

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

**WASHINGTON METROPOLITAN AREA
TRANSIT COMMISSION
FINANCIAL AUDIT
For the Fiscal Year Ended
June 30, 2009**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



January 31, 2011

William S. Morrow
Executive Director
Washington Metropolitan Area Transit Commission
8701 Georgia Avenue, Suite 808
Silver Spring, MD 20910-3700

Dear Mr. Morrow:

The Office of the Inspector General has completed an audit (OIG No. 10-1-05KC) of the Statement of Net Assets of the Washington Metropolitan Area Transit Commission (Commission) as of June 30, 2009, and the related Statement of Activities revenues, expenditures, and changes in fund balance for the year then ended.

Our audit included a review of existing internal controls for the purpose of expressing an opinion on financial accounting records and determining the extent of substantive testing required. The review was not intended to be an exhaustive study of the internal controls for making detailed recommendations, and would not have necessarily disclosed all weaknesses in the system. Additionally, we tested for compliance with the provisions of selected laws and regulations and found no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions.

Unqualified Opinion on Financial Statements

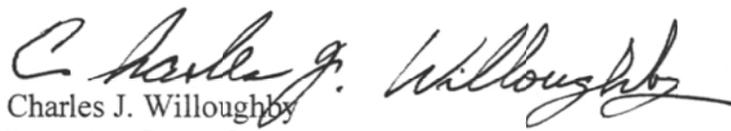
In our opinion, the financial statements present fairly, in all material respects, in conformity with generally accepted accounting principles, the Commission's assets and liabilities as of June 30, 2009, and its revenues, expenditures, and changes in fund balance for the year then ended.

William Morrow, Executive Director
Washington Metropolitan Area Transit Commission
January 31, 2011
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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 Commissioners of the Washington Metropolitan Area Transit Commission.

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/js

Enclosure

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Washington Metropolitan Area Transit Commission
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**WASHINGTON METROPOLITAN AREA
TRANSIT COMMISSION FINANCIAL AUDIT
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**WASHINGTON METROPOLITAN AREA
TRANSIT COMMISSION FINANCIAL AUDIT
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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 Pub. L. 016.86-794 (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 Pub. L. No. 87-767, Pub. L. No. 101-505, and Pub. L. No. 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 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 2009 (July 1, 2008 - June 30, 2009) the Commission employed a staff of five salaried employees, including the Executive Director and one temporary employee.

Annual audits of the Commission's books and records are not mandated by legislation. However, audits 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 2007 and 2008, respectively.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



Independent Auditor's Report

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

We have audited 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, 2009, and the related statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

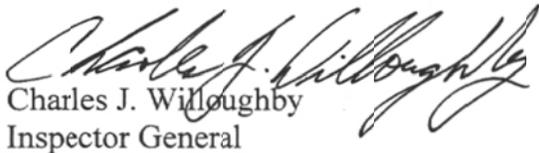
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements previously referred to present fairly, in all material respects, the financial position of the Commission as of June 30, 2009, and the respected changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year 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 our report dated January 31, 2011, on our consideration of the Commission's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts, 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on page 4 are not a required part of our review of the basic financial statements but are 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,


Charles J. Willoughby
Inspector General

January 31, 2011

**WASHINGTON METROPOLITAN AREA
TRANSIT COMMISSION FINANCIAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

The following is a discussion and analysis of the Washington Metropolitan Area Transit Commission's (the Commission's) financial performance for the fiscal year ended June 30, 2009, and includes: (1) Financial Highlights; (2) Budget Variance Analysis; (3) Discussion of Selected Notes; and (4) Post FY 2009 Considerations. 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," 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, 2009, by \$93,704. The Commission had no unrestricted net assets at the end of FY 2009.

The Commission's total net assets decreased \$47,732 from \$141,436 to \$93,704 in FY 2009 from operating activities. The decrease is attributable to the write-off and disposal of obsolete fixed assets that exceeded current fixed-asset and other-asset purchases as a result of the relocation of the Commission's office from the District of Columbia to Silver Spring, Maryland.

As of June 30, 2009, the Commission's fund financial statements show that excess appropriated allotments, restricted program revenues, and other restricted revenues exceeded operating expenditures by \$185,471. Of that amount, \$173,238 was recorded as a payable to signatories. The remaining amount of \$12,233, combined with the prior year fund balance resulted in a fund balance of \$26,766, which was reserved for encumbrances for outstanding purchase orders not received at year end.

The excess appropriation allotments and program revenue to be returned to the signatories from FY 2009 operations are: \$26,973 due to the District of Columbia; \$82,253 due to the State of Maryland; and \$64,012 due to the Commonwealth of Virginia.

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The Commission's total accrued leave liability at fiscal year-end 2009 totaled \$29,282. Of that amount, \$22,082 is established as a long term liability with the balance of \$7,200, estimated FY 2010 leave benefit expenditures, established as a current liability.

For FY 2009, the Commission's governmental fund recognized appropriated revenue of \$723,000. The governmental fund received \$168,826 in restricted fees and other revenue including \$5,519 from prior year refunds and the sale of assets associated with the Commission's relocation from Washington, DC, to Silver Spring, MD, in FY 2009.

Total appropriated revenue (\$723,000) budgeted for operations in FY 2009 exceeded total expenditures from operations (\$706,355) by \$16,645.

The Commission's governmental fund's assets exceeded its liabilities as of June 30, 2009, by \$26,766, and are recorded as a "reserve for encumbrances" with a zero unrestricted fund balance at the end of the FY 2009.

Budget Variance Analysis

The Commission's governmental fund activity had a favorable total budget variance of \$16,645 in FY 2009. Large unfavorable variances were in salaries (\$12,870), office equipment (\$12,303), and office supplies (\$12,210), that were offset with favorable variances in employee benefits of \$26,109 and rent of \$16,965.

Much of the variance in salaries was due to unbudgeted temporary workers hired in preparation for relocating the Commission's office to Silver Spring, MD. The remaining variance may be attributed to a budgeting model that has since been replaced.

The variance in office equipment and office supplies was due primarily to unbudgeted replacement of equipment that prematurely reached the end of its useful life.

The variance in employee benefits was created primarily by the Commission not adopting a retirement plan in FY 2009 as projected.

The variance in rent was created by the Commission relocating its office to a smaller office space in a lower cost location in the Washington Metropolitan Area in January 2009.

For a complete listing of the budget and variances, see the "Budget Comparison Statement," located at Attachment A, page 16.

**WASHINGTON METROPOLITAN AREA
TRANSIT COMMISSION FINANCIAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Discussion of Selected Notes

Cash Management

Near the end of FY 2009, the Commission moved its checking account from the Bank of America (BOA) to Manufacturers and Traders Trust Company (M&T). After the move, the Commission deposited funds in excess of those required for immediate needs in an M&T money market account paying .15 percent interest over the daily adjusted prime. Deposits at BOA were fully insured by the FDIC and/or collateralized by U.S. Treasury notes. Deposits at M&T were fully insured under the FDIC's Transaction Account Guarantee Program.

Furniture, Fixtures, and Equipment

The Commission maintains a fixed asset inventory log stated at cost with no provision for depreciation. In FY 2009, the Commission purchased \$17,303 in fixed assets and disposed of \$70,535 in fixed assets (original cost). The proceeds from the sale of fixed assets were minimal inasmuch as most of the equipment had no useful life, was obsolete, or required costly alteration for use by others outside the Commission's old office.

Retirement

Only one Commission employee was covered by a retirement plan in FY 2009. The Commission was obligated to make contributions to the United States Civil Service Retirement System on behalf of the employee in the amount of 7 percent of salary. The Commission bears no obligation to fund this employee's retirement plan beyond the annual 7 percent contribution.

Office Lease

From July 1, 2008, to January 31, 2009, the Commission paid rent at the rate of \$9,519 per month, plus a portion of the landlord's operating expenses and real estate taxes, for 3,450 square feet of office space at 1828 L Street, N.W., #703, Washington, DC, 20036. From February 1, 2009, to June 30, 2009, the Commission paid rent at the rate of \$5,500 per month, for 2,750 square feet of office space at 8701 Georgia Avenue, #808, Silver Spring, MD, 20910. Had the Commission remained at 1828 L Street, the rent would have increased to \$11,500 per month.

**WASHINGTON METROPOLITAN AREA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Post FY 2009 Considerations

The Commission's current office lease includes a 3.5 percent per year rent escalation clause for the life of the agreement, which ends January 31, 2019. (Except that in the 6th year, an increase of \$1.50 per square foot shall apply instead.) In addition, beginning in FY 2010, based on the proportion of rented space to total building space, the Commission is required to pay 2.8 percent of the landlord's operating expenses to the extent they exceed such expenses for the 2009 base year.

**WASHINGTON METROPOLITAN AREA
TRANSIT COMMISSION FINANCIAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2009**

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash & Cash Equivalents	\$ 486,116	\$ -	\$ 486,116
Prepaid Supplies	903	-	903
Security Deposit	-	5,500	5,500
Capital Assets	-	88,204	88,204
Total Assets	<u>\$ 487,019</u>	<u>93,704</u>	<u>580,723</u>
LIABILITIES			
Accounts Payable	9,939	-	9,939
Payroll Payable	(847)	-	(847)
Accrued Payroll	3,527	-	3,527
Accrued Leave - Current	7,200	-	7,200
Accrued Leave-Long term	-	22,082	22,082
Deferred Appropriations	80,779	-	80,779
Due to Signatories	337,573	-	337,573
Total Liabilities	<u>438,171</u>	<u>22,082</u>	<u>460,253</u>
FUND BALANCE/NET ASSETS			
Fund Balance:			
Reserve for Encumbrances	26,766	-	26,766
Restricted for Accrued Benefits	22,082	(22,082)	-
Unrestricted Fund Balance	-	-	-
Total Fund Balance	<u>48,848</u>	<u>(22,082)</u>	<u>26,766</u>
Total Liabilities and Fund Balance	<u>487,019</u>	<u>-</u>	<u>487,019</u>
Net Assets:			
Investment in Capital Assets		88,204	88,204
Restricted for Security Deposit		5,500	5,500
Unrestricted		-	-
Total Net Assets		<u>\$ 93,704</u>	<u>\$ 93,704</u>

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

**WASHINGTON METROPOLITAN AREA
TRANSIT COMMISSION FINANCIAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Funding Allotments:			
District of Columbia	\$ 112,571	\$ -	\$ 112,571
State of Maryland	343,280	-	343,280
Commonwealth of Virginia	267,149	-	267,149
Total Funding Allotments	<u>723,000</u>	<u>-</u>	<u>723,000</u>
Expenditures/Expenses:			
Operating Expenditures/Expenses (page 16)	706,355	-	706,355
Security Deposit (Note E)	-	(5,500)	(5,500)
Fixed Assets (Note F)	-	(17,303)	(17,303)
Total Expenditures/Expenses and Capital Outlays	<u>706,355</u>	<u>(22,803)</u>	<u>683,552</u>
Excess (deficiency) of Funding Allotments Over Expenditures/Expenses	<u>16,645</u>	<u>22,803</u>	<u>39,448</u>
Program & Other Revenues (Restricted):			
Fees (annual, application, filing, and tariff)	106,087	-	106,087
Civil Forfeitures	56,000	-	56,000
Interest	862	-	862
Miscellaneous	358	-	358
Prior Year Refunds/Sale of Assets	5,519	-	5,519
Total Operating and Other Revenues	<u>168,826</u>	<u>-</u>	<u>168,826</u>
Excess Allotments and Revenues Over Expenditures/Expenses	185,471	(185,471)	-
Other Financing Sources (Uses)			
Transfers to Signatories	(173,238)	173,238	-
Security Deposit (office lease)	-	5,500	5,500
Fixed Assets	-	17,303	17,303
Excess (deficiency) of Revenues and Transfers Out	12,233	10,570	22,803
Disposal of Capital Assets	-	(70,535)	(70,535)
Change in Net Assets	<u>12,233</u>	<u>(59,965)</u>	<u>(47,732)</u>
Fund Balance/Net Assets			
Beginning of the Year	<u>14,533</u>	<u>126,903</u>	<u>141,436</u>
End of the Year	<u>\$ 26,766</u>	<u>\$ 66,938</u>	<u>\$ 93,704</u>

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

**WASHINGTON METROPOLITAN AREA
TRANSIT COMMISSION FINANCIAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTES TO THE FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

A. Basis of Presentation

The Washington Metropolitan Area Transit Commission (Commission) was created as a singular regulatory body, by the Washington Metropolitan Area Transit Regulation Compact authorized by the United States Congress on September 15, 1960. As such, the Commission is considered to operate as a joint venture and therefore required to report as that of a primary government and all of its component units. The Commission has a singular purpose and function: regulation and improvement of specified, privately-owned passenger transportation for hire within the Washington Metropolitan Area Transit District.

The Commission's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental entities as established by the Governmental Accounting Standards Board (GASB).

Government-Wide Financial Statements

The government-wide financial statements of the Commission are reported using the flow of economic resources measurement focus and the accrual basis of accounting. The Statement of Net Assets reports all assets, including receivables regardless of when payment is made, and liabilities regardless of when payment is due. The Statement of Activities includes all revenues and expenses, regardless of when cash is received or paid, and reports the program revenues derived from the Commission's governmental function. The government-wide financial statements are comprised of the following:

- *Statement of Net Assets* – The Statement of Net Assets shows the financial position of the Commission, including the governmental fund activity. The Commission reports all capital assets in the government-wide Statement of Net Assets. The net assets of a government are divided into these three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.
- *Statement of Activities* – The Statement of Activities demonstrates the degree to which the direct expenses of the Commission are offset by appropriated allotment funding from the signatories. Direct expenses are those that are clearly identifiable for a specific function. Revenues generated by the Commission (through filing fees, tariffs, forfeitures, and other miscellaneous revenues) are restricted from use in the daily operations of the Commission.

**WASHINGTON METROPOLITAN AREA
TRANSIT COMMISSION FINANCIAL AUDIT
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Governmental Fund

The governmental fund is used to account for all of the Commission’s general activities. The acquisition, use, and balances of the Commission’s budgeted allotted funding and related liabilities are accounted for in the governmental fund. The accounting records of the governmental fund are maintained and reported using the modified accrual basis of accounting. Under the modified accrual method of accounting, allotments and revenues are recognized when measurable and available to finance operations during the year or liquidate liabilities at the end of the year, and expenditures and liabilities are recognized when obligations are incurred as a result of the receipt of goods and services.

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 fees collected by the Commission shall be paid to the signatories in the same allotment ratios.

Unexpended FY 2009 allotments and restricted program and other revenues due the signatories, as of June 30, 2009, amounted to \$173,238. The allotment ratios for the year ended June 30, 2009, and the amounts due to each signatory are as follows:

Table 1.

Signatory	Allotment Ratio	Amount Due to Signatories
District of Columbia	15.57%	\$ 26,973
Commonwealth of Virginia	36.95%	64,012
State of Maryland	47.48%	82,253
Total	<u>100%</u>	<u>\$ 173,238</u>

C. Cash and Investments

As of June 30, 2009, the Commission’s cash on deposit totaled \$486,116. Of this amount, \$51,555 was in demand deposits at Bank of America and \$434,461 at Manufacturers and Traders Trust Company (M&T). Bank deposits were fully insured and/or collateralized. Bank deposits were fully insured under the FDIC. Bank deposits were covered by federal

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depository insurance up to \$500,000 and cash invested in repurchase agreements with Bank of America were fully collateralized by U.S. government securities that were held in a custodial account for the counterparty financial institution in the Commission’s name. 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 Account Ending Balance	
Bank of America Checking	\$ 51,555
M&T-Money Market	238,997
M&T-Checking	195,464
Petty Cash	100
Total bank account balances	<u>\$ 486,116</u>

D. Receivables and Payables

Accounts receivables 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 payables are amounts owed to vendors for goods or services purchased and received at year-end.

E. Prepaid Items and Security Deposit

Prepaid items are goods or services purchased in the current fiscal year that will be received or used in future fiscal years. Prepaid items in FY 2009 totaled \$903 for office supplies.

A security deposit was paid by the Commission as a requirement of its new office lease during FY 2009 in the amount of \$5,500 and initially recorded as an expenditure for office rent. An adjusting entry was made on the *Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities* that reduced office rent expense for the security deposit and increased net assets. Additionally, the offsetting adjusting entry recorded the asset for the security deposit and recorded the increase in net assets as “restricted for security deposit” on the “*Governmental Fund Balance Sheet/Statement of Net Assets.*”

F. Changes in Fixed Assets

Fixed asset purchases are recorded at cost as an expenditure 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

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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 historical cost.

For FY 2009, excess and obsolete office equipment was discarded or sold during the Commission's relocation to its new office location in Maryland. The proceeds from the sale of equipment were minimal as most of the equipment was old and obsolete. For FY 2009, the fixed asset inventory (furniture and equipment) was as follows:

Table 3.

Fixed Assets	
Balance at July 1, 2008	\$ 141,436
Additions to Fixed Assets	17,303
Deletions from Fixed Assets	(70,535)
Balance at June 30, 2009	<u>\$ 88,204</u>

G. 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, 2009, the amount of annual leave liability totaled \$29,282.

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

H. Retirement Costs

An 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, 2009, totaled \$92,275. Commission employees who are not members of the CSRS contribute to social security for retirement purposes.

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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 United States Code. The employee contributed \$6,436 and the Commission contributed \$6,459 for a total of \$12,896 for the fiscal year ended June 30, 2009. The required contribution rate is not actuarially determined. Furthermore, Title 5, Chapter 83 of the United States Code also requires the United States Treasury to contribute any remaining amounts necessary to fund the CSRS based on actuarial valuations.

I. Office Lease

During FY 2009, the Commission’s office lease expired and the Commission relocated from the District of Columbia to Silver Spring, Maryland. The Executive Director signed a 10-year office lease, commencing February 1, 2009, and expiring on January 31, 2019, and tendered a \$5,500 security deposit to the landlord. The lease was executed on November 17, 2008.

The terms of the new lease agreement require scheduled increases annually of 3.5 percent of the previous year’s lease amount for the first 5 years. In the 6th 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. In addition to the annual increases, the lease agreement also includes contingent rent, related to increases in the landlord’s operating expenses and real estate taxes.

For FY 2009, the Commission’s lease expense totaled \$113,035, of which \$80,035 was for the expired lease that ended January 31, 2009, and included the contingent fees for operating expenses and real estate taxes. The balance, \$33,000, pertained to the new lease that included the security deposit and 5 months rent for FY 2009.

As of June 30, 2009, the Commission’s FY lease, which expires on January 31, 2019, provides for the following minimum lease payments:

Table 4.

Fiscal Year	Amount
2010	\$ 66,963
2011	69,306
2012	71,732
2013	74,243
2014	77,455
2015 - 2019	394,979
Total minimum lease payments	\$ 754,678

**WASHINGTON METROPOLITAN AREA
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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 cost.
- *Restricted for 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 the ending fund balance for purchase orders placed during the fiscal year that remain outstanding at fiscal year-end. As of June 30, 2009, the Commission reserved \$26,766 of unused appropriations for office equipment that was not received or invoiced prior to fiscal year-end.

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 the 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 the 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 June 30th, 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.

**WASHINGTON METROPOLITAN AREA
TRANSIT COMMISSION FINANCIAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

BUDGETARY COMPARATIVE STATEMENT

June 30, 2009

	Budget		Variance
	Original/Final	Actual	
Operating Allotments:			
District of Columbia	\$ 112,571	\$ 112,571	\$ -
State of Maryland	343,280	343,280	-
Commonwealth of Virginia	267,149	267,149	-
Total operating allotments	<u>723,000</u>	<u>723,000</u>	<u>-</u>
Restricted revenue:			
Program revenues	-	163,307	163,307
Prior year refunds/sale of assets	-	5,519	5,519
Total restricted revenue	<u>-</u>	<u>168,826</u>	<u>168,826</u>
Total allotments and restricted revenue	<u>723,000</u>	<u>891,826</u>	<u>168,826</u>
Program expenses:			
Salaries	445,000	457,870	(12,870)
Employee benefits	93,000	66,891	26,109
Communications	10,000	5,127	4,873
Courier	500	-	500
Subscriptions	500	181	319
Insurance	6,500	5,024	1,476
Office equipment	5,000	17,303	(12,303)
Office equipment-maintenance	1,500	1,155	345
Office rent	130,000	113,035	16,965
Office supplies and expense	15,000	27,210	(12,210)
Postage	5,000	5,707	(707)
Printing and reproduction	5,000	1,072	3,928
Publications	1,000	-	1,000
Training and education	1,500	1,804	(304)
Transportation and travel	500	243	257
Miscellaneous	3,000	3,733	(733)
Total program expenses	<u>723,000</u>	<u>706,355</u>	<u>16,645</u>
Excess of allotments and restricted revenue over expenses	<u>\$ -</u>	<u>\$ 185,471</u>	<u>\$ 185,471</u>

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



**Auditor's Report on Internal Control Over Financial Reporting and on
Compliance Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the Washington Metropolitan Area Transit Commission (Commission) as of June 30, 2009, and have issued our report thereon dated January 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

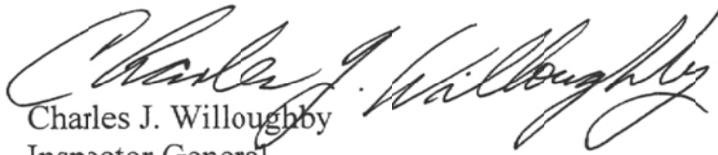
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal controls over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, the 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*.



Charles J. Willoughby
Inspector General

January 31, 2011