

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**WASHINGTON METROPOLITAN AREA
TRANSIT COMMISSION
FINANCIAL REVIEW
For the Fiscal Year Ended
June 30, 2012**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



October 8, 2013

Terry Bellamy
Director
District Department of Transportation
55 M Street, S.E., Suite 400
Washington, D.C. 20003

Richard D. Holcomb
Commissioner
Virginia Department of Motor Vehicles
2300 West Broad Street
Richmond, VA 23269-0999

Lawrence Brenner
Commissioner
Maryland Public Service Commission
6 St. Paul Street, 16th Floor
Baltimore, MD 21202-6806

Dear Mr. Bellamy, Mr. Holcomb, and Mr. Brenner:

The Office of the Inspector General has completed a review (OIG No. 13-1-04KC) of the Governmental Fund Balance Sheet/Statement of Net Assets of the Washington Metropolitan Area Transit Commission (Commission) as of June 30, 2012, and the related Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities for the year then ended.


Our review of the Commission's financial activity for fiscal year 2012 was limited in scope compared to a financial audit, which is to express an opinion on the financial statements taken as a whole. As such, we do not express an opinion on the financial statements of the Commission. Our review did not reveal any material modifications that should be made to the Commission's financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

By individual separate letters, this report has been sent to the Mayor, District of Columbia; the Governor and the Auditor of Public Accounts of the Commonwealth of Virginia; the Governor and the Public Service Commission of the State of Maryland; and the Executive Director of the Washington Metropolitan Area Transit Commission.

Mr. Bellamy, Mr. Holcomb, and Mr. Brenner, Commissioners
Washington Metropolitan Area Transit Commission
October 8, 2013
Page 2 of 4

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have questions or need additional information, please contact me or Ronald W. King, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Charles J. Willoughby
Inspector General

CJW/lp

Enclosure

cc: See Distribution List

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The Honorable Ander Crenshaw, Chairman, House Subcommittee on Financial Services and General Government, Attention: Amy Cushing (via email)

The Honorable José E. Serrano, Ranking Member, House Subcommittee on Financial Services and General Government, Attention: Laura Hogshead (via email)

The Honorable Barbara Mikulski, Chairwoman, Senate Committee on Appropriations, Attention: Ericka Rojas (via email)

The Honorable Richard Shelby, Ranking Member, Senate Committee on Appropriations, Attention: Dana Wade (via email)

The Honorable Frank Lautenberg, Chairman, Senate Subcommittee on Financial Services and General Government, Attention: Marianne Upton (via email)

The Honorable Mike Johanns, Ranking Member, Senate Subcommittee on Financial Services and General Government, Attention: Dale Cabaniss (via email)

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INTRODUCTION

The Washington Metropolitan Area Transit Commission (Commission), located at 8701 Georgia Avenue, Suite 808, Silver Spring, Maryland 20910-3700, administers and carries out the delegated powers of the Washington Metropolitan Area Transit Regulation Compact (Compact). The Compact was authorized by the United States (U.S.) Congress on September 15, 1960, through Public Law 86-794 (74 Stat. 1031), and entered into by the District of Columbia, Commonwealth of Virginia, and the State of Maryland on December 22, 1960. Generally, the Compact created the Commission as a singular regulatory body with jurisdiction over the regulation and improvement of specified privately owned passenger transportation for hire within the Washington Metropolitan Area Transit District (Metropolitan District). Subsequent amendments to the Compact were approved by the U.S. Congress through Public Law 87-767, Public Law 101-505, and Public Law 111-160.

The Metropolitan District includes the District of Columbia; the cities of Alexandria and Falls Church; the counties of Arlington and Fairfax and political subdivisions located within those counties of the Commonwealth of Virginia, and the portion of Loudoun County, Virginia occupied by the Dulles International Airport; the counties of Montgomery and Prince Georges in the State of Maryland and the political subdivisions located within these counties; and Maryland or Virginia cities within the geographic area bounded by the outer boundaries of the continued area of these counties, cities, and airport.

The terms of the Compact provide that, with certain exceptions, the expenses of operating the Commission shall be provided by funds appropriated from the three governments (signatories) of the Compact in the proportion that the population of each signatory within the Metropolitan District bears to the total population of that area. The revenues generated from the operations of the Commission are restricted from use and are returned to the signatories, along with any unused appropriations, in the same proportion of their assessed funding.

The Commission is governed by a board composed of three Commissioners, one appointed from each participating government. An Executive Director is responsible for managing the technical and administrative duties of the Commission and reports directly to the Chairman of the Board. At the end of fiscal year 2012, the Commission employed a staff of five salaried employees, including the Executive Director and one temporary employee.

Annual reviews of the Commission's books and records are not mandated by legislation. However, audits and reviews have been conducted continuously on a rotating basis by auditing organizations of: the District of Columbia; the Commonwealth of Virginia; and the State of Maryland. The Commonwealth of Virginia and State of Maryland conducted the examinations for fiscal years 2010 and 2011, respectively.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



Independent Auditor's Review Report

To the Commissioners of the Washington
Metropolitan Area Transit Commission
8701 Georgia Avenue, #808
Silver Spring, MD 20910-3700

We have reviewed the Governmental Fund Balance Sheet/Statement of Net Assets of the Washington Metropolitan Area Transit Commission (Commission) as of and for the fiscal year ended June 30, 2012, and the related statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

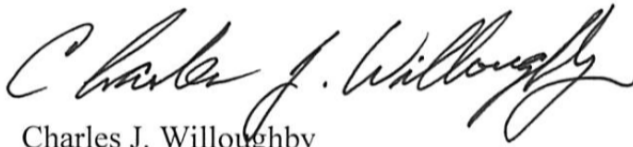
We conducted our review in accordance with review standards generally accepted in the United States of America and the standards applicable to financial reviews contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform procedures to obtain limited assurance that there is no material modification that should be made to the financial statements. We believe that the results of our review procedures provide a reasonable basis for our report.

Based on our review of the Commission as of June 30, 2012, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The Commissioners of the Washington
Metropolitan Area Transit Commission

The Management's Discussion and Analysis section on page 4 is not a required part of our review of the basic financial statements but supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sincerely,

A handwritten signature in black ink, reading "Charles J. Willoughby". The signature is fluid and cursive, with the first name "Charles" and last name "Willoughby" clearly legible.

Charles J. Willoughby
Inspector General

October 8, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

The following is a discussion and analysis of the Washington Metropolitan Area Transit Commission's (the Commission's) financial performance for the fiscal year (FY) ended June 30, 2012, and includes: (1) Financial Highlights; (2) Budget Variance Analysis; and (3) Discussion of Selected Notes. This information should be read in conjunction with the introductory section of this report, and the Commission's basic financial statements and note disclosures, which follow this discussion and analysis.

As noted in the "Introduction" statement, the Commission's operations are funded by appropriations from the District of Columbia, the State of Maryland, and the Commonwealth of Virginia (signatories). The Commission allocates its expenses among the three Compact signatories in the proportion that the population of each signatory within the Metropolitan District bears to the total population of the Metropolitan District, based on the most recent census data available at the time the budget is proposed. Non-appropriations revenue – consisting chiefly of fees, forfeitures, and interest – is restricted against use in operations of the Commission and is returned to the Compact signatories on a fiscal year basis using the formula for allocating expenses, as are unexpended appropriations.

FINANCIAL HIGHLIGHTS

The Commission's assets exceeded its liabilities as of June 30, 2012, by \$112,063. The Commission had no unrestricted net assets at the end of FY 2012.

As of June 30, 2012, the Commission's fund financial statements show that appropriated allotments, restricted program revenues, and other restricted revenues exceeded operating expenditures by \$217,442. Of that amount, \$27,990 was returned to the signatories on April 19, 2012, and \$189,452 was recorded as a payable "Due to Signatories" as of June 30, 2012. The Commission later returned another \$100,435 to the signatories on September 5, 2012.

As of the date of this report, the excess appropriation allotments and restricted revenue remaining to be returned to the signatories from FY 2012 operations is \$89,017, of which \$13,877 is due the District of Columbia; \$41,785 is due the State of Maryland; and \$33,355 is due the Commonwealth of Virginia. The schedule of payments made and remaining amounts due is shown in Table 6 on page 16.

The Commission's only long-term liability in FY 2012 is \$33,938 for accrued leave. The budgeted accrued leave expenditure for FY 2012 is approximately \$8,332 resulting in total accrued leave amount of \$42,270.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

For FY 2012, the Commission's governmental fund recognized appropriations of \$795,249. The governmental fund received \$136,254 in restricted fees and other revenue including \$7,520 from prior year refunds.

Total appropriation (\$795,249) budgeted for operations in FY 2012 exceeded total expenditures from operations (\$714,061) by \$81,188.

BUDGET VARIANCE ANALYSIS

The Commission's governmental fund activity had a favorable total budget variance of \$81,188 in FY 2012. Large favorable variances were in salaries \$21,829, employee benefits \$17,268 and office supplies \$14,904.

Much of the variance in salaries was due to Commission employees not receiving projected cost of living increases. The variance in employee benefits occurred primarily because employer-paid health insurance premiums were not as high as projected and because lower-than-projected salaries yielded lower-than-projected FICA and retirement contributions.

The variance in office supplies was due primarily to the Commission not purchasing supplies.

DISCUSSION OF SELECTED NOTES

Cash Management

At the beginning of FY 2012, the Commission moved a money market account from Sun Trust Bank to Capital One Bank to take advantage of higher interest rates. All Commission bank deposits were fully insured by the FDIC for all of FY 2012.

Retirement

Virginia Retirement System (VRS)

Most Commission employees participate in the Virginia Retirement System (VRS). VRS is a qualified governmental defined benefit retirement plan. For Governmental Accounting Standards Board purposes, it is considered an agent multiple-employer public employee retirement system with separate cost-sharing pools for each locality. The VRS plan actuary, issued December 19, 2012, has determined that as of June 30, 2012, the actuarial value of Commission plan assets was \$216,274 and the actuarial accrued Commission plan liability was \$646,764, yielding an unfunded actuarial accrued Commission plan liability of \$430,490. Additional details of the VRS are provided on page 17.

**GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET ASSETS
June 30, 2012**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash & Cash Equivalents	\$ 244,227	\$ -	\$ 244,227
Security Deposit	-	5,500	5,500
Capital Assets	-	106,563	106,563
Total Assets	<u>\$ 244,227</u>	<u>112,063</u>	<u>356,290</u>
LIABILITIES			
Accounts Payable	-	-	-
Carrier Assessment Payable	6		6
Salaries Payable	(691)	-	(691)
Accrued Salaries & Benefits	11,157	-	11,157
Accrued Leave - Current	8,332		8,332
Accrued Leave - Long Term	-	33,938	33,938
Deferred Appropriations	2,033	-	2,033
Due to Signatories	189,452	-	189,452
Total Liabilities	<u>210,289</u>	<u>33,938</u>	<u>244,227</u>
FUND BALANCE/NET ASSETS			
Fund Balance:			
Restricted for Accrued Leave	33,938	(33,938)	-
Unrestricted Fund Balance	-	-	-
Total Fund Balance	<u>33,938</u>	<u>(33,938)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>244,227</u>	<u>-</u>	<u>244,227</u>
NET ASSETS			
Investment in Capital Assets		106,563	106,563
Investment in Security Deposit		5,500	5,500
Unrestricted Fund Balance		-	-
Total Net Assets		<u>\$ 112,063</u>	<u>\$ 112,063</u>

The accompanying notes are an integral part of these financial statements

**STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE/
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Adjustments	Statement of Activities
FUNDING ALLOTMENTS			
District of Columbia	\$ 123,979	\$ -	\$ 123,979
State of Maryland	373,290	-	373,290
Commonwealth of Virginia	297,980	-	297,980
Total Funding Allotments	<u>795,249</u>	<u>-</u>	<u>795,249</u>
EXPENDITURES/EXPENSES			
Operating Expenditures/Expenses (page 15)	714,061	-	714,061
Excess (deficiency) of Funding Allotments over expenditures/expenses	<u>81,188</u>	<u>-</u>	<u>81,188</u>
PROGRAM & OTHER RESTRICTED REVENUES			
Fees (annual, application, filing, and tariff)	116,475	-	116,475
Civil Forfeitures	11,200	-	11,200
Interest	993	-	993
Miscellaneous	66	-	66
Prior Year Refunds/Sale of Assets	7,520	-	7,520
Total Program & Other Retricted Revenues	<u>136,254</u>	<u>-</u>	<u>136,254</u>
Excess Allotments and Restricted Revenues over expenditures/expenses	217,442	(217,442)	-
OTHER FUNDING SOURCES (USES)			
Transfers to Signatories	<u>(217,442)</u>	<u>217,442</u>	<u>-</u>
Change in Net Assets	-	-	-
FUND BALANCE/NET ASSETS			
Beginning of the Year	<u>-</u>	<u>112,063</u>	<u>112,063</u>
End of the Year	<u><u>\$ -</u></u>	<u><u>112,063</u></u>	<u><u>\$ 112,063</u></u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

A. Basis of Presentation of Accounting Records

The Washington Metropolitan Area Transit Commission (Commission) uses the software Quick Books to record accounting transactions. The Commission uses the modified accrual basis of accounting to maintain its books and records for the General Fund accounts. Under this accounting system, appropriations, revenues, and assets are recognized when measurable and available to finance operations during the fiscal year; expenditures and liabilities are recognized when obligations are incurred as a result of receiving goods and services.

The Commission maintains accounting control and accountability for its general fixed assets in the general Fund Account Group. Assets are recorded at costs and are not depreciated. In addition, the Commission keeps a separate inventory log describing each asset purchased or disposed of during the fiscal year.

The Commission uses an account group for Encumbrances, which represent purchase orders for which goods or services have not been received as of the end of the fiscal year. Encumbrances are reported as a Reserve for Encumbrances on the Combined Balance Sheet.

Review Procedures

Our procedures included a review of the methodology for funding WMATC by the signatories, the funding received, and any funding that should have been returned by the Commission to the signatories for the FY ended June 30, 2012. In addition, the review included a verification of the census data of the Metropolitan District for which the funding allocations for the signatories are determined for each fiscal year. We applied auditing procedures considered to meet the review objectives. These tests included an examination of cash receipts and cash disbursements; lease expense; monthly bank reconciliations; year-end accruals and encumbrances; internal control policies; and petty cash.

B. Allotments

The terms of the Washington Metropolitan Area Transit Regulation Compact provide that, with certain exceptions, the expenses of operating the Commission shall be allotted among the participating governments (signatories) in the ratio that the population of each signatory within the Washington Metropolitan Area bears to the total population of the Metropolitan District. In this regard, the Commission returns any unspent allotments from signatories in accordance to their allotment ratio. Additionally, the terms of the Compact require that, with certain exceptions, any program fees and other revenue collected by the Commission shall be paid to the signatories in the same allotment ratios.

Unexpended FY 2012 allotments and restricted program and other revenues due the signatories as of June 30, 2012, amounted to \$217,442 less previous amount returned of

NOTES TO FINANCIAL STATEMENTS

\$27,990 for a remaining amount due to signatories of \$189,452. The allotment ratios for the year ended June 30, 2012, and the amounts due to each signatory, are listed in Table 1 below.

Table 1.

Signatories	District of Columbia	Maryland	Virginia	Total
Allocation Ratio:	15.59%	46.94%	37.47%	100%
Appropriations				\$ 795,249
Restricted Fees & Other Revenues				136,254
Total Appropriations & Restricted Revenues				931,503
Less Expenditures (Page 15)				(714,061)
Excess Allotments and Restricted Revenue (Due to Signatories)				217,442
Amount Due to Signatories	\$ 33,899	\$ 102,067	\$ 81,476	\$ 217,442
Less FY 2012 returned payments	(4,364)	(13,138)	(10,488)	(27,990)
Balance Due to Signatories	\$ 29,535	\$ 88,929	\$ 70,988	\$ 189,452

C. Cash and Investments

As of June 30, 2012, the Commission's cash on deposit totaled \$244,227. Of this amount, \$96,371 was on deposit at Capitol One Bank and \$147,756 at Manufacturers and Traders Trust Company (M&T). Bank deposits were fully insured and/or collateralized. Bank deposits were fully insured under the FDIC's Transaction Account Guarantee Program (TAG). Bank deposits were covered by federal depository insurance up to \$500,000. The M&T Money Market account earned interest at .15 percent over prime adjusted daily. The Commission also maintains a petty cash account of \$100.

Table 2.

Bank and Cash Account Ending Balances	
Capital One Money Market Account	\$ 96,371
M&T - Money Market Account	36,987
M&T - Checking Account	110,769
Petty Cash Account	100
Total Bank and Cash Accounts	<u>\$ 244,227</u>

NOTES TO FINANCIAL STATEMENTS

E. Receivables and Payables

Accounts receivable are amounts owed by customers for goods or services sold. Due to the filing due dates of the various fees collected by the Commission, rarely are receivables outstanding.

Accounts payable are amounts owed to vendors for goods or services purchased and received at year-end. The Commission has an outstanding liability in the amount of \$2,033 due the District of Columbia for overbilling its appropriation amount for FY 2012.

F. Security Deposit

In fiscal year ended 2009, the Commission paid a security deposit as a requirement of its new office lease in the amount of \$5,500 which is currently listed on the Governmental Fund Balance Sheet/Statement of Net Assets.

G. Fixed Assets

Fixed asset purchases are recorded at cost and recorded as expenditures in the Commission's governmental fund. Adjustments are made to record the purchase of fixed assets in the government-wide Statement of Assets expensed in the year acquired. A fixed asset inventory log is maintained by the Commission to record the details of the assets purchased, such as cost, quantity, date, etc. Currently, the Commission does not depreciate assets and reports fixed assets at historic cost.

During FY 2012, there were no additions or deletions of fixed assets as shown in Table 3 below.

Table 3.

Fixed Assets	
Balance at July 1, 2011	\$ 106,563.00
Additions to Fixed Assets	-
Deletions from Fixed Assets	-
Balance at June 30, 2012	<u>\$ 106,563.00</u>

NOTES TO FINANCIAL STATEMENTS

H. Accrued Annual Leave

Full-time employees of the Commission earn annual leave based on the number of years employed up to a maximum of 26 days per year. Earned annual leave may be accumulated to a maximum of 30 days (240 hours) as of the end of each calendar year. As of June 30, 2012, the amount of annual leave liability totaled \$42,270, of which \$33,938 is established as a long-term liability, with the balance of \$8,332 established as a current liability.

Additionally, employees earn sick leave at the rate of 13 days per year, with no limit to the number of sick days that can accumulate. Any outstanding sick leave is lost upon separation of employment; therefore, no liability is accrued for sick leave.

I. Retirement Costs

As of June 30, 2012, the Commission participated in two retirement plans.

United States Civil Service Retirement Systems

One employee of the Commission, who was appointed before October 1, 1987, is a member of the United States Civil Service Retirement System (CSRS) and is considered an employee of the District of Columbia for retirement plan purposes. The CSRS, whose members include appointed and elected officers and employees in the executive, judicial, and legislative branches of the United States Government and the District of Columbia government is administered by the United States Office of Personnel Management. The CSRS is a single-employer public employee retirement system, which obtains annual actuarial valuations. The Commission's covered payroll costs for the employee under the CSRS for the year ended June 30, 2012, totaled \$97,011.

The Commission's employee participating in the CSRS was required to contribute 7 percent during the calendar year, with the Commission also contributing 7 percent in accordance with Title 5, Chapter 83 of the U. S. Code.

The employee and the Commission contributed \$6,791 for a total of \$13,582 for the fiscal year ended June 30, 2012. The required contribution rate is not actuarially determined. Furthermore, Title 5, Chapter 83 of the U. S. Code also requires the United States Treasury to contribute any remaining amounts necessary to fund the CSRS based on actuarial valuations.

Virginia Retirement System (VRS)

Plan Description. VRS is a qualified governmental defined benefit retirement plan. For Governmental Accounting Standards Board purposes, it is considered an agent multiple-employer public employee retirement system with separate cost-sharing pools for each locality. The plan provides retirement benefits, death benefits, and disability benefits to

NOTES TO FINANCIAL STATEMENTS

employees and beneficiaries, with annual cost of living adjustments, pursuant to Title 51.1 of the Code of Virginia.

Funding Policy. Employees hired by the Commission prior to April 1, 2010, are eligible to participate in the VRS plan at their option. Employees hired by the Commission on and after April 1, 2010, are required to participate in the VRS plan. The Commission requires participating employees to contribute 5% of their gross annual salaries to the plan, which employees pay through salary reduction agreements formed under Section 414(h) of the Internal Revenue Code. This allows employees to make the 5 percent contribution with pre-tax dollars. In FY 2012, the Commission paid into the plan an additional 13% of gross annual salaries, for a combined contribution rate of 18%, the actuarially determined rate under Title 51.1 of the Code of Virginia. The Commission's covered payroll costs for employees under the VRS for the year ended June 30, 2012, totaled \$344,028.

Annual Pension Cost. For FY 2012, the Commission's annual pension cost was \$61,925, which was equal to the Commission's required and actual contributions, including \$17,201 in employee contributions and \$44,724 in employer contributions. Details of the VRS plan are provided as supplemental information on page 17.

Table 4.

VRS Two-Year Annual Pension Cost Trend Information			
Fiscal	Annual	Percentage	Net
30-Jun-11	\$ 58,920.80	100%	\$ -
30-Jun-12	61,925.18	100%	-

I. Office Lease

During FY 2012, the Commission's lease expense totaled \$72,600, which included contingent fees for landlord operating expenses and real estate taxes.

The lease began on February 1, 2009, and extends 10 years to January 31, 2019. The terms of the lease agreement include scheduled increases annually of 3.5 percent of the previous year's lease amount for the first 5 years. In the sixth year, the lease payment increases by \$1.50 per square foot for the 2,750 square feet occupied. The remaining 4 years of the lease agreement revert back to the 3.5 percent annual increases. As of June 30, 2012, the Commission's non-cancelable lease, that expires on January 31, 2019, provides for the lease payments shown in Table 5 on following page.

NOTES TO FINANCIAL STATEMENTS

Table 5.

Fiscal Year	Amount
2013	\$ 74,243
2014	76,841
2015	80,106
2016	83,716
2017	86,646
2018 - 2019	143,043
Total Minimum Payments Required	\$ 544,595

J. Net Assets/Fund Balance

Net Assets

The government-wide financial statements utilize the net assets presentation. Net assets are categorized as:

- *Investments in Capital Assets* – This classification records the fixed assets acquired by the Commission. Currently, the Commission does not depreciate its fixed assets. Capital Assets are recorded at historical costs.
- *Investment in Security Deposit* – As a condition of the new lease agreement, the Commission paid a security deposit of \$5,500 on the office lease that runs through January 1, 2019.
- *Unrestricted Net Assets* – The Commission does not accumulate unrestricted net assets due to regulatory requirements. All excess allotments and restricted revenues from operations at year-end are required to be scheduled for return to the three signatories.

Fund Balance

In governmental fund financial statements, reservation of the fund balance segregates a portion of the fund balance that is closed out to return to the signatories. The Commission uses one reserve classification “Reserve for encumbrance,” which reserves a portion of the ending fund balance for purchase orders placed during the fiscal year that remain outstanding at fiscal year end. As of June 30, 2012, the Commission had no “reserve for encumbrances” of fund balance.

NOTES TO FINANCIAL STATEMENTS

K. Basis of Budgeting

On or about August 1 of each year, the Executive Director of the Commission submits to the Board of Commissioners a budget for estimated operating expenditures for the fiscal year commencing the following July 1. The Board of Commissioners is responsible for review and authorization of the budget for the new fiscal year. At or about the same time, the Executive Director informs appropriate budget officials within the three signatories of the proposed budget total and the proposed individual allotment amounts that upon the Board's approval would be due from the signatories based on current census data. Once the budget is approved, the Executive Director notifies appropriate budget officials within the three signatories of the actual total budget for the coming fiscal year and the actual individual allotments due. Soon thereafter, but no later than the beginning of the next fiscal year, the Executive Director submits invoices to the signatories confirming the amounts due. At the start of the new fiscal year, the amount due from each signatory is set up as an accounts receivable and as allotment revenue. The Commission uses budget variance analysis to monitor compliance with expenditure limitations.

The Commission's governmental fund activity had a favorable total budget variance of \$81,188 in FY 2012. Large favorable variances were in salaries, employee benefits, and office supplies. There were unfavorable variances in subscriptions, insurance, and publications.

For a complete listing of the budget and variances see the "Budget Comparative Statement," on the following page.

BUDGETARY COMPARATIVE STATEMENT

June 30, 2012

	<u>Budget</u> <u>Original/Final</u>	<u>Actual</u>	<u>Variance</u>
OPEERATING ALLOTMENTS:			
District of Columbia	\$ 123,979	\$ 123,979	\$ -
State of Maryland	373,290	373,290	-
Commonwealth of Virginia	297,980	297,980	-
Total operating allotments	<u>795,249</u>	<u>795,249</u>	<u>-</u>
RESTRICTED REVENUES:			-
Program & other revenues		128,734	128,734
Prior year refunds		7,520	7,520
Total restricted revenue		<u>136,254</u>	<u>136,254</u>
Total allotments and restricted revenue	<u>795,249</u>	<u>931,503</u>	<u>136,254</u>
EXPENDITURES:			
Salaries	510,000	488,171	21,829
Employee benefits	150,000	132,732	17,268
Communications	7,000	2,784	4,216
Credit Card Rate and Fees	2,000	1,058	942
Courier	249	-	249
Subscriptions	250	832	(582)
Insurance	5,250	5,406	(156)
Office equipment	7,500	134	7,366
Office equipment-maintenance	1,500	-	1,500
Office rent	76,250	72,600	3,650
Office supplies and expense	20,000	5,096	14,904
Postage	6,500	1,454	5,046
Printing and reproduction	1,500	824	676
Publications	250	459	(209)
Training and education	2,000	960	1,040
Transportation and travel	1,000	116	884
Miscellaneous	4,000	1,435	2,565
Total program expenses	<u>795,249</u>	<u>714,061</u>	<u>81,188</u>
EXCESS OF ALLOTMENTS AND REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 217,442</u>	<u>\$ 217,442</u>

SUPPLEMENTAL INFORMATION

The balance owing “Signatories,” as of the date of this report is presented in Table 6.

Table 6.

Signatories	District of Columbia	Maryland	Virginia	Total
Allocation Ratio:	15.59%	46.94%	37.47%	100%
Appropriations				\$ 795,249
Restricted Revenues				128,734
Prior Year Refunds				7,520
Total Appropriations & Revenues				931,503
Less Expenditures (Page 15)				(714,061)
Excess Allotments and Restricted Revenue (Due to Signatories)				217,442
Amount Due to Signatories	\$ 33,899	\$ 102,067	\$ 81,476	\$ 217,442
Less FY 2012 returned payments	(4,364)	(13,138)	(10,488)	(27,990)
FY 2013 returned payments	(15,658)	(47,144)	(37,633)	(100,435)
Balance Due to Signatories	\$ 13,877	\$ 41,785	\$ 33,355	\$ 89,017

SUPPLEMENTAL INFORMATION

Virginia Retirement System

On March 11, 2010, the Washington Metropolitan Area Transit Commission approved the participation of its employees in the Virginia Retirement System (VRS) beginning April 1, 2010.

Plan Description. VRS is a qualified governmental defined benefit retirement plan. For Governmental Accounting Standards Board purposes, it is considered an agent multiple-employer public employee retirement system with separate cost-sharing pools for each locality. The plan provides retirement benefits, death benefits, and disability benefits to employees and beneficiaries, with annual cost of living adjustments, pursuant to Title 51.1 of the Code of Virginia.

Asset Valuation. The most recent actuarial valuation of assets was completed on December 19, 2012, for the year ended June 30, 2012, as shown in Table 7 below. The projected contribution rate was determined using the entry age normal method and 5-year smoothed-market asset values. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 30 year period, on the assumption that payroll will increase by 3% annually. The amortization period decreases by one year each year until reaching 20 years, at which point it is expected to remain at 20 years. The remaining amortization period as of June 30, 2012, was 29 years. The valuation also assumes a future interest earnings rate of 7.00 percent and an inflation rate of 2.5 percent.

Table 7.

Schedule of Funding Progress						
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
			(3) – (2)	(2)/(3)		(4)/(6)
1	2	3	4	5	6	7
06/30/12	\$ 216,274	\$ 646,764	\$430,490	33.0%	\$ 346,429	124.0%
06/30/11	150,435	587,345	436,910	26.0%	343,398	127.0%
06/30/10	14,228	-	(14,228)	N/A	303,450	-4.7%
N/A	-	-	-	N/A	-	0.0%
N/A	-	-	-	N/A	-	0.0%

A copy of the report may be downloaded from their website at www.varetire.org or obtained by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.