



MULTISTATE TAX COMMISSION

*Maximizing the synergies of multi-state tax cooperation*

To: Members, Executive Committee  
From: Julie P. Magee, Treasurer  
Date: July 25, 2012  
Subject: Financial Statements for the year period ended June 30, 2012

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#### **OVERALL COMMENTS:**

Attached are the financial statements for the Year ended June 30, 2012.

The **Budget** amounts in this report reflect the amounts in the **Proposed** column of the fiscal year 2011/2012 budget, which *approved* at the Annual Meeting of the Commission on July 27, 2011 in Whitefish, Montana.

Membership Assessments, Audit Fees, and Nexus fees are recognized ratably throughout the year.

Administrative Services department expenses are allocated to all other departments based on the relative expenses of each department.

#### **SURPLUS FROM CURRENT OF OPERATIONS:**

As shown on the Budget and Fund Summary the overall actual surplus from current operations is \$809,138. This is in contrast to the overall budgeted surplus of \$141,396 for operations for the same period.

The explanation as to *how* the actual surplus has ended up so much higher than expected includes elements of both good fortune and intentional actions:

- Due to the tight fiscal situation in Illinois, its audit fees were budgeted for the fiscal year at \$117,180. This is one-half of what would be the normal fee level. As it turns out Illinois did receive funding in the amount of \$225,000, approximately \$108,000 *more* than the MTC budgeted for the year.

- Up through late fall 2011 MTC anticipated that Illinois would, in fact, not participate *at all* in the audit program for this fiscal year. This would have created an \$117,180 short-fall in the audit program fees. And this led to the decision not to hire for the 2 vacant auditor positions. When the MTC learned that the Illinois had received funding for its audit fees **and** to the level of \$225,000, the hiring was completed for the 2 audit positions in February 2012.
- Historically the Multistate Tax Commission has seen rate increases each year for its employee group health insurance premiums. The FY 2012 budget included amounts anticipating a 15% *increase* in rates on September 1, 2011. What occurred instead was a 12% *reduction* in rates.
- Our employee group insurance agent (Brown and Brown) was instrumental in securing better coverage for group dental, life, and long-term disability at an amount that was both less than was budgeted for FY 2012 and less than the MTC had been paying.

The following table presents the significant items that contributed to the large favorable variance in the surplus from operations.

ITEM	EXPLANATION	EFFECT ON SURPLUS
<b>REVENUES:</b>		
Illinois Audit Fees	Budgeted for \$117,180 for the FY but actual 12- month audit fee ended up being \$225,000	\$107,820
Ohio Nexus Fees	Budgeted for \$39,310 for the FY but Ohio did not participate in the Nexus Program for FY 12	(39,310)
<b>EXPENSES:</b>		
Auditor Position	Budgeted for 12 months, hired 02/06/2012	58,195
Auditor Position	Budgeted for 12 months, hired 02/21/2012	62,027
Legal Intern (s)	Vacant for entire period through 04/08/2012	14,941
Policy Intern(s)	Two hired for summer 2011, otherwise vacant	15,500
Health Insurance	Rates projected to increase 15% on 09/01/2011, but rates actually <u>decreased</u> 12% on 09/01/2011. This equates to a savings/difference of \$18,745 per month starting 09/01/2012	187,450
Dental, Life, and Long-term Disability Insurance	By switching from Guardian to Principal on 09/01/2012 this saves approximately \$2,000 per month	20,000

Travel - Staff	Audit travel is subject to year-to-year and seasonal fluctuations, but also the effects of new computer and communications technologies resulting in less auditor travel	55,007
Travel – Assistance for state personnel	Not needed as much as anticipated, especially for the meetings in summer 2011 in Whitefish, MT	20,000
Conferences and Meetings	Summer 2011 meeting in Whitefish, Montana less costly than expected. Continuing to refine cost expectations of ½ day conference	15,000
Contract Services	Services budgeted for in Nexus Program to assistant in voluntary disclosure database – but as yet unused.	15,000
Furniture and Equipment	Difficult to accurately predict needs in this area and varies month-to-month	20,000

Multistate Tax Commission  
 Budget and Fund Summary  
 For the Twelve Months Ending June 30, 2012

	Current Period			Year-to Date		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>OPERATIONS BY PROGRAM &amp; TOTAL</b>						
<b>GENERAL OPERATIONS PROGRAM</b>						
Revenues	\$176,204	\$177,302	\$1,098	\$2,129,942	\$2,184,542	\$54,600
Expenses	<u>165,624</u>	<u>186,838</u>	<u>(21,214)</u>	<u>2,124,237</u>	<u>1,990,479</u>	<u>133,758</u>
SURPLUS/DEFICIT - GEN OPERATIONS	<u>10,580</u>	<u>(9,536)</u>	<u>(20,116)</u>	<u>5,705</u>	<u>194,063</u>	<u>188,358</u>
<b>ADMINISTRATIVE SERVICES</b>						
Expenses		<u>1</u>	<u>(1)</u>	<u>1</u>	<u>(1)</u>	<u>2</u>
SURPLUS/DEFICIT - ADMIN. SERVICES		<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>1</u>	<u>2</u>
<b>AUDIT PROGRAM</b>						
Revenues and Transfers	330,052	338,541	8,489	3,960,619	4,062,489	101,870
Expenses	<u>322,115</u>	<u>349,287</u>	<u>(27,172)</u>	<u>3,871,877</u>	<u>3,529,555</u>	<u>342,322</u>
SURPLUS/DEFICIT - AUDIT	<u>7,937</u>	<u>(10,746)</u>	<u>(18,683)</u>	<u>88,742</u>	<u>532,934</u>	<u>444,192</u>
<b>NEXUS PROGRAM</b>						
Revenues and Transfers	66,175	63,446	(2,729)	794,104	761,346	(32,758)
Expenses	<u>61,531</u>	<u>65,723</u>	<u>(4,192)</u>	<u>748,369</u>	<u>679,876</u>	<u>68,493</u>
SURPLUS/DEFICIT - NEXUS PROGRAM	<u>4,644</u>	<u>(2,277)</u>	<u>(6,921)</u>	<u>45,735</u>	<u>81,470</u>	<u>35,735</u>
<b>TRAINING &amp; EDUCATION</b>						
Revenues and Transfers		750	750	152,700	166,634	13,934
Expenses	<u>1,675</u>	<u>5,429</u>	<u>(3,754)</u>	<u>151,485</u>	<u>165,965</u>	<u>(14,480)</u>
SURPLUS/DEFICIT - TRAINING & EDUCATI	<u>(1,675)</u>	<u>(4,679)</u>	<u>(3,004)</u>	<u>1,215</u>	<u>669</u>	<u>(546)</u>
<b>OTHER PROJECTS</b>						
<b>TOTAL OPERATIONS</b>						
Revenues and Transfers	572,430	580,039	7,609	7,037,365	7,175,011	137,646
Expenses	<u>550,945</u>	<u>607,279</u>	<u>(56,334)</u>	<u>6,895,969</u>	<u>6,365,875</u>	<u>530,094</u>
SURPLUS/DEFICIT - TOTAL OPERATIONS	<u>21,485</u>	<u>(27,240)</u>	<u>(48,725)</u>	<u>141,396</u>	<u>809,136</u>	<u>667,740</u>

**ASSETS**

**CURRENT ASSETS**

Money Market Accounts	\$340,559.95
Cash in Banks	1,270,633.25
CD's and Government Securities	3,856,071.05
Petty Cash	891.79
Accounts Receivable - Audit	225,000.00
Accounts Receivable - Other	47,120.00
Prepaid Maintenance	10,945.45
Prepaid Rent	31,242.19
Prepaid Meeting Costs	4,020.00
Prepaid Licenses	5,625.00
Prepaid Subscriptions	18,699.01
Accrued Interest	<u>23,170.68</u>

TOTAL CURRENT ASSETS \$5,833,978.37

**PROPERTY AND EQUIPMENT**

Office Furniture & Equipment	\$750,700.81
Leasehold Improvements	236,147.39
Less: Accum Depred & Amortization	<u>(606,129.52)</u>

TOTAL PROPERTY AND EQUIPMENT \$380,718.68

**OTHER ASSETS**

Expense Account Advances	\$7,600.00
Rent Deposits	<u>6,165.00</u>

TOTAL OTHER ASSETS \$13,765.00

**TOTAL ASSETS** \$6,228,462.05

**LIABILITIES & FUND BALANCE**

**CURRENT LIABILITIES**

Accounts Payable	\$95,948.74
Accrued Vacation Pay	353,033.36
Unearned Program Fees	461,005.00
Unearned Registration Fees	<u>9,270.00</u>

TOTAL CURRENT LIABILITIES \$919,257.10

**FUND BALANCE**

Appropriated Fund Bal-Enterprise Automation Project	\$555,715.16
Appropriated Fund Bal-Equipment Reserve	19,206.16
Approp Fund-Fed/Sta Dat Exchange	34,165.90
Restricted Fund Balance-Cumm	1,054,267.91
Restricted Fund Balance-Current	81,470.00
Unappropriated Fund Bal-Current Adj	(81,470.00)
Unappropriated Fund Balance-Cummula	2,774,589.60
Unappropriated Fund Balance-Current	<u>809,135.76</u>

TOTAL FUND BALANCE \$5,247,080.49

Add Back Asset Exp from Budget Rept 62,124.46

**TOTAL LIABILITIES & FUND BALANCE** \$6,228,462.05

Multistate Tax Commission  
INCOME STATEMENT  
For the Twelve Months Ending June 30, 2012

	Current Period			Year-to Date		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES</b>						
MEMBER ASSESSMENTS	\$149,190	\$149,190	\$0	\$1,790,275	\$1,790,277	\$2
GEN OPS SUPPORT FEE-AUDIT	11,718	12,213	495	140,616	146,556	5,940
GEN OPS SUPPORT FEE-NEXUS	5,254	4,708	(546)	63,051	56,499	(6,552)
AUDIT REIMBURSEMENTS	330,052	338,541	8,489	3,960,619	4,062,489	101,870
INTEREST INCOME	10,000	11,182	1,182	120,000	174,008	54,008
SPECIAL PROJECT FEES (NEXUS)	66,175	63,446	(2,729)	794,104	761,346	(32,758)
CONFERENCE FEES	0	0	0	15,500	16,600	1,100
MISCELLANEOUS REVENUE	42	9	(33)	500	602	102
TRAINING PROGRAM FEES	0	750	750	152,700	166,634	13,934
<b>TOTAL REVENUES</b>	<b>\$572,431</b>	<b>\$580,039</b>	<b>\$7,608</b>	<b>\$7,037,365</b>	<b>\$7,175,011</b>	<b>\$137,646</b>
<b>EXPENSES</b>						
SALARIES	\$300,382	\$303,760	(\$3,378)	\$3,656,583	\$3,549,713	\$106,870
RETIREMENT	37,060	37,341	(281)	451,165	438,973	12,192
EMPLOYEE INSURANCE	101,675	81,082	20,593	1,241,535	964,572	276,963
ADVERTISING	850	440	410	10,200	6,128	4,072
SUBSCRIPTIONS & PUBLICATIONS	3,050	7,111	(4,061)	36,600	52,963	(16,363)
TRAVEL	20,583	36,847	(16,264)	275,262	220,185	55,077
TRAVEL-MEMBERS	0	0	0	43,500	18,963	24,537
RENT AND UTILITIES	32,979	32,803	176	395,745	383,924	11,821
OFFICE SUPPLIES	2,858	7,112	(4,254)	41,385	41,642	(257)
POSTAGE, POST EQUIP RENTAL & FREIGHT	2,446	2,386	60	34,014	27,405	6,609
PRINTING, COPYING & COPIER RENTAL	1,883	2,312	(429)	30,610	18,179	12,431
COMMUNICATIONS-TELEPHONE	4,833	4,359	474	58,500	59,093	(593)
COMMUNICATIONS-COMPUTER	3,417	2,578	839	41,000	26,906	14,094
TRAINING	1,400	7,879	(6,479)	16,800	14,484	2,316
CONFERENCES & MEETINGS	308	1,360	(1,052)	101,550	89,079	12,471
CONSULTANTS TRAVEL	0	0	0	0	3,856	(3,856)
CONTRACT SERVICES	2,667	20,464	(17,797)	34,880	48,002	(13,122)
CONSULTING FEES/LEGAL	500	0	500	6,000	916	5,084
PENSION TRUSTEES FEES	125	447	(322)	1,500	2,218	(718)
INVESTMENT ADVISORY FEES	2,500	0	2,500	30,000	26,213	3,787
AUDIT SERVICES - NEXUS	0	0	0	0	605	(605)
LEGISLATIVE - CONSULTING	14,583	12,500	2,083	175,000	160,930	14,070
INSURANCE & BONDS	1,417	1,473	(56)	17,000	16,371	629
MAINTENANCE	1,146	4,772	(3,626)	13,750	20,679	(6,929)
BOND AMORTIZATION	5,000	5,737	(737)	60,000	74,483	(14,483)
MISCELLANEOUS	642	7,288	(6,646)	8,700	17,784	(9,084)
ACCOUNTING	333	293	40	15,000	14,978	22
SOFTWARE LICENCES	1,433	0	1,433	17,190	3,726	13,464
ADMINISTRATIVE SERVICE ALLOCAT	0	0	0	0	779	(779)
<b>TOTAL OPERATION EXPENSES</b>	<b>\$544,070</b>	<b>\$580,344</b>	<b>(\$36,274)</b>	<b>\$6,813,469</b>	<b>\$6,303,749</b>	<b>\$509,720</b>
FURNITURE & EQUIPMENT	\$6,875	\$26,934	(\$20,059)	\$82,500	\$62,124	\$20,376
<b>EXCESS REVENUE (EXPENSES)</b>	<b>\$21,486</b>	<b>(\$27,239)</b>	<b>(\$48,725)</b>	<b>\$141,396</b>	<b>\$809,138</b>	<b>\$667,742</b>

Multistate Tax Commission  
REVENUE SUMMARY  
For the Twelve Months Ending June 30, 2012

	Current Period			Year-to Date		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES BY PROGRAM TYPE</b>						
<b>GENERAL OPERATIONS</b>						
MEMBER ASSESSMENTS	\$149,190	\$149,190	\$0	\$1,790,275	\$1,790,277	\$2
GEN OPS SUPPORT FEE-AUDIT	11,718	12,213	495	140,616	146,556	5,940
GEN OPS SUPPORT FEE-NEXUS	5,254	4,708	(546)	63,051	56,499	(6,552)
INTEREST	10,000	11,182	1,182	120,000	174,008	54,008
CONFERENCE FEES-ANNUAL MEETING	0	0	0	15,500	16,600	1,100
MISCELLANEOUS REVENUE	42	9	(33)	500	602	102
<b>TOTAL REVENUES - GENERAL OPERATIO</b>	<b>\$176,204</b>	<b>\$177,302</b>	<b>\$1,098</b>	<b>\$2,129,942</b>	<b>\$2,184,542</b>	<b>\$54,600</b>
<b>ADMINISTRATIVE SERVICES</b>						
<b>AUDIT PROGRAM</b>						
MEMBER AUDIT REIMBURSEMENTS	330,052	338,541	8,489	3,960,619	4,062,489	101,870
<b>TOTAL REVENUES - AUDIT</b>	<b>\$330,052</b>	<b>\$338,541</b>	<b>\$8,489</b>	<b>\$3,960,619</b>	<b>\$4,062,489</b>	<b>\$101,870</b>
<b>NEXUS PROGRAM</b>						
NEXUS PROGRAM FEES	66,175	63,446	(2,729)	794,104	761,346	(32,758)
<b>TOTAL REVENUES - SPECIAL PROJECTS</b>	<b>\$66,175</b>	<b>\$63,446</b>	<b>(\$2,729)</b>	<b>\$794,104</b>	<b>\$761,346</b>	<b>(\$32,758)</b>
<b>TRAINING &amp; EDUCATION</b>						
AUDIT SAMPLING SCHOOLS	0	0	0	50,700	61,020	10,320
INCOME TAX SCHOOLS	0	0	0	42,000	54,400	12,400
NEXUS SCHOOLS	0	750	750	60,000	51,214	(8,786)
<b>TOTAL REVENUES-TRAINING &amp; EDUCATI</b>	<b>\$0</b>	<b>\$750</b>	<b>\$750</b>	<b>\$152,700</b>	<b>\$166,634</b>	<b>\$13,934</b>
<b>TOTAL REVENUES</b>	<b>\$572,431</b>	<b>\$580,039</b>	<b>\$7,608</b>	<b>\$7,037,365</b>	<b>\$7,175,011</b>	<b>\$137,646</b>

Multistate Tax Commission  
EXPENDITURE SUMMARY  
For the Twelve Months Ending June 30, 2012

	Current Period			Year-to Date		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>EXPENDITURES BY PROGRAM TYPE</b>						
<b>GENERAL OPERATIONS</b>						
PERSONNEL	\$100,672	\$99,638	\$1,034	\$1,208,061	\$1,113,965	\$94,096
OPERATING EXPENSES	36,199	40,641	(4,442)	571,136	526,130	45,006
EQUIPMENT	1,000	835	165	12,000	2,730	9,270
ADMINISTRATIVE SERVICES	<u>27,753</u>	<u>45,724</u>	<u>(17,971)</u>	<u>333,040</u>	<u>347,654</u>	<u>(14,614)</u>
TOTAL EXPENSES - GENERAL OPERATIO	<u>\$165,624</u>	<u>\$186,838</u>	<u>(\$21,214)</u>	<u>\$2,124,237</u>	<u>\$1,990,479</u>	<u>\$133,758</u>
<b>ADMINISTRATIVE SERVICES</b>						
PERSONNEL	\$61,824	\$59,505	\$2,319	\$741,893	\$712,192	\$29,701
OPERATING EXPENSES	23,154	58,413	(35,259)	277,850	302,221	(24,371)
EQUIPMENT	3,292	23,937	(20,645)	39,500	51,013	(11,513)
ADMIN. SERVICES ALLOCATION	<u>(88,270)</u>	<u>(141,854)</u>	<u>53,584</u>	<u>(1,059,242)</u>	<u>(1,065,426)</u>	<u>6,184</u>
TOTAL EXPS - ADMIN. SERVICES	<u>\$0</u>	<u>\$1</u>	<u>(\$1)</u>	<u>\$1</u>	<u>\$0</u>	<u>\$1</u>
<b>AUDIT</b>						
PERSONNEL	\$241,983	\$230,599	\$11,384	\$2,903,793	\$2,638,038	\$265,755
OPERATING EXPENSES	27,470	37,905	(10,435)	336,134	283,474	52,660
EQUIPMENT	1,917	0	1,917	23,000	6,220	16,780
ADMIN. SERVICES ALLOCATION	<u>50,746</u>	<u>80,783</u>	<u>(30,037)</u>	<u>608,950</u>	<u>601,824</u>	<u>7,126</u>
TOTAL EXPS - AUDIT	<u>\$322,116</u>	<u>\$349,287</u>	<u>(\$27,171)</u>	<u>\$3,871,877</u>	<u>\$3,529,556</u>	<u>\$342,321</u>
<b>NEXUS PROGRAM</b>						
PERSONNEL	\$34,638	\$32,441	\$2,197	\$415,652	\$383,598	\$32,054
OPERATING EXPENSES	16,705	16,332	373	210,465	177,948	32,517
EQUIPMENT	417	1,603	(1,186)	5,000	1,603	3,397
ADMIN. SERVICES ALLOCATION	<u>9,771</u>	<u>15,347</u>	<u>(5,576)</u>	<u>117,252</u>	<u>116,727</u>	<u>525</u>
TOTAL DIRECT EXPS - NEXUS PROGRAM	<u>\$61,531</u>	<u>\$65,723</u>	<u>(\$4,192)</u>	<u>\$748,369</u>	<u>\$679,876</u>	<u>\$68,493</u>
<b>TRAINING &amp; EDUCATION</b>						
PERSONNEL	\$0	\$0	\$0	\$79,884	\$105,465	(\$25,581)
OPERATING EXPENSES	1,425	4,870	(3,445)	68,601	59,941	8,660
EQUIPMENT	250	559	(309)	3,000	559	2,441
TOTAL EXPS - TRAINING & EDUCATION	<u>\$1,675</u>	<u>\$5,429</u>	<u>(\$3,754)</u>	<u>\$151,485</u>	<u>\$165,965</u>	<u>(\$14,480)</u>
<b>OTHER APPROPRIATED FUNDS</b>						
<b>TOTAL EXPENDITURES</b>	<u><u>\$550,946</u></u>	<u><u>\$607,278</u></u>	<u><u>(\$56,332)</u></u>	<u><u>\$6,895,969</u></u>	<u><u>\$6,365,876</u></u>	<u><u>\$530,093</u></u>