



**PACIFIC STATES MARINE FISHERIES
COMMISSION**

**Basic Financial Statements
and Supplemental Information**

Years Ended June 30, 2011 and 2010



PACIFIC STATES MARINE FISHERIES COMMISSION
Basic Financial Statements and Supplemental Information
Years Ended June 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Pacific States Marine Fisheries Commission
Portland, Oregon

We have audited the accompanying basic financial statements of the Pacific States Marine Fisheries Commission (the Commission) as of and for the years ended June 30, 2011 and 2010 as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Pacific States Marine Fisheries Commission as of June 30, 2011 and 2010 and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2011 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

AKT LLP

Lake Oswego, Oregon
December 12, 2011

PACIFIC STATES MARINE FISHERIES COMMISSION

Management's Discussion and Analysis

Years Ended June 30, 2011 and 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Pacific States Marine Fisheries Commission's (the Commission) financial performance provides an overview of the Commission's financial activities for the year ended June 30, 2011 and 2010. Please read it in conjunction with the accompanying basic financial statements and notes to the financial statements.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Commission's basic financial statements, which comprise three components: 1) commission-wide financial statements, 2) governmental fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Commission-Wide Financial Statements (Reporting the Commission as a Whole)

The commission-wide financial statements are designed to be similar to private-sector businesses in that all commission activities are consolidated. These statements combine fund financial resources with capital assets and long-term obligations.

The Statements of Net Assets present information on all the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

The Statements of Activities and Changes in Net Assets present information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of when cash is received or paid.

This report also includes two schedules that reconcile the amounts reported in the governmental fund financial statements (modified accrual accounting) with activities on the commission-wide statements (accrual accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in Commission activities are not reported on governmental fund statements.
- Unless due and payable, long-term liabilities, such as capital lease obligations, notes payable, and others only appear as liabilities in the Commission-wide statements.
- Capital outlay spending results in capital assets on the Commission-wide statements and are depreciated over their estimated useful lives, but are reported as expenditures on the governmental fund statements.
- Repayment of debt principal decreases liabilities on the Commission-wide statements, but is reported as an expenditure on the governmental fund statements.
- Gains and losses from disposal of capital assets are reported on the Commission-wide statements, but the total proceeds from such disposals are reported as other financing sources on the governmental fund statements.

Fund Financial Statements (Reporting the Commission's Major Funds)

The fund financial statements provide information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Commission uses to keep track of specific sources of funding and spending for a particular purpose.

The Commission's basic services are reported in the funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The fund financial statements provide a short-term view of the Commission's general operations and the basic services it provides. Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs.

PACIFIC STATES MARINE FISHERIES COMMISSION

Management's Discussion and Analysis

Years Ended June 30, 2011 and 2010

Fund Financial Statements (Reporting the Commission's Major Funds), continued

These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Commission's funds include the General and Special Revenue funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Commission-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements.

Commission-Wide Condensed Financial Information

The following table reflects the Condensed Statements of Net Assets at June 30, 2011 and 2010:

Pacific States Marine Fisheries Commission
Condensed Statements of Net Assets
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets:		
Current assets	\$ 19,199,697	\$ 18,094,882
Noncurrent assets	<u>913,257</u>	<u>907,845</u>
Total Assets	<u>\$ 20,112,954</u>	<u>\$ 19,002,727</u>
Liabilities:		
Current liabilities	\$ 10,305,480	\$ 10,018,805
Long-term liabilities	<u>35,909</u>	<u>-</u>
Total Liabilities	<u>10,341,389</u>	<u>10,018,805</u>
Net Assets:		
Invested in capital assets, net of related debt	791,643	738,001
Unrestricted	<u>8,979,922</u>	<u>8,245,921</u>
Total Net Assets	<u>9,771,565</u>	<u>8,983,922</u>
	<u>\$ 20,112,954</u>	<u>\$ 19,002,727</u>

The Commission's net assets, referred to as unrestricted, may be used to meet the ongoing obligations of the Commission. The remaining net assets reflect investment in capital assets used to provide services to programs; consequently, these assets are not available for future spending.

PACIFIC STATES MARINE FISHERIES COMMISSION

Management's Discussion and Analysis

Years Ended June 30, 2011 and 2010

The following condensed financial information was derived from the Commission-wide Statements of Activities and Changes in Net Assets and reflects how the Commission's net assets changed during the fiscal year.

Pacific States Marine Fisheries Commission
Condensed Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue:		
Grants and contracts	\$ 57,191,926	\$ 59,326,471
General revenue	<u>364,695</u>	<u>169,133</u>
Total Revenue	<u>57,556,621</u>	<u>59,495,604</u>
Expenses:		
Fisheries related programs	56,694,375	59,633,746
Other expenses	<u>74,603</u>	<u>71,779</u>
Total Expenses	<u>56,768,978</u>	<u>59,705,525</u>
Increase (decrease) in Net Assets	787,643	(209,921)
Net Assets, beginning of year	<u>8,983,922</u>	<u>9,193,843</u>
Net Assets, ending of year	<u>\$ 9,771,565</u>	<u>\$ 8,983,922</u>

The net assets increased by \$787,643 during the current fiscal year and as opposed to a decrease in the prior year of \$209,921. The primary factor contributing to the difference between years was a decrease in grants and contracts administered, coupled with a corresponding greater decrease in fisheries related program expenses.

Financial Analysis of the Commission's Funds

General Fund and Grants and Contracts Fund

The focus of the Commission's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, the unrestricted fund balance may serve as a useful measure of the Commission's net resources available for spending at the end of the fiscal year.

As the Commission completed the year, its General Fund reported a fund balance of \$8,979,922 as of June 30, 2011. This amount constitutes the unreserved fund balance, which is available for appropriation for the general purposes of the fund. The excess revenues of the Special Revenue Fund (Grants and Contracts) are transferred to the General Fund at the end of the year resulting in a zero fund balance at the end of the year. The Commission has no legal requirement for a budget, though budget estimates are prepared for the General Fund. Certain contracts and grants have budget requirements, which must be monitored; however, these budgets are not program wide. Accordingly, budgetary information has not been included in the basic financial statements.

PACIFIC STATES MARINE FISHERIES COMMISSION

Management's Discussion and Analysis

Years Ended June 30, 2011 and 2010

Capital Assets and Long-Term Debt

Capital Assets

The Commission's investment in capital assets, net of accumulated depreciation, amounted to \$843,257 and includes a broad range of assets (see the table below). Depreciation charges for this fiscal year totaled \$317,472.

Pacific States Marine Fisheries Commission
Capital Assets as of June 30, 2011
(Net of Depreciation)

Computers	\$	203,111
Furniture/ office		25,346
Leasehold		174,705
Field/ scientific		372,838
Truck/ boat		67,257
Total	\$	<u>843,257</u>

The additions to capital assets for the year ended June 30, 2011 total \$422,728. There are no planned future acquisitions of any significance.

Long-Term Debt

During the current fiscal year, the Commission acquired outstanding debt of \$51,614, related to a capital lease for vehicles acquired during the 2011 fiscal year. The Commission has encountered no problems in obtaining financing as needed.

Economic Expectations

The Commission receives the majority of its revenue from the administration of contracts and grants related to fisheries resources management. The Commission expects continued growth in these services. Most costs associated with administering these agreements have been reasonably stable (allowing for inflation). The Commission has been working diligently to moderate these costs where possible. The Commission's prudent use of resources continues to position it well in providing services to its customers and member states of Alaska, California, Idaho, Oregon, and Washington.

Response to Office of Inspector General Audit

The Commission cooperated fully with the Office of the Inspector General (OIG) during the conduct of the field work for both audits.

The Commission has complied with the instructions in OMB Circular A-87 (2 CFR 230, Appendix E, Section D(1)(b)) concerning submission of indirect cost plans.

In accordance with generally accepted government auditing standards, OMB Circular A-50, and Department of Commerce audit follow-up procedures, the Commission has submitted detailed responses to the two audit reports and large amounts of additional documentation that strongly disputes the validity of the findings in the audit reports concerning its indirect cost rates.

Requests for Information

This financial report is designed to provide a general overview of the Pacific States Marine Fisheries Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Finance, Accounting Division, 205 SE Spokane Street, Suite 100, Portland, Oregon 97202-6413.

PACIFIC STATES MARINE FISHERIES COMMISSION

Statements of Net Assets

June 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and investments	\$ 8,918,040	\$ 9,399,190
Receivables:		
Grants and contracts	4,939,064	3,329,519
Other	5,178,004	5,195,052
Notes receivable, current portion	41,000	41,000
Prepaid expenses	<u>123,589</u>	<u>130,121</u>
Total Current Assets	<u>19,199,697</u>	<u>18,094,882</u>
Noncurrent Assets:		
Capital assets, net of accumulated depreciation	843,257	738,001
Notes receivable, noncurrent portion	<u>70,000</u>	<u>169,844</u>
Total Noncurrent Assets	<u>913,257</u>	<u>907,845</u>
	<u>\$ 20,112,954</u>	<u>\$ 19,002,727</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 6,284,972	\$ 5,968,147
Payroll liabilities	783,561	832,419
Accrued compensated absences	2,409,525	2,413,822
Capital lease obligation, current portion	15,705	-
Deferred revenues	<u>811,717</u>	<u>804,417</u>
Total Current Liabilities	<u>10,305,480</u>	<u>10,018,805</u>
Capital Lease Obligation, noncurrent portion	<u>35,909</u>	<u>-</u>
Total Liabilities	<u>10,341,389</u>	<u>10,018,805</u>
Net Assets:		
Investment in capital assets, net of related debt	791,643	738,001
Unrestricted	<u>8,979,922</u>	<u>8,245,921</u>
Total Net Assets	<u>9,771,565</u>	<u>8,983,922</u>
	<u>\$ 20,112,954</u>	<u>\$ 19,002,727</u>

See accompanying notes to basic financial statements.

PACIFIC STATES MARINE FISHERIES COMMISSION

Statements of Activities and Changes in Net Assets

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Program Expenses:		
Materials and services	\$ 29,771,767	\$ 29,397,781
Personal services	22,621,108	21,823,511
Salmon disaster relief	2,750,817	6,790,001
Sport rewards	1,090,060	1,140,761
Capital outlay not capitalized	143,151	131,136
Payments on unemployment claims	73,831	71,750
Interest expense	772	29
Depreciation	<u>317,472</u>	<u>350,556</u>
Total Program Expenses	<u>56,768,978</u>	<u>59,705,525</u>
Program Revenues - Grants and Contracts	<u>57,191,926</u>	<u>59,326,471</u>
Net Program Revenues (Expenses)	<u>422,948</u>	<u>(379,054)</u>
General Revenues:		
State dues	106,000	106,000
Leases, rents, and data processing fees	170,625	-
Interest and other income	<u>88,070</u>	<u>63,133</u>
Total General Revenues	<u>364,695</u>	<u>169,133</u>
Increase (Decrease) in Net Assets	787,643	(209,921)
Net Assets, beginning	<u>8,983,922</u>	<u>9,193,843</u>
Net Assets, ending	<u>\$ 9,771,565</u>	<u>\$ 8,983,922</u>

PACIFIC STATES MARINE FISHERIES COMMISSION**Balance Sheets - Governmental Funds**

June 30, 2011 with Comparative Totals for 2010

	General	Grants and Contracts	Totals	
	<u> </u>	<u> </u>	<u>2011</u>	<u>2010</u>
ASSETS				
Cash and Investments	\$ 8,918,040	\$ -	\$ 8,918,040	\$ 9,399,190
Due from Other Funds	4,939,064	811,717	5,750,781	4,133,936
Receivables:				
Grants and contracts	-	4,939,064	4,939,064	3,329,519
Other	5,289,004	-	5,289,004	5,405,896
Prepaid Expenses	<u>123,589</u>	<u>-</u>	<u>123,589</u>	<u>130,121</u>
	<u>\$ 19,269,697</u>	<u>\$ 5,750,781</u>	<u>\$ 25,020,478</u>	<u>\$ 22,398,662</u>
LIABILITIES AND FUND BALANCE				
Due to Other Funds	\$ 811,717	\$ 4,939,064	\$ 5,750,781	\$ 4,133,936
Accounts Payable	6,284,972	-	6,284,972	5,968,147
Payroll Liabilities	783,561	-	783,561	832,419
Accrued Compensated Absences	2,409,525	-	2,409,525	2,413,822
Deferred Revenues	<u>-</u>	<u>811,717</u>	<u>811,717</u>	<u>804,417</u>
Total Liabilities	<u>10,289,775</u>	<u>5,750,781</u>	<u>16,040,556</u>	<u>14,152,741</u>
Fund Balance - Unreserved	<u>8,979,922</u>	<u>-</u>	<u>8,979,922</u>	<u>8,245,921</u>
	<u>\$ 19,269,697</u>	<u>\$ 5,750,781</u>	<u>\$ 25,020,478</u>	<u>\$ 22,398,662</u>

PACIFIC STATES MARINE FISHERIES COMMISSION

Reconciliation of the Governmental Funds Balance Sheets to the Statements of Net Assets

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Fund Balance - Governmental Funds	\$ <u>8,979,922</u>	\$ <u>8,245,921</u>
<p>Amounts reported for governmental activities in the statements of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds:</p>		
Capital assets	3,554,047	3,463,635
Less accumulated depreciation	<u>(2,710,790)</u>	<u>(2,725,634)</u>
	<u>843,257</u>	<u>738,001</u>
<p>Long-term debt obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds:</p>		
Capital lease obligation	<u>(51,614)</u>	<u>-</u>
Net Assets	\$ <u><u>9,771,565</u></u>	\$ <u><u>8,983,922</u></u>

PACIFIC STATES MARINE FISHERIES COMMISSION

Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2011 with Comparative Totals for 2010

	General	Grants and Contracts	Totals	
			2011	2010
Revenues:				
Grant and contracts	\$ -	\$ 57,191,926	\$ 57,191,926	\$ 59,326,471
State dues	106,000	-	106,000	106,000
Leases, rents, and data processing fees	170,625	-	170,625	-
Interest and other income	88,070	-	88,070	63,133
Total Revenues	364,695	57,191,926	57,556,621	59,495,604
Expenditures:				
Current:				
Personal services	2,193,763	20,427,345	22,621,108	21,823,511
Salmon disaster relief	-	2,750,817	2,750,817	6,790,001
Materials and services	1,478,459	28,293,308	29,771,767	29,397,781
Sport rewards	-	1,090,060	1,090,060	1,140,761
Capital outlay	152,165	413,714	565,879	276,529
Debt service:				
Principal	5,090	-	5,090	8,832
Interest	772	-	772	29
Total Expenditures	3,830,249	52,975,244	56,805,493	59,437,444
Excess (Deficiency) of Revenues over Expenditures	(3,465,554)	4,216,682	751,128	58,160
Other Financing Sources (Uses):				
Capital leases	-	56,704	56,704	-
Payments on unemployment claims	(73,831)	-	(73,831)	(71,750)
Indirect cost/administration proceeds	4,273,386	-	4,273,386	3,863,673
Indirect cost/administration charges	-	(4,273,386)	(4,273,386)	(3,863,673)
Total Other Financing Sources (Uses)	4,199,555	(4,216,682)	(17,127)	(71,750)
Excess of Revenues and Other Sources (uses) over Expenditures and Other Sources (uses)	734,001	-	734,001	(13,590)
Beginning Fund Balance	8,245,921	-	8,245,921	8,259,511
Ending Fund Balance	\$ <u>8,979,922</u>	\$ <u>-</u>	\$ <u>8,979,922</u>	\$ <u>8,245,921</u>

See accompanying notes to basic financial statements.

PACIFIC STATES MARINE FISHERIES COMMISSION

**Reconciliation of the Governmental Funds Statements of Revenues, Expenditures, and Changes
in Fund Balances to the Statements of Activities and Changes in Net Assets**

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Net Change in Fund Balance - Total Governmental Funds	\$ <u>734,001</u>	\$ <u>(13,590)</u>

Amounts reported for governmental activities in the statements of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives.

Capital outlay	565,879	276,529
Less capital outlay not capitalized	(143,151)	(131,136)
Less current year depreciation	<u>(317,472)</u>	<u>(350,556)</u>
	<u>105,256</u>	<u>(205,163)</u>

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment of principal reduces long-term liabilities in the statement of net assets and the amount representing interest is included as an expense in the statement of activities:

Change in capital lease obligations	(56,704)	-
Capital lease payments	5,862	8,861
Interest expense	<u>(772)</u>	<u>(29)</u>
	<u>(51,614)</u>	<u>8,832</u>
Change in Net Assets	\$ <u><u>787,643</u></u>	\$ <u><u>(209,921)</u></u>

PACIFIC STATES MARINE FISHERIES COMMISSION

Notes to Basic Financial Statements

Years Ended June 30, 2011 and 2010

Note 1 - Organization and Summary of Significant Accounting Policies

The Pacific States Marine Fisheries Commission (the Commission) was authorized in 1947 by Act of the Congress of the United States of America granting consent and approval to an interstate compact. The Commission is composed of five member states: Alaska, California, Idaho, Oregon, and Washington. While the Commission has no regulatory or management authority, it was created to provide collective participation by states to work on mutual problems of fisheries resource management. The Commission's principal offices are located in Portland, Oregon.

The Financial Reporting Entity

The Commission is a quasi-governmental corporation governed by a 15 member board. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the Commission (the primary government) and any component units. Component units, as established by Government Accounting Standards Board (GASB) Statement No. 14, are separate organizations that are included in the Commission's reporting entity because of the significance of their operational or financial relationships with the Commission. The Commission has no reportable component units.

Basis of Accounting and Measurement Focus

The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Commission-Wide Financial Statements

The Commission-wide financial statements include Statements of Net Assets and Statements of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the Commission.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Commission's assets and liabilities, including capital assets and long-term liabilities are included in the accompanying Statements of Net Assets. The Statements of Activities present changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Grants and contract revenue are considered program revenues by the Commission.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to inter-fund activities, payables, and receivables. All interfund balances in the Statements of Net Assets have been eliminated.

The Commission applies all applicable GASB pronouncements (including National Council on Governmental Accounting (NCGA) Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedures.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet, and a Statement of Revenues, Expenditures, and Changes in Fund Balance for the following governmental funds:

General Fund: This fund accounts for all financial resources and uses, which are not included in the Special Revenue Fund. Resources of the General Fund are typically not restricted for use within specific projects. The fund's principal revenue sources are indirect costs charged to the special revenue fund and state contributions.

PACIFIC STATES MARINE FISHERIES COMMISSION

Notes to Basic Financial Statements

Years Ended June 30, 2011 and 2010

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Governmental Fund Financial Statements, continued

Special Revenue Fund (Grants and Contracts): This fund accounts for revenue and expenditures restricted for specific projects or programs. The Fund's principal revenue sources are grants and contracts from various Federal and member state agencies.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the fund balance sheet. The Statements of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Most revenue sources have been treated as susceptible to accrual by the Commission as the amounts due are known at year-end. Interest revenue and some other miscellaneous revenues are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the Commission receives resources before it has a legal claim to them as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

Reconciliation of the Governmental Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Comparative Data

Comparative total data for the prior year have been presented in selected sections of the accompanying basic financial statements in order to provide an understanding of changes in the Commission's financial position and operations.

Budgets

The Commission has no legal requirement for a budget, though budget estimates are prepared for the General Fund. Certain contracts and grants have budget requirements which must be monitored; however, these budgets are not program-wide. Accordingly, budgetary information has not been included in the basic financial statements.

Grants

Unreimbursed grant expenditures due from grantor agencies are recorded in the Commission-Wide Financial Statements as receivables and revenues. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability, deferred revenue, in the statement of net assets.

Capital Assets, Including Equipment Leased Under Capital Leases

Capital assets are recorded at original cost or estimated original cost in the Statements of Net Assets. Acquisitions of general capital assets are recorded as expenditures at the major program levels in governmental fund types at the time of purchase. Maintenance, repairs, and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized. Upon disposal of capital assets, the related cost or estimated cost and any proceeds from such disposal are accounted for as another financing source. At their inception, capitalized leases are recorded as capital assets at the net present value of future minimum lease payments to be made.

PACIFIC STATES MARINE FISHERIES COMMISSION

Notes to Basic Financial Statements

Years Ended June 30, 2011 and 2010

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Capital Assets, Including Equipment Leased Under Capital Leases, continued

The portion of the payment applicable to principal, determined by using interest rates implicit in the lease, is reported as a reduction of the capitalized lease obligation.

Depreciation is recorded in the Statements of Activities and Changes in Net Assets. The Statements of Net Assets reflects the cost of capital assets net of depreciation and is computed on the straight line basis over the following estimated useful lives. Assets acquired by capital lease are amortized over their estimated useful lives using the straight-line basis. Amortization is included in depreciation expense in these financial statements.

Capital Assets

Buildings and improvements	30 years
Computers, furniture, office, and field equipment	3 - 10 years

Capital assets include assets which were purchased with funds from various federal and state agencies. Those funding agencies retain residual interests in certain assets, which are exercised upon disposal.

Cash and Investments

The Commission maintains its cash either in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor or in certain non-interest bearing accounts that are fully insured by the FDIC. At June 30, 2011, the Commission had \$5,698,011 in cash that was exposed to uninsured deposit risk (\$5,430,706 at June 30, 2010). To reduce its overall exposure, the Commission holds its funds in banks that participate in the Oregon Public Funds Collateralization Program. This program provides additional protection for public funds in Oregon, but does not guarantee the funds fully. The Commission has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Certificates of deposit are recorded at cost.

Grants and Contracts Receivable

The majority of receivables are comprised of claims for reimbursement of costs under various federal and state grant programs. The Commission considers all receivables to be substantially collectible. Accordingly, no allowance for doubtful accounts has been established.

Accrued Compensated Absences

Vacation pay is vested when earned. Employees earn annual leave based on length of service to the Commission. Unpaid vested vacation and 50% of vested sick pay that is expected to be paid with current resources is shown as accrued compensated absences payable on the balance sheet and recorded as expenditures when earned.

Retirement Plans

Commission employees meeting eligibility requirements are participants in a defined contribution pension plan (the Plan). Contributions to this Plan are made on a current basis as required by the Plan and are charged to expenditures as the related liabilities are incurred.

Employees of the Commission are also allowed to participate in the Nationwide Retirement Solution's IRC 457 Plan. The Plan permits employees to voluntarily defer a portion of their compensation. The Commission makes no contributions to this Plan. Nationwide Retirement Solutions, as the plan Administrator, retains custody and fiduciary responsibility for all funds deposited into the Plan.

Interfund Transactions

Activity between funds represent short-term receivables or payables in the normal course of the Commission's operations or are reimbursements for administrative expenses that are outstanding at the end of the fiscal year. All outstanding balances are reported as either due to or due from other funds in the fund financial statements.

PACIFIC STATES MARINE FISHERIES COMMISSION

Notes to Basic Financial Statements

Years Ended June 30, 2011 and 2010

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Estimates

The Commission uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through December 12, 2011, which is the date the basic financial statements were available to be issued.

Note 2 - Cash and Investments

The Commission maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported on the Balance Sheets as Cash and Investments.

Cash and Investments (recorded at cost) at June 30 consisted of:

	<u>2011</u>	<u>2010</u>
Petty cash	\$ 350	\$ 350
Deposits with financial institutions:		
Demand deposits	2,535,286	3,231,840
Market interest - variable interest notes	281,393	721,000
Savings - variable interest notes	<u>6,101,011</u>	<u>5,446,000</u>
Total	<u>\$ 8,918,040</u>	<u>\$ 9,399,190</u>

PACIFIC STATES MARINE FISHERIES COMMISSION

Notes to Basic Financial Statements

Years Ended June 30, 2011 and 2010

Note 3 - Capital Assets

Capital asset activity was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<u>Capital assets:</u>				
Computers	\$ 1,498,184	\$ 231,422	\$ 290,379	\$ 1,439,227
Furniture and office equipment	203,576	-	17,888	185,688
Leasehold improvements	407,790	-	1,421	406,369
Field and scientific equipment	1,268,608	122,005	22,628	1,367,985
Truck/boat	85,477	69,301	-	154,778
Total capital assets	<u>3,463,635</u>	<u>422,728</u>	<u>332,316</u>	<u>3,554,047</u>
<u>Accumulated depreciation:</u>				
Computers	1,435,265	91,230	290,379	1,236,116
Furniture and office equipment	160,717	17,513	17,888	160,342
Leasehold improvements	211,839	21,246	1,421	231,664
Field and scientific equipment	841,783	175,992	22,628	995,147
Truck/boat	76,030	11,491	-	87,521
Total accumulated depreciation	<u>2,725,634</u>	<u>317,472</u>	<u>332,316</u>	<u>2,710,790</u>
Total capital assets, net	<u>\$ 738,001</u>	<u>\$ 105,256</u>	<u>\$ -</u>	<u>\$ 843,257</u>

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<u>Capital assets:</u>				
Computers	\$ 2,518,061	\$ 33,417	\$ 1,053,294	\$ 1,498,184
Furniture and office equipment	256,513	-	52,937	203,576
Leasehold improvements	407,790	-	-	407,790
Field and scientific equipment	1,297,494	111,975	140,861	1,268,608
Truck/boat	100,028	-	14,551	85,477
Total capital assets	<u>4,579,886</u>	<u>145,392</u>	<u>1,261,643</u>	<u>3,463,635</u>
<u>Accumulated depreciation:</u>				
Computers	2,353,853	134,706	1,053,294	1,435,265
Furniture and office equipment	194,067	19,587	52,937	160,717
Leasehold improvements	180,811	31,028	-	211,839
Field and scientific equipment	822,581	160,063	140,861	841,783
Truck/boat	85,409	5,172	14,551	76,030
Total accumulated depreciation	<u>3,636,721</u>	<u>350,556</u>	<u>1,261,643</u>	<u>2,725,634</u>
Total capital assets, net	<u>\$ 943,165</u>	<u>\$ (205,164)</u>	<u>\$ -</u>	<u>\$ 738,001</u>

PACIFIC STATES MARINE FISHERIES COMMISSION

Notes to Basic Financial Statements

Years Ended June 30, 2011 and 2010

Note 4 - Capital Lease Obligation

In 2011, the Commission entered into a lease agreement for financing the acquisition of two vehicles, expiring in 2015. Minimum monthly lease payments total \$17,585 including interest at 9%. At June 30, 2011 the fair value of the assets under lease, net of accumulated amortization was \$52,836. In the prior year the Commission paid in full its capital lease for computer equipment. The new agreement qualified as a capital lease for accounting purposes and, therefore, was recorded at the present value of future minimum lease payments as of the date of inception. The following is a schedule of the capital lease obligation as of June 30, 2011:

	<u>Capital Lease</u>
Balance, June 30, 2009	\$ 8,833
Additions	-
Payments	<u>8,833</u>
Balance, June 30, 2010	-
Additions	56,704
Payments	<u>5,090</u>
Balance, June 30, 2011	<u>\$ 51,614</u>

The total interest incurred for the year ended June 30, 2011 was \$772 (\$29 for the year ended June 30, 2010).

Minimum future lease payments	
2012	\$ 17,585
2013	17,585
2014	15,293
2015	<u>6,313</u>
Total minimum lease payments	56,776
Less amounts representing interest	<u>5,162</u>
Present value of minimum lease payments	51,614
Less current portion	<u>15,705</u>
Long-term portion	<u>\$ 35,909</u>

Note 5 - Pension Plan

The Commission sponsors the Pacific States Marine Fisheries Commission Employees Pension Plan (the Plan), which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments on those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

PACIFIC STATES MARINE FISHERIES COMMISSION

Notes to Basic Financial Statements

Years Ended June 30, 2011 and 2010

Note 5 - Pension Plan, continued

Employees must meet eligibility requirements based upon hours and length of service to participate in the plan. The Commission is required to contribute an amount equal to 14% of the eligible employee's gross earnings. Vesting is based on a schedule that provides 100% vesting at the end of 5 years of qualified employment. An employee who leaves the employment of the Commission is entitled to his or her vested interest in the Plan.

Forfeitures are used to reduce future contributions. For the year ended June 30, 2011, the Commission contributed \$1,527,745 to the Plan, net of forfeitures (\$1,496,586 for the year ended June 30, 2010). There were 310 participants in the Plan at June 30, 2011 (267 at June 30, 2010).

Note 6 - 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. The Commission purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past 3 years.

Effective January 1, 2010, the Commission opted into the Oregon unemployment insurance program rather than being self-insured for Oregon unemployment claims. Per the Oregon rules for transitioning from self-insured to insured, claims paid during the 24 months after the election are processed by Oregon as self-insured claims. Accordingly there were self-insured costs during the fiscal years ended June, 30, 2011 and 2010. Costs are recorded as expenditures in the General Fund when it is probable that a claim has been incurred and the amount of the claim can be reasonably estimated. Claims of \$73,940 were paid in the fiscal year 2011 (\$82,222 in 2010), of which \$5,953 is related to and was recorded as a liability at June 30, 2011 (\$6,062 at June 30, 2010), resulting in recognized expenses of \$73,831 for the year ended June 30, 2011 (\$71,750 for the year ended June 30, 2010).

Note 7 - Operating Leases

The Commission, as lessee, leases office space, vehicles, and equipment under various operating leases. The total amount expended under such leases was \$526,331 for the year ended June 30, 2011 (\$525,425 in 2010).

The future minimum lease payments for the non-cancellable leases with initial or remaining lease terms of 1 year or more are as follows for the year ended June 30:

2012	\$	555,195
2013		531,627
2014		195,962
2015		96,795
2016		23,265
	\$	<u>1,402,844</u>

For the year ended June 30, 2010, the Commission charged rent based on space allocation, to the applicable programs. During the year ended June 30, 2011 the Commission began including this allocation in their indirect cost allocation, charging the rent to grants and contracts as applicable. Total rent revenue was \$0 at June 30, 2011 and \$184,104 at June 30, 2010.

PACIFIC STATES MARINE FISHERIES COMMISSION

Notes to Basic Financial Statements

Years Ended June 30, 2011 and 2010

Note 8 - Notes Receivable

The Commission has two notes receivable with companies who were overpaid federal grant funds. One note is payable in yearly installments of \$21,000, and is to be paid in full by June 30, 2013, at zero percent interest.

The other note (note 2) is payable in monthly installments of \$500, increasing to \$1,000 in the year ending June 30, 2012. If the payer adheres to the payment plan, no interest is charged on the note. However, if the payer does not adhere to the payment plan the note is charged 9% interest.

Subsequent to year-end the payer of note 2 did not adhere to the terms of the payment plan. The Commission has filed a security interest in the debtor's assets pursuant to the settlement agreement and is preparing a confession of judgment and modified settlement agreement. The Commission and its legal counsel are unable to provide an evaluation as to the outcome of the matter as of the date of the audit report.

Note 9 - Commitments and Contingencies

As discussed in Note 1, the Commission holds capital assets for which granting agencies, principally Federal agencies, have residual interests. The granting agencies, at their discretion upon disposition of these assets, are entitled to possession of the assets or the proceeds from their sale.

Substantially all amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Commission's management expects such amounts, if any, to be immaterial.

Note 10 - Office of Inspector General's Audit

During 2009 the Office of Inspector General (OIG) began an audit of the Commission's indirect cost plans and rates and administrative rates for the fiscal years ending June 30, 2002 through 2008, as well as two cooperative agreements between the Commission and the National Oceanic and Atmospheric Association (NOAA). Both audits concluded in 2011 and two reports were issued, dated May 19, 2011 and June 10, 2011. The Commission has cooperated fully with the OIG during their audits of governmental awards.

In the audit of NOAA Cooperative Agreements to the Commission, dated June 10, 2011, the OIG has recommended that that NOAA's Director, Acquisition and Grants disallow and recover \$2,420,489 in questioned project costs. In the audit of Indirect Cost Plans and Rates of the Commission, dated May 19, 2011, the OIG has recommended that Department of Commerce disallow and recover \$15.6 million in indirect costs and \$2.9 million in administrative fees charged by the Commission during the years 2002 through 2008.

The Commission is vigorously pursuing these audits and believes that they have operated in compliance with all applicable requirements. As a result of their efforts the Commission is not able to reasonably estimate an associated liability with the audits, therefore no accrual as been made as of June 30, 2011 or 2010 for any potential adverse outcome.

The Commission has submitted detailed responses to the audit reports strongly disputing the validity of the findings. The Commission engaged a consultant to assist in developing responses to the audit reports in accordance with generally accepted government auditing standards, OMB Circular A-50, and Department of Commerce audit follow-up procedures. In addition, a consultant was engaged to perform an indirect cost rate study and prepare an updated indirect cost rate plan in accordance with OMB Circular A-87 (2 CFR 230, Appendix E, Section D(1)(b)). As of the date of the basic financial statement report, the Commission has submitted its indirect cost rate plan for approval to the Department of Commerce Grants Management Division, and is currently waiting for a response.

SUPPLEMENTAL INFORMATION



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**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**

To the Board of Commissioners
Pacific States Marine Fisheries Commission
Portland, Oregon

We have audited the basic financial statements of Pacific States Marine Fisheries Commission (the Commission) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 12, 2011. 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.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

We noted certain other matters that we reported to management of the Commission in a separate letter dated December 12, 2011.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

AKT LLP

Lake Oswego, Oregon
December 12, 2011

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
Pacific States Marine Fisheries Commission
Portland, Oregon

Compliance

We have audited Pacific States Marine Fisheries Commission's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pacific States Marine Fisheries Commission's major federal programs for the year ended June 30, 2011. Pacific States Marine Fisheries Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pacific States Marine Fisheries Commission's management. Our responsibility is to express an opinion on Pacific States Marine Fisheries Commission's compliance based on our audit.

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 Pacific States Marine Fisheries 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. Our audit does not provide a legal determination of Pacific States Marine Fisheries Commission's compliance with those requirements.

In our opinion, Pacific States Marine Fisheries Commission complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Pacific States Marine Fisheries Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pacific States Marine Fisheries Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Pacific States Marine Fisheries Commission's internal control over compliance.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Pacific States Marine Fisheries Commission's responses to the findings identified in our audit, if any, are described in the accompanying schedule of findings and questioned costs. We did not audit Pacific States Marine Fisheries Commission's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

AKT LLP

Lake Oswego, Oregon
December 12, 2011

PACIFIC STATES MARINE FISHERIES COMMISSION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

	Federal CFDA Number	Number	Expenditures	
Federal Grantor Direct Awards:				
Bonneville Power Administration				
2010 Coded Wire Tag	n/a	44922	\$ 1,332,367	
2011 Coded Wire Tag	n/a	50555	916,746	
ANS Prevention Plan	n/a	3373	81,030	
Cap Lyle Falls Equipment	n/a	51863	137,940	
Chum Salmon Spawning Below 4 Dams	n/a	44312	90,882	
Chum Spawning Below the Dams	n/a	49534	5,581	
Comparative Survival Study	n/a	45472	97,782	
Comparative Survival Study	n/a	50554	195,548	
Cowlitz Falls	n/a	3978	97,746	
Cowlitz Falls Fish Facility	n/a	50217	219,513	
Duncan Creek Chum 2010	n/a	44313	35,419	
Fish Passage Center	n/a	45525	565,057	
Fish Passage Center	n/a	50744	833,463	
Northern Pikeminnow Management Prgm	n/a	46941	2,217,668	
Northern Pikeminnow Program 2011	n/a	52617	1,065,147	
PTAGIS 2009	n/a	41401	2,701,862	
Smolt Monitoring 2009	n/a	42480	(861)	
Smolt Monitoring Program 2010	n/a	46930	1,364,800	
Smolt Monitoring Program 2011	n/a	52114	712,158	
Streamnet	n/a	43664	529,472	
Streamnet FY11	n/a	49053	1,456,041	
Zebra and Quagga Mussel Prevention	n/a	49365	224,959	
Total US Department of Energy				\$ 14,880,322
U.S. Fish & Wildlife Service				
Pacific Coast Recreational Fisheries Support	15.605	A-7-5	133,053	
RecFish	15.605	A-7	112	
Recfish	15.605	A-7-6	70,784	
	15.605 Total		<u>203,949</u>	
Delayed Mortality Workshop	15.608	13310AJ126	13,175	
Dressinid Mussel Removal Protocols	15.608	601819G316	15,916	
Fish Passage Decision Support System	15.608	813327G013	15,555	
Mark Fall/Winter Salmon at Coleman Stone/Hatchery	15.608	813309J729	11,210	
Watercraft Dressenid Mussel Elimination	15.608	60181AG561	2,796	
Watercraft Inspection Training	15.608	601817G288	32,805	
Watercraft Interception Dreissenid	15.608	98210AG026	24,895	
	15.608 Total		<u>116,352</u>	
FWS Camp Data	15.648	814209J520	150,658	
NFPP Barrier Assessment Shasta-Tehama	15.648	813309G730	13,425	
	15.648 Total		<u>164,083</u>	
Rapid Response 100th Meridian Initiative	15.649	101407J102	100,962	
	15.649 Total		<u>100,962</u>	
CA Hatchery Reform	15.650	80270AG001	1,029,635	
FWS Mark Support	15.650	101407J100	74,412	
	15.650 Total		<u>1,104,047</u>	
Idaho Hatchery Evaluation	15.661	14110AJ016	155,259	
Idaho Hatchery Evaluation	15.661	14110BJ016	494,801	
	15.661 Total		<u>650,060</u>	
Total US Fish & Wildlife Service				2,339,452
U.S. Bureau of Reclamation				
Coleman-Nimbus Constant Fractional Marking	15.512	R10AP20714	782,352	
Total Bureau of Reclamation				782,352

PACIFIC STATES MARINE FISHERIES COMMISSION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Bureau of Land Management			
OR Coastal Cutthroat Trout Database	15.231	L10AC20376	<u>9,991</u>
Total Bureau of Land Management			9,991
National Oceanic and Atmospheric Administration-National Marine Fisheries Service			
Regional Mark Processing Center	11.405	NA06NMF4050065	<u>47,540</u>
	11.405 Total		<u>47,540</u>
IJFA	11.407	NA06NMF4070275	60,254
IJFA	11.407	NA10NMF4070441	268,810
	11.407 Total		<u>329,064</u>
Atlantic Salmon & Aquatic Invasive Species Support	11.417	NA07OAR4170501	73,555
Atlantic Salmon ANS (Sea Grant)	11.417	NA06OAR4170261	3,539
PSMFC Salmon and Aquatic Invasive Species	11.417	NA08OAR4170927	22,469
	11.417 Total		<u>99,563</u>
Coop Economic Collection & Mangement	11.434	NA10NMF4340183	121,198
	11.434 Total		<u>121,198</u>
Columbia River Restoration Monitoring	11.436	NA06NMF4360290	1,764,419
Salmon Habitat Restoration	11.436	NA10NMF4360439	192,643
	11.436 Total		<u>1,957,062</u>
2008-2013 Groundfish Age Reader Program	11.437	NA08NMF4370660	354,957
AKFIN	11.437	NA06NMF4370212	250,382
AKFIN	11.437	NA10NMF4370459	2,740,039
BSAI Crab Fisheries	11.437	NA08NMF4370485	175,564
Cost Earnings Data (EFIN)	11.437	NA06NMF4370274	145,562
Cost Earnings Data (EFIN)	11.437	NA10NMF4370440	12,156
FIS: West Coast & Alaska	11.437	NA04NMF4370385	21,288
Fishing Industry GF Data Collection	11.437	NA07NMF4370213	222,025
Fishset-Fisheries Spatial Economic Toolbox	11.437	NA10NMF4370286	11,317
Groundfish Trawl Observer Compliance Monitoring	11.437	NA10NMF4370469	1,613,312
National VMS Data Collection	11.437	NA06NMF4370224	302,654
National VMS Data Collection	11.437	NA08NMF4370657	62,072
OR Groundfish Aging	11.437	NA05NMF4371160	(479)
PacFin	11.437	NA06NMF4370280	866,521
PacFin	11.437	NA10NMF4370460	2,492,043
RecFin	11.437	NA06NMF4370241	(6,384)
RecFin	11.437	NA10NMF4370449	1,834,633
Regional Impact Monitoring	11.437	NA05NMF4371159	12,424
West Coast Groundfish Observer Program	11.437	NA10NMF4370448	2,480,137
West Coast GF Observer Program	11.437	NA06NMF4370253	1,441,246
West Coast Groundfish TIQ	11.437	NA09NMF4370398	613,531
	11.437 Total		<u>15,645,002</u>
Pinniped Population Study	11.439	NA05NMF4391151	(5,528)
Pinniped Population Study	11.439	NA09NMF4390335	259,096
	11.439 Total		<u>253,568</u>
Energy Symposium	11.441	NA10NMF4410466	208,863
	11.441 Total		<u>208,863</u>
Yukon River Commercial Fishery Disaster Relief	11.452	NA10NMF4520479	3,340,017
	11.452 Total		<u>3,340,017</u>
2010 PICES Annual Conference	11.454	NA09NMF4540387	184,716
Klamath Salmon Disaster Relief	11.454	NA07NMF4540337	1,777,200
Sacramento River Disaster Relief Program	11.454	NA08NMF4540682	228,934
	11.454 Total		<u>2,190,850</u>
South Fork Eel River Coho Population Monitoring	11.472	NA10NMF4000296	80,880
Santa Ynez River Watershed Assessment	11.472	NA10NMF4720297	43,395
	11.472 Total		<u>124,275</u>
Total US Department of Commerce			24,317,003
Total Direct Awards			<u>42,329,120</u>

PACIFIC STATES MARINE FISHERIES COMMISSION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor Pass Through Awards

State of California

07/08 Adaptive Projects	11.438	P0710501	314,053
08/09 Adaptive Projects	11.438	P0810503	214,945
08-09 Coastal Restoration Monitoring Evaluation	11.438	P0810526	71,597
2010 Mendocino County Salmonid Monitoring	11.438	P0910305	158,526
Big Basin/San Mateo Spawning Ground Surveys	11.438	P0930411	66,151
CA Habitat Restoration Database 09-11	11.438	P0881016	327,483
Camarillo Fish Habitat Specialist	11.438	P1050012	8,014
Canarillo Fish Habitat Specialist	11.438	P0850015	74,696
Coastal Mendocino Salmonid Monitoring	11.438	P0710540	(17,180)
Coastal Watershed Planning Assessment	11.438	P0910535	109,984
Mendocino Salmonid Life Cycle	11.438	P0810312	153,551
N Coast Restoration Monitoring 2010-2013	11.438	P0910534	146,572
North Coast Restoration Monitoring	11.438	P0710518	(404)
PAD Anadromous Passage Restoration 09-11	11.438	P0881017	107,021
Warm Springs Hatchery - Tech Oversight	11.438	P0830001	353,458
	11.438 Total		<u>2,088,467</u>
Spring Salmon Outmigrant Trapping	15.512	P0710004	48
	15.512 Total		<u>48</u>
San Joaquin Data Collection	15.517	P1040002	155,053
	15.517 Total		<u>155,053</u>
CRFS & Salmon Project	15.605	P0970005	909,681
CRFS and Ocean Salmon Projects	15.605	P0670008	-
High Mountain Lakes Assistance	15.605	P0981003	278,608
	15.605 Total		<u>1,188,289</u>
ARCGIS Server Migration	15.634	P0984001	25,647
Biographic Data Branch-GIS Data Conversion	15.634	P1084003	14,740
	15.634 Total		<u>40,387</u>
MTN Frog & Trout Habitat Restoration	15.615/15.608	P0660009	85,719
	15.615/15.608 Total		<u>85,719</u>
CA Coastal Watershed Sci/Tech Support	NA	P0710536	-
PAD Anadromous Passage Restoration	NA	P0781018	-
	NA Total		<u>-</u>
Response to Humboldt Habitat Restoration	TBD	P0810517	65,509
	TBD Total		<u>65,509</u>

Total State of California

3,623,471

State of Idaho

IDFG Fish Marking	15.661	IDFG-857.11	409,832
	15.661 Total		<u>409,832</u>
IDFG Research & Management Schrader	(BPA, NOAA & USFWS)	IDFG-907	433,187
	(BPA, NOAA & USFWS FUNDED) Total		<u>433,187</u>
IDFG Fish Marking	15.649/FWS & 11.438/NOAA	IDFG-857.10	430,195
	15.649/FWS & 11.438/NOAA Total		<u>430,195</u>
IDFG Research & Management	N/A (FUNDED THRU BPA)	IDFG-907.11	565,114
	N/A (FUNDED THRU BPA) Total		<u>565,114</u>

Total State of Idaho

1,838,328

State of Oregon

Oregon RECFIN Supplemental	15.605	0209350IGAFISH	34,417
Oregon RECFIN Supplemental	15.605	02010277GAFISH	138,132
	Total State of Oregon		<u>172,548</u>

172,548

State of Washington

FY 11 Chum BIOP Project	81.999	10-1648	123,770
	Total State of Washington		<u>123,770</u>

123,770

PACIFIC STATES MARINE FISHERIES COMMISSION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Miscellaneous Sources

CA WC-GSI Ocean Chinook Salmon Age Determination	11.427	CSC-954	39,034
	11.427 Total		<u>39,034</u>
North Pacific Fishery Management Council	11.441	2010-4	32,571
Pacific Fishery Management Council Liasion	11.441	05-10	20,558
Pacific Fishery Management Council Liasion	11.441	05-11	23,531
	11.441 Total		<u>76,660</u>
W Coast Net Recycling Program	11.463	20070088004	17,950
	11.463 Total		<u>17,950</u>
Alternative Catch Monitoring Alaska Groundfish	11.472	1017	13,880
	11.472 Total		<u>13,880</u>
West Coast Governors Agreement on Ocean Health	11.473	PS09022	83,911
	11.473 Total		<u>83,911</u>
Fish Passage Inspection Coordination Program	15.608	13310AJ124	10,655
	15.608 Total		<u>10,655</u>
Fishery Biologist-Ellsworth	BPA FUNDED	QCI-860.11	36,773
Fishery Biologist-Neuenhoff	BPA FUNDED	QCI-860.10	19,689
Genetic Assessment of Columbia River Stock	BPA FUNDED	C11-11	11,576
Genetic Assessment of Columbia River Stock	BPA FUNDED	C10-08	33,218
South Fork Research, Inc	BPA FUNDED	SFRI-956	18,799
	BPA FUNDED Total		<u>120,055</u>

Total Miscellaneous Sources

362,145

Total Pass Through Awards

6,120,262

Total Federal Awards

\$ 48,449,382

PACIFIC STATES MARINE FISHERIES COMMISSION

Note to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all grant programs of Pacific States Marine Fisheries Commission. The reporting entity is defined in Note 1 to the Commission's basic financial statements. The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting as described in Note 2 to the Commission's financial statements.

PACIFIC STATES MARINE FISHERIES COMMISSION

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> no
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no

Noncompliance material to financial statements noted?

	<u> </u> yes	<u> X </u> no
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Federal Awards

Internal control over major programs:

Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> no
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with *Circular A-133*, Section 510(a)?

	<u> </u> yes	<u> X </u> no
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Identification of major programs:

CFDA or Grantor Number

CFDA 15.650

CFDA 11.437

CFDA 11.438

Grantor Numbers 52617, 46941

Grantor Numbers 45525, 50744

Name of Program or Cluster

Research Grants (Generic)

Pacific Fisheries Data Program

Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program

Northern Pikeminnow Management Program

Fish Passage Center

Dollar threshold used to distinguish between type A and type B programs: \$ 1,453,481

Auditee qualified as low risk auditee? Yes

Section 2 - Financial Statement Findings

No items are required to be presented in accordance with *OMB Circular A-133* and/or *Governmental Auditing Standards*.

Section 3 - Federal Award Findings and Questioned Costs

No items are required to be presented in accordance with *OMB Circular A-133* and/or *Governmental Auditing Standards*.