduciary net position of the fund financial statements only. We exclude these activities from the Commission's government-wide financial statements because the Commission cannot use these assets to finance its operations. The Commission is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Susquehanna River Basin Commission

Management's Discussion and Analysis

June 30, 2015

The Commission as a Whole

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Commission's governmental and business-type activities.

Table 1 - Net Position						
	Governmental Activities 2015	Governmental Activities 2014 (Restated)	Business- Type Activities 2015	Business- Type Activities 2014 (Restated)	Total Primary Government 2015	Total Primary Government 2014 (Restated)
Assets						
Current assets	\$ 10,517,563	\$ 8,858,167	\$ 31,782,964	\$ 28,785,294	\$ 42,300,527	\$ 37,643,461
Capital assets, net	11,222,079	11,600,155	-	-	11,222,079	11,600,155
Water storage rights, net	-	-	26,670,727	27,802,163	26,670,727	27,802,163
Total Assets	21,739,642	20,458,322	58,453,691	56,587,457	80,193,333	77,045,779
Deferred Outflows of Resources, Pension	1,128,930	259,760	-	-	1,128,930	259,760
Total Assets and Deferred Outflows of Resources	\$ 22,868,572	\$ 20,718,082	\$ 58,453,691	\$ 56,587,457	\$ 81,322,263	\$ 77,305,539
Liabilities						
Current liabilities	\$ 1,610,017	\$ 1,413,318	\$ 187,387	\$ 182,275	\$ 1,797,404	\$ 1,595,593
Long-term loan payable	-	-	2,404,091	2,608,429	2,404,091	2,608,429
Long-term liabilities	10,205,977	8,837,880	-	-	10,205,977	8,837,880
Total Liabilities	11,815,994	10,251,198	2,591,478	2,790,704	14,407,472	13,041,902
Deferred Inflows of Resources, Pension	29,309	-	-	-	29,309	-
Net Position						
Net investment in capital assets	11,222,079	11,600,155	24,079,249	25,011,459	35,301,328	36,611,614
Unrestricted (deficit)	(198,810)	(1,133,271)	31,782,964	28,785,294	31,584,154	27,652,023
Total Net Position	11,023,269	10,466,884	55,862,213	53,796,753	66,885,482	64,263,637
Total Net Position, Liabilities, and Deferred Inflows of Resources	\$ 22,868,572	\$ 20,718,082	\$ 58,453,691	\$ 56,587,457	\$ 81,322,263	\$ 77,305,539

See Note 2 to the audited financial statements for explanation of restatement.

Total net position of the governmental activities amounts to \$11,023,269 at June 30, 2015, an increase of \$556,385 from the prior year. Unrestricted net position (deficit) - the part of the net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements - amounts to a deficit of \$(198,810) at June 30, 2015 compared to a deficit \$(1,133,271) at June 30, 2014 (as restated). Net investment in capital assets represents the Commission's investment in capital assets reduced by the amount of outstanding debt used to acquire those assets.

Susquehanna River Basin Commission

Management's Discussion and Analysis

June 30, 2015

The Commission as a Whole (continued)

Total net position of the business-type activities amounts to \$55,862,213 for the year ended June 30, 2015, an increase of \$2,065,460 from the prior year. Unrestricted net position - the part of the net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - is \$31,782,964 at June 30, 2015 compared to \$28,785,294 at June 30, 2014.

Table 2 - Changes in Net Position

	Governmental Activities 2015	Governmental Activities 2014 (Restated)	Business- Type Activities 2015	Business- Type Activities 2014 (Restated)	Total Primary Government 2015	Total Primary Government 2014 (Restated)
Revenues						
Charges for services	\$ 5,316,119	\$ 4,506,780	\$ 4,640,763	\$ 4,603,371	\$ 9,956,882	\$ 9,110,151
Operating grants	1,621,705	1,591,191	-	-	1,621,705	1,591,191
Contributions	1,192,000	1,305,000	-	-	1,192,000	1,305,000
Investment earnings	91,778	544,858	282,615	1,723,654	374,393	2,268,512
Miscellaneous	139,082	821,310	-	-	139,082	821,310
Total Revenues	8,360,684	8,769,139	4,923,378	6,327,025	13,284,062	15,096,164
Expenses						
General government	7,024,087	6,373,222	-	-	7,024,087	6,373,222
Flood forecast	61,368	146,250	-	-	61,368	146,250
Other	1,560,337	1,444,941	-	-	1,560,337	1,444,941
Water management and settlement	-	-	2,016,425	2,206,269	2,016,425	2,206,269
Total Expenses	8,645,792	7,964,413	2,016,425	2,206,269	10,662,217	10,170,682
Other Items						
Transfers	841,493	610,602	(841,493)	(610,602)	-	-
Changes in Net Position	556,385	1,415,328	2,065,460	3,510,154	2,621,845	4,925,482
Net Position, Beginning of Year	10,466,884	17,045,095	53,796,753	50,286,599	64,263,637	67,331,694
Prior Period Adjustment	-	(7,993,539)	-	-	-	(7,993,539)
Net Position, End of Year	\$ 11,023,269	\$ 10,466,884	\$ 55,862,213	\$ 53,796,753	\$ 66,885,482	\$ 64,263,637

See Note 2 to the audited financial statements for explanation of restatement.

Governmental activities include the General Fund. Business-type activities are comprised of the operation of the Commission's Water Management and Settlement Funds.

Susquehanna River Basin Commission

Management's Discussion and Analysis

June 30, 2015

Governmental Fund

The Commission's Governmental Fund is the General Fund. Below is a revenue comparison of the General Fund for the past two fiscal years.

	General Fund Revenues	
	2015	2014
Signatory parties	\$ 1,192,000	\$ 1,305,000
Projects and programs	2,173,932	2,091,191
Permit and compliance fees	4,763,892	4,006,780
Interest and investments	91,778	544,858
Other	143,992	176,031
	<u>\$ 8,365,594</u>	<u>\$ 8,123,860</u>

In fiscal year 2015, General Fund revenues increased by \$241,734 from fiscal year 2014.

Permit and compliance fees increase was due primarily to an increase in the number of projects paying the compliance fee as well as renewal of Approval by Rule (ABR) projects submitted and approved by the Commission during the year.

Below is an expenditure comparison of General Fund expenditures for the past two fiscal years.

	General Fund Expenditures	
	2015	2014
Personnel services	\$ 4,162,206	\$ 4,004,618
Employee benefits	1,709,348	1,449,480
Special contractual services	503,045	803,803
Travel and meeting expenses	199,011	182,008
Communications	79,577	75,199
Postage and freight	14,181	21,042
Janitorial	22,698	18,771
Utilities	72,398	66,841
Rent	24,843	25,638
Printing and reproduction	54,642	49,419
Repairs and maintenance	161,707	138,720
Software purchase and maintenance	107,176	90,004
Insurance	90,620	91,540
Supplies	152,737	187,611
Miscellaneous	25,796	75,491
Capital outlay	286,070	10,357,149
	<u>\$ 7,666,055</u>	<u>\$ 17,637,334</u>

Susquehanna River Basin Commission

Management's Discussion and Analysis

June 30, 2015

Governmental Fund (continued)

In fiscal year 2015, operating expenditures decreased by \$9,971,279. Capital outlay expenditures decreased by \$10,071,079 due to the completion of the Commission's new headquarters building in the prior fiscal year. Employee benefits increased by \$259,868 due primarily to an increase in the required contributions to the pension plan.

	General Fund Revenues		
	Final Budget	Actual	Variance
Signatory parties	\$ 1,192,000	\$ 1,192,000	\$ -
Projects and programs	2,923,500	2,173,932	(749,568)
Permit application fees	3,420,000	4,763,892	1,343,892
Investment and other revenue	440,000	235,770	(204,230)
	<u>\$ 7,975,500</u>	<u>\$ 8,365,594</u>	<u>\$ 390,094</u>

Revenue received in fiscal year 2015 approximated in total the budgeted amounts. Significant differences between budget and actual revenue are explained as follows:

ABR permit fees were higher than budgeted amounts by \$1,058,250. This was the result of an increase in the number of projects renewed during the year.

Projects and programs revenues were below budget due to delays in the start of acid mine drainage (AMD) studies.

	General Fund Expenditures		
	Final Budget	Actual	Variance
Personnel services	\$ 4,300,000	\$ 4,162,206	\$ 137,794
Employee benefits	1,660,000	1,709,348	(49,348)
Special contractual services	910,000	190,015	719,985
Travel and subsistence	100,000	81,644	18,356
Communications	100,000	79,577	20,423
Postage and freight	20,000	14,181	5,819
Janitorial	35,000	22,698	12,302
Utilities	77,500	72,398	5,102
Rent	45,000	24,843	20,157
Printing and reproduction	60,000	54,642	5,358
Legal advertising	10,000	-	10,000
Repairs and maintenance	150,000	161,707	(11,707)
Software maintenance	175,000	107,176	67,824
Insurance	90,000	90,620	(620)
Supplies	187,500	152,737	34,763
Fees - various	528,000	313,030	214,970
Commission meetings/public hearings	40,000	37,371	2,629
Dues and memberships	15,000	11,698	3,302
Staff training	75,000	68,298	6,702
Miscellaneous	27,500	25,796	1,704
Capital outlay	295,000	286,070	8,930
	<u>\$ 8,900,500</u>	<u>\$ 7,666,055</u>	<u>\$ 1,234,445</u>

Susquehanna River Basin Commission

Management's Discussion and Analysis

June 30, 2015

Governmental Fund (continued)

Costs for special contractual services and other fees were \$934,955 below budget due to delays in starting on contractual projects and programs.

Business-Type Activities

Below is a two-year revenue comparison for the Commission's business-type activities.

	Business-Type Activities Revenues	
	2015	2014
Water management fees	\$ 3,697,631	\$ 3,527,080
Water management fines/settlements	170,050	93,250
Operations and maintenance - Cowanesque	773,082	983,041
Investment income	282,615	1,723,654
	<u>\$ 4,923,378</u>	<u>\$ 6,327,025</u>

In fiscal year 2015, business-type activities revenues decreased by 22.2%. This is due to a decline in investment returns.

Below is a two-year expense comparison for the Commission's business-type activities.

	Business-Type Activities Expenses	
	2015	2014
Cowanesque and Curwensville, Pennsylvania - operations and maintenance	\$ 801,669	\$ 981,671
Interest expense - Curwensville	77,437	83,077
Other	5,883	10,086
Water storage rights - amortization expense	1,131,436	1,131,435
	<u>\$ 2,016,425</u>	<u>\$ 2,206,269</u>

In fiscal year 2015, business-type activities expenses decreased by 8.6% from the previous year. Operations and maintenance expense for Cowanesque and Curwensville decreased along with related revenue during fiscal year 2015.

Susquehanna River Basin Commission

Management's Discussion and Analysis

June 30, 2015

Capital Assets, Water Storage Rights, and Debt Administration

Capital Assets and Water Storage Rights

As of June 30, 2015, the Commission had \$37,892,806 invested in a variety of capital assets (net of accumulated depreciation), as reflected in the following schedule.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 2,104,170	\$ -	\$ 2,104,170
Buildings and improvements	7,678,944	-	7,678,944
Equipment	1,438,965	-	1,438,965
Water storage rights	-	26,670,727	26,670,727
	<u>\$ 11,222,079</u>	<u>\$ 26,670,727</u>	<u>\$ 37,892,806</u>

Additional information on the Commission's capital assets can be found in Notes 4 and 9.

Debt Administration

At June 30, 2015, the Commission has \$2,591,478 of debt outstanding, all recorded in business-type activities. This is a decrease of \$199,226 from the previous year. The Commission's long-term debt consists of borrowings related to the Curwensville Lake Water Supply project. Additional information on the Commission's long-term debt can be found in Note 5.

Economic Factors and Next Year's Budget and Rates

On July 1, 2014, the Commission adopted a new fee schedule. In general, fees were increased by 1.1% based on the change in the Consumer Price Index. Groundwater withdrawal application fees, including applications for modifications and renewals, were increased by 10%.

The Commission's approved budget for fiscal year 2016 includes General Fund revenue of \$9,608,000 and Water Management Fund revenue of \$4,830,000, for total combined revenue of \$14,438,000.

Requests for Information

This financial report is designed to provide a general overview of the Susquehanna River Basin Commission's finances. This financial report seeks to demonstrate the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Commission at 4423 North Front Street, Harrisburg, PA 17110.

Susquehanna River Basin Commission

Statement of Net Position

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<i>Assets and Deferred Outflows of Resources</i>			
Assets			
Cash and cash equivalents	\$ 5,163,670	\$ 7,895,759	\$ 13,059,429
Investments	3,573,879	23,223,912	26,797,791
Due to (from) other funds	196,733	(196,733)	-
Due from fiduciary fund	139,433	-	139,433
Accounts receivable	1,158,551	860,026	2,018,577
Capital assets not being depreciated	2,104,170	-	2,104,170
Capital assets being depreciated, net	9,117,909	-	9,117,909
Water storage rights, net	-	26,670,727	26,670,727
Post-employment healthcare benefit asset	277,052	-	277,052
Security deposits and prepaid expenses	8,245	-	8,245
Total Assets	21,739,642	58,453,691	80,193,333
Deferred Outflows of Resources			
Pension	1,128,930	-	1,128,930
Total Assets and Deferred Outflows of Resources	\$ 22,868,572	\$ 58,453,691	\$ 81,322,263
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>			
Liabilities			
Accounts payable	\$ 136,926	\$ -	\$ 136,926
Accrued payroll	95,432	-	95,432
Unearned revenue	1,377,659	-	1,377,659
Loans payable - Curwensville - current portion	-	187,387	187,387
Long-term loan payable - Curwensville, net	-	2,404,091	2,404,091
Accrued sick leave	278,063	-	278,063
Accrued vacation	371,090	-	371,090
Net pension liability	9,556,824	-	9,556,824
Total Liabilities	11,815,994	2,591,478	14,407,472
Deferred Inflows of Resources			
Pension	29,309	-	29,309
Net Position			
Net investment in capital assets	11,222,079	24,079,249	35,301,328
Unrestricted (deficit)	(198,810)	31,782,964	31,584,154
Total Net Position	11,023,269	55,862,213	66,885,482
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 22,868,572	\$ 58,453,691	\$ 81,322,263

See accompanying notes.

Susquehanna River Basin Commission

Statement of Activities

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General/administration	\$ 6,471,860	\$ 4,763,892	\$ -	\$ (1,707,968)	\$ -	\$ (1,707,968)
Chesapeake Bay	123,368	-	123,368	-	-	-
EPA water quality	793,417	-	793,417	-	-	-
Flood forecast	61,368	-	61,368	-	-	-
Leak detection	11,964	-	11,964	-	-	-
Cowanesque project	12,940	-	12,940	-	-	-
Enhanced bay monitoring - EPA	197,733	-	197,733	-	-	-
TMDL study	259,687	-	259,687	-	-	-
Remote W/Q monitoring network	604,500	-	604,500	-	-	-
Didymo Sea Grant	19,562	-	19,562	-	-	-
Dirt and Gravel Roads	18,755	-	18,755	-	-	-
AMD - Bear, Sandy, Birch	54,906	-	54,906	-	-	-
Cedar Run Stormwater - Act 13	15,732	-	15,732	-	-	-
Total Governmental Activities	8,645,792	4,763,892	2,173,932	(1,707,968)	-	(1,707,968)
Business-Type Activities						
Water management and settlement	2,016,425	4,640,763	-	-	2,624,338	2,624,338
Total Primary Government	\$ 10,662,217	\$ 9,404,655	\$ 2,173,932	(1,707,968)	2,624,338	916,370
General Revenues						
Signatory contributions				1,192,000	-	1,192,000
Investment earnings				91,778	282,615	374,393
Miscellaneous				65,584	-	65,584
Loss on sale of capital assets				(4,910)	-	(4,910)
Rental Income				78,408	-	78,408
Transfers				841,493	(841,493)	-
Total General Revenues				2,264,353	(558,878)	1,705,475
Changes in Net Position				556,385	2,065,460	2,621,845
Net Position, July 1, 2014 (As Restated, See Note 2)				10,466,884	53,796,753	64,263,637
Net Position, June 30, 2015				\$ 11,023,269	\$ 55,862,213	\$ 66,885,482

See accompanying notes.

Susquehanna River Basin Commission

Balance Sheet - Governmental Fund - General Fund

June 30, 2015

Assets

Cash and cash equivalents	\$ 5,163,670
Investments	3,573,879
Due from fiduciary funds	139,433
Due from other funds	196,733
Accounts receivable	
Contracts	1,138,411
Wages	2,291
Other	17,849
Security deposit	8,245
Total Assets	\$ 10,240,511

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ 136,926
Accrued salaries and taxes	95,432
Unearned revenue	1,377,659
Total Liabilities	1,610,017

Fund Balance

Assigned	3,235,973
Unassigned	5,394,521
Total Fund Balance	8,630,494
Total Liabilities and Fund Balance	\$ 10,240,511

Susquehanna River Basin Commission

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

June 30, 2015

Total Fund Balance - Governmental Fund	\$ 8,630,494
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund financial statements.	11,222,079
Governmental funds do not report compensated absence on the balance sheet, which is reported on the statement of net position of the government-wide statements.	(649,153)
Governmental funds do not report a post-employment health care asset on the balance sheet, which is reported on the statement of net position of the government-wide statements.	277,052
Governmental funds do not report the net pension liability and associated deferred outflows of resources and deferred inflows of resources on the balance sheet, which are reported on the statement of net position of the government-wide statements.	<u>(8,457,203)</u>
Net Position of Governmental Activities	<u><u>\$ 11,023,269</u></u>

Susquehanna River Basin Commission

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund -
General Fund
Year Ended June 30, 2015

Revenues

Signatory parties	
Maryland	\$ 360,000
New York	259,000
Pennsylvania	573,000
Projects and programs	
Chesapeake Bay	123,368
Cowanesque project	12,940
EPA water quality	793,417
Flood Forecast	61,368
PA Public Water Assistance Initiative	11,964
Enhanced bay monitoring - EPA	197,733
TMDL study	259,687
AMD - Bear, Sandy, Birch	54,906
Remote W/Q monitoring network	604,500
Didymo Sea Grant	19,562
Dirt and Gravel Roads	18,755
Surface water	15,732
Other revenue	
Permit application fees	604,256
NOI permit fees	2,258,250
Compliance monitoring fees	1,573,001
Special project review fees	328,385
Net realized/unrealized loss on investments	(53,871)
Interest and dividend income	145,649
Rental income	78,408
Miscellaneous	65,584
	<hr/>
Total Revenues	8,365,594

Expenditures

Personnel services	4,162,206
Employee benefits	1,709,348
Special contractual services	190,015
Travel and subsistence	81,644

Susquehanna River Basin Commission

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund -
General Fund (continued)
Year Ended June 30, 2015

Expenditures (continued)

Communications	79,577
Postage and freight	14,181
Janitorial	22,698
Utilities	72,398
Rent	24,843
Printing and reproduction	54,642
Repairs and maintenance	161,707
Software maintenance	107,176
Insurance	90,620
Supplies	152,737
Fees - various	313,030
Commissions meetings/public hearings	37,371
Dues and memberships	11,698
Staff training	68,298
Miscellaneous	25,796
Capital outlay	286,070
Total Expenditures	7,666,055
Excess of Revenues over Expenditures	699,539
Other Financing Sources	
Transfers in - Water Management Fund	841,493
Net Change in Fund Balance	1,541,032
Fund Balance, Beginning of Year	7,089,462
Fund Balance, End of Year	\$ 8,630,494

Susquehanna River Basin Commission

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities
Year Ended June 30, 2015

Net Change in Fund Balance - Governmental Fund **\$ 1,541,032**

Amounts reported for governmental activities in the statement of activities are different because

The governmental fund reports capital asset purchases as an expenditure; however, these payments are reported as additions to capital assets on the statement of net position of the government-wide statements. **203,162**

The governmental fund does not report depreciation expense on the statement of revenues, expenditures, and changes in fund balance; however, depreciation expense is reported on the statement of activities of the government-wide statements. **(576,328)**

The governmental fund does not report gain or loss on disposal of assets as an increase or reduction of current year expenditures on the statement of revenue, expenditures, and changes in fund balance; however, this change is reported on the statement of activities of the government-wide statements. **(4,910)**

The governmental fund does not report the change in compensated absence liabilities as an increase or reduction of current year expenditures on the statement of revenue, expenditures, and changes in funds balance; however, this change is reported on the statement of activities of the government-wide statements. **(64,572)**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund
Net pension liability **(1,303,525)**

Pension deferred outflows of resources, net of deferred inflows of resources **839,861**

Post-employment healthcare plan **(78,335)**

Change in Net Position of Governmental Activities **\$ 556,385**

Susquehanna River Basin Commission

Statement of Net Position - Proprietary Funds

June 30, 2015

	Water Management Fund	Settlement Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 5,867,918	\$ 2,027,841	\$ 7,895,759
Investments	17,590,145	5,633,767	23,223,912
Receivables - fees	860,026	-	860,026
Total Current Assets	24,318,089	7,661,608	31,979,697
Water Storage Rights, Net	26,670,727	-	26,670,727
Total Assets	\$ 50,988,816	\$ 7,661,608	\$ 58,650,424
Liabilities and Net Position			
Current Liabilities			
Due to other funds	\$ 196,733	\$ -	\$ 196,733
Current portion of loan payable - Curwensville	187,387	-	187,387
Total Current Liabilities	384,120	-	384,120
Loan Payable - Curwensville	2,404,091	-	2,404,091
Total Liabilities	2,788,211	-	2,788,211
Net Position			
Net investment in capital assets	24,079,249	-	24,079,249
Unrestricted net position	24,121,356	7,661,608	31,782,964
Total Net Position	48,200,605	7,661,608	55,862,213
Total Liabilities and Net Position	\$ 50,988,816	\$ 7,661,608	\$ 58,650,424

Susquehanna River Basin Commission

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
Year Ended June 30, 2015

	Water Management Fund	Settlement Fund	Total
Operating Revenues			
Water management fees	\$ 3,697,631	\$ -	\$ 3,697,631
Operating and maintenance fees - Cowanesque and Whitney Point	773,082	-	773,082
Fines and settlements	-	170,050	170,050
Total Operating Revenues	4,470,713	170,050	4,640,763
Operating Expenses			
Cowanesque and Curwensville - operations and maintenance	801,669	-	801,669
Water management expenditures	5,883	-	5,883
Water storage rights - amortization expense	1,131,436	-	1,131,436
Total Operating Expenses	1,938,988	-	1,938,988
Operating Income	2,531,725	170,050	2,701,775
Nonoperating Revenues (Expenses)			
Realized/unrealized gain on investments	(72,528)	(196,451)	(268,979)
Investment earnings	359,695	191,899	551,594
Interest expense - Curwensville	(77,437)	-	(77,437)
Total Nonoperating Revenue (Expenses)	209,730	(4,552)	205,178
Income Before Transfers	2,741,455	165,498	2,906,953
Transfers Out	(841,493)	-	(841,493)
Change in Net Position	1,899,962	165,498	2,065,460
Net Position, July 1, 2014	46,300,643	7,496,110	53,796,753
Net Position, June 30, 2015	\$ 48,200,605	\$ 7,661,608	\$ 55,862,213

Susquehanna River Basin Commission

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2015

	Water Management Fund	Settlement Fund	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 4,551,852	\$ 170,050	\$ 4,721,902
Payments to suppliers	<u>(729,256)</u>	<u>-</u>	<u>(729,256)</u>
Net Cash Provided by Operating Activities	<u>3,822,596</u>	<u>170,050</u>	<u>3,992,646</u>
Cash Flows from Noncapital Financing Activities			
Transfers out	<u>(841,493)</u>	<u>-</u>	<u>(841,493)</u>
Cash Flows from Capital Financing Activities			
Principal payment on long-term debt	(199,226)	-	(199,226)
Payments for interest expense	<u>(77,437)</u>	<u>-</u>	<u>(77,437)</u>
Net Cash Used in Capital Financing Activities	<u>(276,663)</u>	<u>-</u>	<u>(276,663)</u>
Cash Flows from Investing Activities			
Purchases of investments	(7,548,623)	(1,098,187)	(8,646,810)
Sales of investments	4,633,434	880,726	5,514,160
Interest and dividend income	<u>359,768</u>	<u>191,899</u>	<u>551,667</u>
Net Cash Used in Investing Activities	<u>(2,555,421)</u>	<u>(25,562)</u>	<u>(2,580,983)</u>
Net Increase in Cash and Cash Equivalents	149,019	144,488	293,507
Cash and Cash Equivalents, Beginning of Year	<u>5,718,899</u>	<u>1,883,353</u>	<u>7,602,252</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,867,918</u>	<u>\$ 2,027,841</u>	<u>\$ 7,895,759</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 2,531,725	\$ 170,050	\$ 2,701,775
Adjustments to reconcile operating income to net cash provided by operating activities			
Amortization	1,131,436	-	1,131,436
Changes in assets and liabilities			
Decrease in accounts receivable	81,139	-	81,139
Increase in due to other funds	<u>78,296</u>	<u>-</u>	<u>78,296</u>
Net Cash Provided by Operating Activities	<u>\$ 3,822,596</u>	<u>\$ 170,050</u>	<u>\$ 3,992,646</u>

See accompanying notes.

Susquehanna River Basin Commission

Statement of Fiduciary Fund Net Position - Fiduciary Fund - Defined Benefit Post-Employment
Healthcare Plan
June 30, 2015

Assets

Cash	\$	60,898
Investments		<u>1,930,330</u>
Total Assets	\$	<u>1,991,228</u>

Liabilities and Net Position

Liabilities

Healthcare reimbursement payable	\$	139,433
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Net Position

Reserved for employees' healthcare benefits		<u>1,851,795</u>
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Total Liabilities and Net Position	\$	<u>1,991,228</u>
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Susquehanna River Basin Commission

Statement of Changes in Fiduciary Net Position - Fiduciary Fund - Defined Benefit Post-Employment

Healthcare Plan

Year Ended June 30, 2015

Additions

Investment income	<u>\$ 30,357</u>
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Deductions

Benefits	139,175
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Administrative expenses	<u>4,054</u>
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Total Deductions	<u>143,229</u>
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Net Decrease	(112,872)
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Net Position, Beginning of Year	<u>1,964,667</u>
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Net Position, End of Year	<u><u>\$ 1,851,795</u></u>
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Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 1 - Nature of Activities

The Susquehanna River Basin Commission (the Commission) was created by the Susquehanna River Basin Compact (the Compact) to develop and effectuate plans, policies, and projects relating to the water resources of the Susquehanna River Basin. The Compact was approved by the four signatory parties: the states of Maryland and New York, the Commonwealth of Pennsylvania, and the United States Government.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

The Financial Reporting Entity

Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria that is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units, are such that exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria and there are no agencies or entities that should be presented with the Commission.

Basis of Presentation

The accounts of the Commission are organized on the fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The various funds are summarized by type in the financial statements. The Commission's Governmental Fund is the General Fund. Its Proprietary Funds are the Water Management Fund and the Settlement Fund, and its Fiduciary Fund is the Defined Benefit Post-Employment Healthcare Plan.

Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by grant revenue, are reported separately from business-type activities, which primarily rely on fees and charges for support. The Fiduciary Fund is excluded from the government-wide financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

Government-Wide Financial Statements (continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements, but differs from the manner in which Governmental Fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for the business-type activities of the Commission and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, using a full cost allocation approach. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Commission.

Separate financial statements are provided for the Governmental Fund, Proprietary Funds, and Fiduciary Fund, even though the latter are excluded from the government-wide financial statements.

Fund Financial Statements

The financial transactions of the Commission are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

Governmental Fund

The Governmental Fund is accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

General Fund - is the Commission's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

Fund Financial Statements (continued)

Governmental Fund (continued)

Revenue Recognition - in applying the susceptible to accrual concept under the modified accrual basis, revenue sources are deemed both measurable and available (i.e., collectible within the current year or within two months of year end and available to pay obligations of the current period).

Expenditure Recognition - the measurement focus of Governmental Fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the Governmental Funds.

Proprietary Funds

The Proprietary Funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. The receivable and revenue from such assessments are reported as accounts receivable and user charges (or unearned revenue), respectively.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' principal ongoing operations. The principal operating revenues of the water usage are charges to customers for operating expenses for the Water Management Fund and include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and are comprised of realized and unrealized gains on investments and interest income and expense.

Water Management Fund and the Settlement Fund - the Commission currently charges entities using water that results in an evaporation process or that is not returned directly back into the water system. The fee charged for such use is currently \$0.325 per 1,000 gallons consumed. The money received under this agreement was internally designated by the Commissioners to be separate and used for research and development of water resource-related projects. The Settlement Fund represents non-compliance fines and settlements related to the Commission's requirements in administering its water resource regulatory authority for water usage.

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

Fund Financial Statements (continued)

Fiduciary Funds

The Commission currently has one Fiduciary Fund. This fund reports the Commission's post-employment healthcare benefit trust.

Vacation and Sick Leave

Under terms of the Commission's employment agreement, employees are granted vacation and sick leave in varying amounts. Salaried employees may accumulate up to 45 vacation days, which are payable by the Commission at the time of severance. Employees commencing employment prior to July 1, 2011 are permitted to accumulate a maximum of 90 sick days which are payable upon retirement at 40% of the vested balance. Vested balances in excess of 90 days (to the prior maximum of 180 days) as of June 30, 2011 have been grandfathered and remain payable unless used in the course of employment. Employees hired after July 1, 2011 are not eligible to accrue vested sick leave benefits.

Investments

Investments are recorded at fair value for all open-end mutual funds, debt securities, and equity securities held by the Commission. All cash and money market funds are recorded at cost, which approximates fair value.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the Governmental and Proprietary Funds' balance sheets. As a general rule interfund activity has been eliminated from the government-wide financial statements.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the Commission as a whole. When purchased, such assets are recorded as expenditures in the Governmental Funds and capitalized in the government-wide statements. The valuation bases for capital assets are historical cost. The minimum capitalization threshold is any individual item with a total cost greater than \$500.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	20 to 50 years
Equipment	2 to 15 years

Maintenance and repairs of capital assets are expensed when incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

Long-Lived Assets

Long-lived assets, other than those held for sale, are reviewed for impairment whenever events or circumstances indicated that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Management has concluded that no impairment reserves are required as of June 30, 2015.

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 based on prior years' experience.

Accounts Receivable

All accounts receivable are shown net of an allowance for uncollectibles, as applicable. Accounts receivable are continually evaluated for collectibility and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. No allowance was deemed necessary at June 30, 2015.

Unearned Revenues

The Commission recognizes revenue received for application and modification fees when an application is approved, denied, or rescinded. Unearned revenue represents fees paid for applications or modifications which are awaiting action by the Commission.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Commission considers all highly liquid investments with an initial maturity date of three months or less to be cash equivalents.

Defined Benefit Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension plan and pension expense, information about the fiduciary net position of the Pennsylvania State Employees' Retirement System (SERS), and additions to/deductions from SERS' fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance Classifications

A description of the fund balance classifications used by the Commission for its General Fund follows:

Nonspendable Fund Balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - indicates that portion of fund balance reported as restricted due to constraints placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or constraints imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - indicates that portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the Commission's Board of Commissioners. Committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action.

Assigned Fund Balance - indicates that portion of fund balance that the government intends to be used for specific purposes, but is neither restricted nor committed.

Unassigned Fund Balance - indicates that portion of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When an expenditure is incurred for purposes for which more than one classification of fund balance is available, it is the Commission's policy to use fund balances in the following order: committed, assigned, and unassigned.

Net Position Classifications

Net Investment in Capital Assets - consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - indicates that portion of net position reported as restricted due to constraints placed on their use either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - consist of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverage in fiscal year 2015. Settlement amounts have not exceeded insurance coverage for the current and prior two years.

Stewardship, Compliance, and Accountability

The Commission had no material violations of finance-related legal and contractual obligations.

Recent Accounting Pronouncements

The Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for its June 30, 2015 financial statements. Adoption of this guidance resulted in a restatement of governmental activities' net position as follows as of June 30, 2014:

Governmental Activities

Beginning net position, as previously reported	\$ 18,460,423
Net pension liability as of December 31, 2013 measurement date	(8,253,299)
Commission contributions subsequent to the December 31, 2013 measurement date	<u>259,760</u>
Net Position, Beginning, As Restated	<u>\$ 10,466,884</u>

Actuarial calculations were not available to determine amounts of deferred inflows and outflows of resources as required by the Statement as of June 30, 2014; therefore, deferred inflows and outflows of resources were recorded as of June 30, 2015 based on the December 31, 2014 measurement date as reported by the Pennsylvania State Employees' Retirement System. See Note 8 for further information.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes and defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This statement also provides guidance for applying fair value to certain investments and disclosures related to fair value measurements. This guidance is effective for reporting periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement defines the composition of financial statements, note disclosures, and required supplementary information for defined benefit other postemployment benefit (OPEB) plans that are administered through trusts that meet specified criteria. Statement No. 74 is effective for periods beginning after June 15, 2016.

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This Statement requires governments to report a liability on the face of the financial statements for the net OPEB liability. This guidance also requires governments to present more extensive note disclosures and supplementary information for OPEB plans. Statement No. 75 is effective for periods beginning after June 15, 2017.

The Commission is currently evaluating what effect the adoption of the GASB pronouncements listed above will have on the Commission's financial statements.

Note 3 - Cash, Cash Equivalents, and Investments

The Commission records investments at their fair market value. Cash, cash equivalents, and investments are composed of the following at June 30, 2015:

Cash and Cash Equivalents

Governmental	\$ 5,163,670
Proprietary	7,895,759
Fiduciary	<u>60,898</u>

Total Cash and Cash Equivalents	<u><u>13,120,327</u></u>
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Investments

Governmental	3,573,879
Proprietary	23,223,912
Fiduciary	<u>1,930,330</u>

Total Investments	<u><u>28,728,121</u></u>
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Total Cash, Cash Equivalents, and Investments	<u><u>\$ 41,848,448</u></u>
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The Commission had the following investments with the following average maturities as of June 30, 2015:

Investment Type	Fair Value	No Stated Maturity ⁽¹⁾	Less Than 1 Year	1 to 5 Years	5 to 10 Years	Greater Than 10 Years
Governmental Funds						
Stocks and ETFs	\$ 1,442,383	\$ 1,442,383	\$ -	\$ -	\$ -	\$ -
Equity mutual funds	<u>1,049,325</u>	<u>1,049,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Equities	<u><u>2,491,708</u></u>	<u><u>2,491,708</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 3 - Cash, Cash Equivalents, and Investments (continued)

Investment Type	Fair Value	No Stated Maturity ⁽¹⁾	Less Than 1 Year	1 to 5 Years	5 to 10 Years	Greater Than 10 Years
Government bond fund	-	-	-	-	-	-
U.S. Treasury notes fund	69,924	-	-	-	69,924	-
Corporate bond funds	1,012,247	549,588	-	252,916	89,406	120,337
	<u>1,082,171</u>	<u>549,588</u>	<u>-</u>	<u>252,916</u>	<u>159,330</u>	<u>120,337</u>
Total Governmental Funds	<u>3,573,879</u>	<u>3,041,296</u>	<u>-</u>	<u>252,916</u>	<u>159,330</u>	<u>120,337</u>
Proprietary Funds						
Stocks and ETFs	11,251,931	11,251,931	-	-	-	-
Mutual funds	4,766,596	4,766,596	-	-	-	-
Total Equities	<u>16,018,527</u>	<u>16,018,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Government backed securities	2,486,450	-	-	-	159,601	2,326,849
Government bonds	647,888	-	-	647,888	-	-
Government bond fund	181,569	47,324	-	-	134,245	-
U.S. Treasury notes fund	172,033	-	-	-	172,033	-
Corporate bond fund	3,717,445	2,201,246	-	805,815	399,043	311,341
	<u>7,205,385</u>	<u>2,248,570</u>	<u>-</u>	<u>1,453,703</u>	<u>864,922</u>	<u>2,638,190</u>
Total Proprietary Funds	<u>23,223,912</u>	<u>18,267,097</u>	<u>-</u>	<u>1,453,703</u>	<u>864,922</u>	<u>2,638,190</u>
Fiduciary Funds						
Stocks and ETFs	776,436	776,436	-	-	-	-
Government bond fund	76,899	-	-	-	76,899	-
Corporate bond fund	838,798	481,797	-	77,070	279,931	-
Government backed securities fund	238,197	238,197	-	-	-	-
Total Fiduciary Funds	<u>1,930,330</u>	<u>1,496,429</u>	<u>-</u>	<u>77,070</u>	<u>356,830</u>	<u>-</u>
Total Investments	<u>\$ 28,728,121</u>	<u>\$ 22,804,823</u>	<u>\$ -</u>	<u>\$ 1,783,689</u>	<u>\$ 1,381,082</u>	<u>\$ 2,758,527</u>

(1) Maturity data is not available for certain funds with diversified holdings.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the Commission's deposits may not be returned to the Commission. The Commission does not have a deposit policy for custodial credit risk. Protection of the Commission's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets.

At June 30, 2015, the carrying amount of the Commission's bank deposits was \$13,119,727, and the corresponding bank balance was \$14,175,907, of which \$500,000 was covered by the FDIC. The remaining \$13,675,907 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department, but not in the Commission's name. In addition, the Commission also maintained cash on hand of \$600 as of June 30, 2015.

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 3 - Cash, Cash Equivalents, and Investments (continued)

Interest Rate Credit Risk

As a means of managing its exposure to fair value losses arising from increasing interest rates, the Commission's investment policy limits investment in fixed income securities with average maturities greater than three years to 65% of portfolio value.

Foreign Currency Risk

The Commission's investment policy limits investment in foreign equity securities to 30% of portfolio value. Investments in foreign fixed income securities are not specifically limited.

Concentration of Credit Risk

The Commission places a limit on the amount the Commission may invest in any one company's stock at 3% of the total non-fiduciary portfolio and no more than 20% of the total non-fiduciary portfolio shall be invested in any one industry sector. At year end there were no investments in any one issuer greater than 3%.

Note 4 - Capital Assets

A summary of capital asset activity follows for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital Assets Not Being Depreciated				
Land	\$ 2,104,170	\$ -	\$ -	\$ 2,104,170
Capital Assets Being Depreciated				
Buildings and improvements	7,976,182	-	-	7,976,182
Equipment	4,294,626	203,162	160,225	4,337,563
Total Capital Assets Being Depreciated	<u>12,270,808</u>	<u>203,162</u>	<u>160,225</u>	<u>12,313,745</u>
Less Accumulated Depreciation				
Buildings and improvements	109,808	187,430	-	297,238
Equipment	2,665,015	388,898	155,315	2,898,598
Less Accumulated Depreciation	<u>2,774,823</u>	<u>576,328</u>	<u>155,315</u>	<u>3,195,836</u>
Capital Assets Being Depreciated, Net	<u>9,495,985</u>	<u>(373,166)</u>	<u>4,910</u>	<u>9,117,909</u>
Capital Assets, Net	<u>\$ 11,600,155</u>	<u>\$ (373,166)</u>	<u>\$ 4,910</u>	<u>\$ 11,222,079</u>

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 4 - Capital Assets (continued)

Depreciation expense included in the government-wide statement of activities under general administration for the year ended June 30, 2015 was \$576,328.

Note 5 - Loan Payable

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Additions (Repayments)</u>	<u>Balance June 30, 2015</u>
Business-Type Activities			
Metro Bank Curwensville Lake Water Supply Loan, initial issue \$3,776,940; modified July 2012; fixed interest rate of 2.83% through July 2017, variable thereafter at WSJ Prime plus 1.00% (subject to 5.00% floor) through maturity in August 2026	\$ 2,790,704	\$ (199,226)	\$ 2,591,478

Aggregate maturities required on long-term debt are as follows at June 30, 2015:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 187,387	\$ 72,372	\$ 259,759
2017	210,426	66,237	276,663
2018	212,625	60,166	272,791
2019	218,445	53,993	272,438
2020	224,668	47,770	272,438
2021 - 2025	1,225,823	136,368	1,362,191
2026 - 2027	312,104	5,634	317,738
	<u>\$ 2,591,478</u>	<u>\$ 442,540</u>	<u>\$ 3,034,018</u>

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 6 - Long-Term Liabilities

The following represents changes in long-term liabilities, other than the long-term loan payable:

	Balance Outstanding July 1, 2014	Additions	Reductions	Balance Outstanding June 30, 2015
Governmental Activities				
Compensated sick leave	\$ 256,792	\$ 135,156	\$ (113,885)	\$ 278,063
Compensated vacation	327,789	304,089	(260,788)	371,090
Net pension liability	8,253,299	1,303,525	-	9,556,824
	<u>\$ 8,837,880</u>	<u>\$ 1,742,770</u>	<u>\$ (374,673)</u>	<u>\$ 10,205,977</u>

Maturity of the liabilities stated above is subject to future events and conditions, and accordingly, the Commission considers there to be no material current maturities.

Note 7 - Interfund Receivable, Payables, and Transfers

Activities between funds that are representative of a lending/borrowing arrangement that are outstanding at the end of the period are referred to as "due to/from other funds" in the fund financial statements. Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as due to/from other funds. The purpose of the interfund transfer balances in the fund financial statement is to show all assets and liabilities of the major funds and the aggregate nonmajor funds.

Interfund balances consisted of the following at June 30, 2015:

	Due To	Due From
Governmental Fund - General Fund	\$ 191,323	\$ -
Proprietary Fund - Water Management Fund	-	191,323
	<u>\$ 191,323</u>	<u>\$ 191,323</u>

This balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers consisted of the following during the year ended June 30, 2015:

	Transfers In	Transfers Out
Governmental Fund - General Fund	\$ 841,490	\$ -
Proprietary Fund - Water Management Fund	-	841,490
	<u>\$ 841,490</u>	<u>\$ 841,490</u>

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 7 - Interfund Receivable, Payables, and Transfers (continued)

Transfers from the Water Management Fund to the General Fund are to reimburse certain expenses related to ongoing projects paid by the General Fund on behalf of the Water Management Fund.

Note 8 - Defined Benefit Pension Plan

Plan Description

Susquehanna River Basin Commission employees are provided with pensions through the Commonwealth of Pennsylvania State Employees' Retirement System (SERS or the Plan), a cost-sharing multiple-employer defined benefit pension plan established by the Commonwealth of Pennsylvania (the Commonwealth) to provide pension benefits for employees of state government and certain independent agencies. SERS issues a publicly available financial report that can be obtained at www.SERS.pa.gov.

Benefits Provided

SERS provides retirement, death, and disability benefits. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. Member retirement benefits are determined by taking years of credited services, multiplied by final average salary, multiplied by 2%, multiplied by class of service multiplier. According to the State Employees' Retirement Code, all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Contributions

Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS member to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. However, Act 2010-120 imposes rate increase collars (limits on annual rate increase) on employer contributions. The collar for the Commonwealth fiscal year ending June 30, 2014 was 4.5% and will remain at that rate until no longer needed.

Most active Commission members contribute at a rate of 6.25% of their gross pay. For the fiscal years ended June 30, 2015 and 2014, the rates of employer contribution were 19.92% and 15.12% of covered payroll, respectively. Contributions to the pension plan from the Commission were \$743,950 for the year ended June 30, 2015.

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 8 - Defined Benefit Pension Plan (continued)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2015, the Commission reported a liability of \$9,556,824 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The allocation percentage assigned to each employer in the Plan is based on a projected-contribution method. This method applies the most recently calculated contribution rates for the fiscal year ending June 30, 2016, from the December 31, 2014 funding valuation, to the expected funding payroll for the allocation of the 2014 amounts, and the contribution rates for the fiscal year ending June 30, 2015 from the December 31, 2013 funding valuation to the expected funding payroll for the allocation of the December 31, 2013 net pension liability. At December 31, 2014, the Commission's proportion was 0.064%, which was an increase of 0.004% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the Commission recognized pension expense of \$1,207,615. The Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2015:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ 51,881	\$ -
Net difference between projected and actual earnings on pension plan investments	276,128	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	439,863	29,309
Commission contributions subsequent to the measurement date	<u>361,058</u>	<u>-</u>
	<u>\$ 1,128,930</u>	<u>\$ 29,309</u>

An amount of \$361,058 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ended June 30:

2016	\$ 169,562
2017	169,562
2018	169,562
2019	169,562
2020	60,315

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 8 - Defined Benefit Pension Plan (continued)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)

The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension expense over a 5.6 year closed period for 2014, which reflects the weighted average remaining service life of all SERS members, beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on SERS investments is amortized over a five year closed period beginning the year in which the difference occurs (current year).

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	Average of 6.10%, range of 4.30% - 11.05%
Investment rate of return	7.50%, net of expenses including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for actual plan experience and future improvement.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 2006 to December 2010. As a result of the 2011 actuarial experience study, recommendations were made with respect to the actuarial assumptions and methods. The next experience study will cover the years 2011 through 2015 and is expected to be released in early 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table as of December 31, 2014:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Alternative Investments	15.00 %	8.50 %
Global Public Equity	40.00	5.40
Real Assets	17.00	4.95
Diversifying Assets	10.00	5.00
Fixed Income	15.00	1.50
Liquidity Reserve	3.00	0.00

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 8 - Defined Benefit Pension Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary. Based on those assumptions, SERS fiduciary net position was project to be available to make all projected future benefit payments of current active and non-active SERS members. Therefore, the long-term expected rate of return on SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Commission's proportionate share of the net pension liability	<u>\$ 12,232,505</u>	<u>\$ 9,556,824</u>	<u>\$ 7,256,172</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued SERS financial report.

Note 9 - Water Storage Rights

On June 30, 1986, the Commission entered into a contract with the Department of the Army Corps of Engineers for the inclusion of 24,335 acre-feet of additional water supply storage as an additional use at the Cowanesque Reservoir, Tioga County, Pennsylvania. The reformulation construction phase was completed in 1990 at a total cost of approximately \$16,500,000. The contract provides for the repayment to the Federal Government of \$39,414,000 of the original project construction costs with interest at 7.69%, amortized over a 50-year period. However, the debt repayment was completed during the year ended June 30, 2005. The Water Storage Rights asset is reflected in the government-wide statement of net position. The Commission is required to pay the Army Corps of Engineers a prorated share of the annual operations and maintenance cost of the project. The prorated share of annual operations and maintenance cost for the year ended June 30, 2015 amounted to \$773,082. The Commission now has a permanent right for the use of an additional 24,335 acre-feet of supply storage.

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 9 - Water Storage Rights (continued)

On September 30, 1994, the Commission entered into a contract with the Department of the Army Corps of Engineers, for the inclusion of 5,360 acre-feet of additional water supply storage at Curwensville Lake, Clearfield County, Pennsylvania. The reformulation construction phase was completed at a total allocated cost to the Commission of approximately \$4,878,000. The contract provides for the repayment to the Federal Government of \$4,878,000 of the original project construction costs. The Commission is also required to pay the Army Corps of Engineers a prorated share of the annual operations and maintenance cost of the project. The prorated share of annual operations and maintenance cost for the year ended June 30, 2015 amounted to \$28,587. The Commission now has a permanent right for the use of an additional 5,360 acre-feet of supply storage.

A summary of Water Storage Rights activity follows for the year ended June 30, 2015:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Cowanesque Water Storage Rights	\$ 36,528,466	\$ -	\$ -	\$ 36,528,466
Curwensville Water Storage Rights	4,878,000	-	-	4,878,000
Total Water Storage Rights	41,406,466	-	-	41,406,466
Less accumulated depreciation	13,604,303	1,131,436	-	14,735,739
Water Storage Rights, Net	<u>\$ 27,802,163</u>	<u>\$ (1,131,436)</u>	<u>\$ -</u>	<u>\$ 26,670,727</u>

Amortization expense is computed utilizing the straight-line method over periods ranging from 27 to 38 years.

Amortization expense included in the government-wide statement of activities for the year ended June 30, 2015 was \$1,131,436. Amortization expense is estimated to be \$1,131,436 per year for each of the next five years.

Note 10 - Post-Employment Healthcare Plan

The financial statements for the Susquehanna River Basin Commission Post-Employment Benefits Plan (SRBCBP or the Plan) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 10 - Post-Employment Healthcare Plan (continued)

Investments are reported at fair market value, which for SRBCBPB is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their face value as determined by the custodian under the direction of the Commission, with the assistance of a valuation service.

Plan Description and Contribution Information

Membership of the Plan consisted of the following at July 1, 2013, the date of the latest actuarial valuation:

Active participants	18
Vested former members	-
Retired participants	<u>21</u>
	<u>39</u>

SRBCBPB is a single-employer defined benefit healthcare plan administered by the Susquehanna River Basin Commission. SRBCBPB provides medical insurance benefits to eligible retirees and their spouses. The Commission does not issue a separate financial report for the SRBCBPB.

Funding Policy

The contribution requirements of plan members and the Commission are established and may be amended by the Commission. The Commission did not make a contribution to the Plan in 2015. There were no contributions from plan members receiving benefits for the year ended June 30, 2015.

Annual Cost and Net Obligation

The Commission's annual Other Post-Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Commission's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Commission's net OPEB obligation to SRBCBPB.

Annual required contribution	\$ 73,760
Interest on net OPEB obligation	(20,968)
Adjustment to annual required contribution	<u>25,543</u>
Decrease in Net OPEB Asset	78,335
Net OPEB Asset, Beginning of Year	<u>355,387</u>
Net OPEB Asset, End of Year	<u>\$ 277,052</u>

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 10 - Post-Employment Healthcare Plan (continued)

Three-Year Trend Information

Fiscal Years Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Obligation) Asset
2013	\$ 236,166	- %	\$ 434,743
2014	79,356	-	355,387
2015	78,335	-	277,052

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status of the Plan as of July 1, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2013	\$ 2,055,978	\$ 2,109,092	\$ 53,114	97.48 %	\$ 1,368,819	3.88 %

The accompanying schedule of funding progress - post-employment benefits plan present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Susquehanna River Basin Commission

Notes to Financial Statements

June 30, 2015

Note 10 - Post-Employment Healthcare Plan (continued)

Three-Year Trend Information (continued)

In the July 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5.9% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 7.0% in 2013, reduced by decrements of 0.5% per year to an ultimate rate of 5.5% in 2016 and later. Both rates included a 5.0% inflation assumption. The actuarial value of assets was determined by using the market value of assets. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2013 was 30 years.

Note 11 - Rental Income

The Commission has entered into an agreement to rent a portion of its property to a tenant. Under the terms of the agreement, monthly rents range from \$5,833 to \$9,165. In addition, the tenant is required to maintain general liability and personal property insurance. The initial lease term extends through March 30, 2019 with an optional renewal term of up to five years. Rental income was \$78,408 for the year ended June 30, 2015. Future minimum rent under the agreement is as follows at June 30:

2016	\$	104,153
2017		106,236
2018		108,344
2019		82,487
		<hr/>
	\$	401,220
		<hr/> <hr/>

Note 12 - Subsequent Events

Subsequent events have been evaluated through November 5, 2015, which is the date the financial statements were available to be issued. No material events subsequent to June 30, 2015 were noted.

Susquehanna River Basin Commission

Notes to Budgetary Comparison Schedule

June 30, 2015

The Commission follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Formal budgetary integration is employed as a management control device during the year for the General Fund.
2. The Commission approves the budget appropriation. The Director, Administration and Finance Officer, and Executive Director are authorized to transfer budget amounts between departments. However, within any fund, the Commission's members must approve any revisions that alter the total appropriations of any fund.
3. Unused appropriations for the above annually budgeted funds lapse at the end of the year except for the unexpended balance of such appropriations where contracts are in course of construction at the end of the year.
4. The budget amounts shown in the required supplementary information are the final authorized amounts as approved by the Commission.

Susquehanna River Basin Commission

Budgetary Comparison Schedule - General Fund - Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budgetary Basis

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Signatory parties				
Maryland	\$ 400,000	\$ 360,000	\$ 360,000	\$ -
New York	372,000	259,000	259,000	-
Pennsylvania	785,000	573,000	573,000	-
Federal	1,000,000	-	-	-
Projects and programs				
Chesapeake Bay	130,000	130,000	123,368	(6,632)
Cowanesque project	5,000	5,000	12,940	7,940
EPA water quality	649,000	833,000	793,417	(39,583)
Flood Forecast	-	249,000	61,368	(187,632)
PA Public Water Assistance Initiative	-	75,000	11,964	(63,036)
Enhanced bay monitoring - EPA	200,000	182,000	197,733	15,733
TMDL study	205,500	255,000	259,687	4,687
AMD - Bear, Sandy, Birch	160,000	470,000	54,906	(415,094)
Remote W/Q monitoring network	500,000	604,500	604,500	-
Didymo Sea Grant	80,000	-	19,562	19,562
Dirt and Gravel Roads	-	120,000	18,755	(101,245)
Surface water	-	-	15,732	15,732
Other revenue				
Permit application fees	630,000	600,000	604,256	4,256
NOI permit fees	2,000,000	1,200,000	2,258,250	1,058,250
Compliance monitoring fees	1,850,000	1,350,000	1,573,001	223,001
Special project review fees	285,000	270,000	328,385	58,385
Net realized/unrealized gain (loss) on investments	275,000	300,000	(53,871)	(353,871)
Interest and dividend income	50,000	50,000	145,649	95,649
Rental income	-	75,000	78,408	3,408
Miscellaneous	18,500	15,000	65,584	50,584
Total Revenues	9,595,000	7,975,500	8,365,594	390,094
Expenditures				
Personnel services	4,725,000	4,300,000	4,162,206	137,794
Employee benefits	2,140,000	1,660,000	1,709,348	(49,348)
Special contractual services	900,000	910,000	190,015	719,985
Travel and subsistence	125,000	100,000	81,644	18,356
Communications	80,000	100,000	79,577	20,423
Postage and freight	20,000	20,000	14,181	5,819
Janitorial	35,000	35,000	22,698	12,302
Utilities	80,000	77,500	72,398	5,102

Susquehanna River Basin Commission

Budgetary Comparison Schedule - General Fund - Schedule of Revenues, Expenditures, and Changes in Fund

Balance - Budgetary Basis (continued)

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures (continued)				
Rent	45,000	45,000	24,843	20,157
Printing and reproduction	60,000	60,000	54,642	5,358
Legal advertising	20,000	10,000	-	10,000
Repairs and maintenance	175,000	150,000	161,707	(11,707)
Software maintenance	175,000	175,000	107,176	67,824
Insurance	90,000	90,000	90,620	(620)
Supplies	222,500	187,500	152,737	34,763
Fees - various	510,000	528,000	313,030	214,970
Commissions meetings/publc hearings	90,000	40,000	37,371	2,629
Dues and memberships	15,000	15,000	11,698	3,302
Staff training	75,000	75,000	68,298	6,702
Miscellaneous	37,500	27,500	25,796	1,704
Capital outlay	380,000	295,000	286,070	8,930
Total Expenditures	<u>10,000,000</u>	<u>8,900,500</u>	<u>7,666,055</u>	<u>1,234,445</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(405,000)</u>	<u>(925,000)</u>	<u>699,539</u>	<u>1,624,539</u>
Other Financing Sources				
Transfers in - water management fund	<u>1,405,000</u>	<u>925,000</u>	<u>841,493</u>	<u>(83,507)</u>
Net Changes in Fund Balance	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,541,032</u>	<u>\$ 1,541,032</u>

Susquehanna River Basin Commission

Schedule of Funding Progress - Post-Employment Benefits Plan

June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$ -	\$ 1,939,535	\$ 1,939,535	- %	\$ 1,805,129	107.45 %
7/1/2010	1,430,541	2,609,019	1,178,478	54.83	1,819,564	64.77
7/1/2013	2,055,978	2,109,092	53,114	97.48	1,368,819	3.88

Susquehanna River Basin Commission

Schedule of the Commission's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*

	<u>2015</u>
Commission's proportion of the net pension liability	0.064%
Commission's proportionate share of the net pension liability	<u>\$ 9,556,824</u>
Commission's covered-employee payroll	<u>\$ 3,990,940</u>
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	239.5%
Plan fiduciary net position as a percentage of the total pension liability	64.8%

* Information for years prior to June 30, 2015 is not available.

Susquehanna River Basin Commission

Schedule of Commission Contributions

Last Ten Fiscal Years*

	<u>2015</u>
Contractually required contribution	\$ 743,951
Contributions in relation to the contractually required contribution	<u>743,951</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Commission's Covered Employee Payroll	<u>\$ 3,990,940</u>
Contributions as a Percentage of Covered Employee Payroll	18.6%

* Information for years prior to June 30, 2015 is not available.

Susquehanna River Basin Commission

Changes in Fund Balance - General Fund
Year Ended June 30, 2015

	Assigned Fund Balance			Total Assigned Fund Balance	Unassigned Fund Balance	Total Fund Balance
	Budgetary Working Capital	Unemployment Compensation	Accrued Vacation and Sick Leave		Unassigned	
Balances at July 1, 2014	\$ 2,500,000	\$ 86,820	\$ 584,581	\$ 3,171,401	\$ 3,918,061	\$ 7,089,462
Revenues	-	-	-	-	8,365,594	8,365,594
Expenditures	-	-	-	-	(7,666,055)	(7,666,055)
Other financing sources	-	-	-	-	841,493	841,493
Assignment or reclassification	-	-	64,572	64,572	(64,572)	-
Balances at June 30, 2015	\$ 2,500,000	\$ 86,820	\$ 649,153	\$ 3,235,973	\$ 5,394,521	\$ 8,630,494



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*

Independent Auditor's Report

To the Board of Commissioners
Susquehanna River Basin Commission
Harrisburg, Pennsylvania

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Susquehanna River Basin Commission, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Susquehanna River Basin Commission's basic financial statements, and have issued our report thereon dated November 5, 2015.

Internal Control over Financial Reporting

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

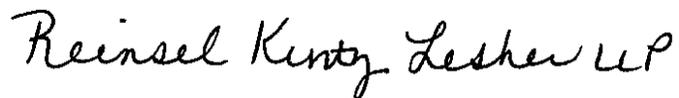
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Susquehanna River Basin Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Reinsel Kintz Lesher LLP". The signature is written in a cursive, flowing style.

November 5, 2015
Lancaster, Pennsylvania



Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

To the Board of Commissioners
Susquehanna River Basin Commission
Harrisburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Susquehanna River Basin Commission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of Susquehanna River Basin Commission's major federal programs for the year ended June 30, 2015. Susquehanna River Basin Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Susquehanna River Basin 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Susquehanna River Basin 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 Susquehanna River Basin Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Susquehanna River Basin 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 June 30, 2015.

Report on Internal Control over Compliance

Management of Susquehanna River Basin 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 Susquehanna River Basin 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 OMB Circular A-133, 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 Susquehanna River Basin 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 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Reinsel Kintz Leshner LLP

November 5, 2015
Lancaster, Pennsylvania

Susquehanna River Basin Commission

Schedule of Expenditures of Federal Awards

June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Award Expended
U.S. Environmental Protection Agency			
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	I-00399111	\$ 793,417*
Chesapeake Bay Program	66.466	7025800000	123,368*
Chesapeake Bay Program	66.466	0603.14.045237	18,755*
Chesapeake Bay Program	66.466	CB-97390605-2	197,733*
Passed through the Commonwealth of Pennsylvania, Department of Environmental Protection Chesapeake Bay Program	66.466	7025800000	205,500*
U.S. Department of Commerce			
Sea Grant Support	11.417	5016-SRBC- NOAA-0063	19,562
Meteorologic and Hydrologic Modernization Development	11.467	N/A	61,368
Total Federal Awards Expended			\$ 1,419,703

* Denotes major programs as defined by OMB Circular A-133.

Susquehanna River Basin Commission

Note to Schedule of Expenditures of Federal Awards

June 30, 2015

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Susquehanna River Basin Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

Susquehanna River Basin Commission

Summary Schedule of Prior Audit Findings

June 30, 2015

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Susquehanna River Basin Commission

Schedule of Findings and Questioned Costs

June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? Yes No

Identification of Major Programs

CFDA Number(s)	Name of Federal Program	Amount Expended
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	\$ 793,417
66.466	Chesapeake Bay Program	545,356
Dollar threshold used to distinguish between Type A and Type B programs:		\$ 300,000
Auditee qualified as low-risk auditee?		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Susquehanna River Basin Commission

Schedule of Findings and Questioned Costs (continued)

June 30, 2015

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.