



MULTISTATE TAX COMMISSION

Maximizing the synergies of multi-state tax cooperation

To: Members, Executive Committee
From: Julie P. Magee, Treasurer
Date: April 23, 2012
Subject: Financial Statements for the nine-month period ended March 31, 2012

OVERALL COMMENTS:

Attached are the financial statements for the nine-month period ended March 31, 2012.

The **Budget** amounts in this report reflect the amounts in the **Proposed** column of the fiscal year 2011/2012 budget. These **Proposed** amounts were *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 \$665,149. This is in contrast to the overall budgeted surplus of \$86,250 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 incredibly good luck 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
REVENUES:		
Illinois Audit Fees	Budgeted for \$117,180 for the FY but actual 12- month audit fee ended up being \$225,000	\$80,865
Ohio Nexus Fees	Budgeted for \$39,310 for the FY but Ohio is not participating in the Nexus Program for FY 12	(29,483)
EXPENSES:		
Auditor Position	Hired 02/06/2012	58,195
Auditor Position	Hired 02/21/2012	62,027
Legal Intern (s)	Vacant for entire period through 03/31/2012	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	131,215

Dental, Life, and Long-term Disability Insurance	By switching from Guardian to Principal on 09/01/2012 this saves approximately \$2,000 per month	14,000
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	52,963
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.	11,250
Furniture and Equipment	Difficult to accurately predict needs in this area and varies month-to-month	45,000

Multistate Tax Commission
Budget and Fund Summary
For the Nine Months Ending March 31, 2012

	Current Period			Year-to Date		
	Budget	Actual	Variance	Budget	Actual	Variance
OPERATIONS BY PROGRAM & TOTAL						
GENERAL OPERATIONS PROGRAM						
Revenues	\$176,204	\$178,706	\$2,502	\$1,601,332	\$1,619,490	\$18,158
Expenses	<u>182,624</u>	<u>175,107</u>	<u>7,517</u>	<u>1,618,865</u>	<u>1,510,512</u>	<u>108,353</u>
SURPLUS/DEFICIT - GEN OPERATIONS	<u>(6,420)</u>	<u>3,599</u>	<u>10,019</u>	<u>(17,533)</u>	<u>108,978</u>	<u>126,511</u>
ADMINISTRATIVE SERVICES						
Expenses		<u>2</u>	<u>(2)</u>	<u>1</u>	<u>1</u>	
SURPLUS/DEFICIT - ADMIN. SERVICES		<u>(2)</u>	<u>(2)</u>	<u>(1)</u>	<u>(1)</u>	
AUDIT PROGRAM						
Revenues and Transfers	330,052	338,541	8,489	2,970,464	3,046,867	76,403
Expenses	<u>325,365</u>	<u>305,361</u>	<u>20,004</u>	<u>2,905,533</u>	<u>2,562,691</u>	<u>342,842</u>
SURPLUS/DEFICIT - AUDIT	<u>4,687</u>	<u>33,180</u>	<u>28,493</u>	<u>64,931</u>	<u>484,176</u>	<u>419,245</u>
NEXUS PROGRAM						
Revenues and Transfers	66,175	63,446	(2,729)	595,578	571,010	(24,568)
Expenses	<u>66,531</u>	<u>60,991</u>	<u>5,540</u>	<u>563,777</u>	<u>506,561</u>	<u>57,216</u>
SURPLUS/DEFICIT - NEXUS PROGRAM	<u>(356)</u>	<u>2,455</u>	<u>2,811</u>	<u>31,801</u>	<u>64,449</u>	<u>32,648</u>
TRAINING & EDUCATION						
Revenues and Transfers	25,350	21,415	(3,935)	122,700	93,850	(28,850)
Expenses	<u>16,770</u>	<u>13,718</u>	<u>3,052</u>	<u>115,648</u>	<u>86,303</u>	<u>29,345</u>
SURPLUS/DEFICIT - TRAINING & EDUCATI	<u>8,580</u>	<u>7,697</u>	<u>(883)</u>	<u>7,052</u>	<u>7,547</u>	<u>495</u>
OTHER PROJECTS						
TOTAL OPERATIONS						
Revenues and Transfers	597,780	602,107	4,327	5,290,074	5,331,217	41,143
Expenses	<u>591,290</u>	<u>555,179</u>	<u>36,111</u>	<u>5,203,824</u>	<u>4,666,068</u>	<u>537,756</u>
SURPLUS/DEFICIT - TOTAL OPERATIONS	<u>6,490</u>	<u>46,928</u>	<u>40,438</u>	<u>86,250</u>	<u>665,149</u>	<u>578,899</u>

4/17/12
Period Nine

Multistate Tax Commission
BALANCE SHEET
As of 3/31/12

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ASSETS

CURRENT ASSETS

Money Market Accounts	\$295,774.73
Cash in Banks	2,176,953.07
CD's and Government Securities	3,894,066.77
Petty Cash	894.62
Accounts Receivable - Audit	400,770.00
Prepaid Maintenance	6,271.66
Prepaid Rent	33,587.72
Prepaid Subscriptions	29,334.16
Accrued Interest	<u>33,993.75</u>

TOTAL CURRENT ASSETS \$6,871,646.48

PROPERTY AND EQUIPMENT

Office Furniture & Equipment	\$704,800.45
Leasehold Improvements	236,147.39
Less: Accum Depred & Amortization	<u>(606,129.52)</u>

TOTAL PROPERTY AND EQUIPMENT \$334,818.32

OTHER ASSETS

Expense Account Advances	\$7,200.00
Rent Deposits	<u>6,165.00</u>

TOTAL OTHER ASSETS \$13,365.00

TOTAL ASSETS \$7,219,829.80

LIABILITIES & FUND BALANCE

CURRENT LIABILITIES

Accounts Payable	\$23,532.04
Accrued Vacation Pay	353,033.36
Payroll Taxes Payable	(0.03)
Prepaid Assessments	<u>1,704,300.79</u>

TOTAL CURRENT LIABILITIES \$2,080,866.16

FUND BALANCE

Appropriated Fund Bal-Enterprise Automation Project	\$555,715.16
Appropriated Fund Bal-Equipment Reserve	6,706.16
Approp Fund-Fed/Sta Dat Exchange	53,812.02
Restricted Fund Balance-Cumm	1,054,267.91
Restricted Fund Balance-Current	64,449.00
Unappropriated Fund Bal-Current Adj	(64,449.00)
Unappropriated Fund Balance-Cummula	2,787,089.60
Unappropriated Fund Balance-Current	<u>665,148.69</u>

TOTAL FUND BALANCE \$5,122,739.54

Add Back Asset Exp from Budget Rept 16,224.10

TOTAL LIABILITIES & FUND BALANCE \$7,219,829.80

Multistate Tax Commission
INCOME STATEMENT
For the Nine Months Ending March 31, 2012

	Current Period			Year-to Date		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES						
MEMBER ASSESSMENTS	\$149,190	\$149,190	\$0	\$1,342,706	\$1,342,708	\$2
GEN OPS SUPPORT FEE-AUDIT	11,718	12,213	495	105,462	109,917	4,455
GEN OPS SUPPORT FEE-NEXUS	5,254	4,708	(546)	47,288	42,374	(4,914)
AUDIT REIMBURSEMENTS	330,052	338,541	8,489	2,970,464	3,046,867	76,403
INTEREST INCOME	10,000	12,595	2,595	90,000	107,299	17,299
SPECIAL PROJECT FEES (NEXUS)	66,175	63,446	(2,729)	595,578	571,010	(24,568)
CONFERENCE FEES	0	0	0	15,500	16,600	1,100
MISCELLANEOUS REVENUE	42	0	(42)	375	593	218
TRAINING PROGRAM FEES	25,350	21,415	(3,935)	122,700	93,850	(28,850)
TOTAL REVENUES	\$597,781	\$602,108	\$4,327	\$5,290,073	\$5,331,218	\$41,145
EXPENSES						
SALARIES	\$307,973	\$301,187	\$6,786	\$2,744,833	\$2,641,588	\$103,245
RETIREMENT	38,001	37,347	654	338,671	326,916	11,755
EMPLOYEE INSURANCE	101,785	77,055	24,730	931,701	719,626	212,075
ADVERTISING	850	445	405	7,650	4,809	2,841
SUBSCRIPTIONS & PUBLICATIONS	3,050	6,049	(2,999)	27,450	37,640	(10,190)
TRAVEL	24,217	25,427	(1,210)	209,430	134,369	75,061
TRAVEL-MEMBERS	7,750	2,513	5,237	38,500	16,063	22,437
RENT AND UTILITIES	32,979	33,539	(560)	296,809	286,656	10,153
OFFICE SUPPLIES	3,006	4,257	(1,251)	30,965	26,827	4,138
POSTAGE, POST EQUIP RENTAL & FREIGHT	3,017	3,485	(468)	25,891	20,955	4,936
PRINTING, COPYING & COPIER RENTAL	1,883	1,174	709	22,230	11,523	10,707
COMMUNICATIONS-TELEPHONE	4,833	4,939	(106)	44,000	42,483	1,517
COMMUNICATIONS-COMPUTER	3,417	2,310	1,107	30,750	19,970	10,780
TRAINING	1,233	938	295	11,100	4,926	6,174
CONFERENCES & MEETINGS	19,908	27,540	(7,632)	93,925	79,425	14,500
CONSULTANTS TRAVEL	0	0	0	0	3,856	(3,856)
CONTRACT SERVICES	2,667	3,562	(895)	25,440	22,447	2,993
CONSULTING FEES/LEGAL	500	0	500	4,500	916	3,584
PENSION TRUSTEES FEES	125	0	125	1,125	1,321	(196)
INVESTMENT ADVISORY FEES	2,500	0	2,500	22,500	19,676	2,824
AUDIT SERVICES - NEXUS	167	0	167	1,500	0	1,500
LEGISLATIVE - CONSULTING	14,583	12,500	2,083	131,250	123,126	8,124
INSURANCE & BONDS	1,417	1,473	(56)	12,750	11,952	798
MAINTENANCE	1,146	707	439	10,312	12,273	(1,961)
BOND AMORTIZATION	5,000	6,267	(1,267)	45,000	56,314	(11,314)
MISCELLANEOUS	642	904	(262)	6,775	8,605	(1,830)
ACCOUNTING	333	286	47	14,000	13,984	16
SOFTWARE LICENCES	1,433	0	1,433	12,893	820	12,073
ADMINISTRATIVE SERVICE ALLOCAT	0	0	0	0	779	(779)
TOTAL OPERATION EXPENSES	\$584,415	\$553,904	\$30,511	\$5,141,950	\$4,649,845	\$492,105
FURNITURE & EQUIPMENT	\$6,875	\$1,275	\$5,600	\$61,875	\$16,224	\$45,651
EXCESS REVENUE (EXPENSES)	\$6,491	\$46,929	\$40,438	\$86,248	\$665,149	\$578,901

Multistate Tax Commission
REVENUE SUMMARY
For the Nine Months Ending March 31, 2012

	Current Period			Year-to Date		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES BY PROGRAM TYPE						
GENERAL OPERATIONS						
MEMBER ASSESSMENTS	\$149,190	\$149,190	\$0	\$1,342,706	\$1,342,708	\$2
GEN OPS SUPPORT FEE-AUDIT	11,718	12,213	495	105,462	109,917	4,455
GEN OPS SUPPORT FEE-NEXUS	5,254	4,708	(546)	47,288	42,374	(4,914)
INTEREST	10,000	12,595	2,595	90,000	107,299	17,299
CONFERENCE FEES-ANNUAL MEETING	0	0	0	15,500	16,600	1,100
MISCELLANEOUS REVENUE	42	0	(42)	375	593	218
TOTAL REVENUES - GENERAL OPERATIO	\$176,204	\$178,706	\$2,502	\$1,601,331	\$1,619,491	\$18,160
ADMINISTRATIVE SERVICES						
AUDIT PROGRAM						
MEMBER AUDIT REIMBURSEMENTS	330,052	338,541	8,489	2,970,464	3,046,867	76,403
TOTAL REVENUES - AUDIT	\$330,052	\$338,541	\$8,489	\$2,970,464	\$3,046,867	\$76,403
NEXUS PROGRAM						
NEXUS PROGRAM FEES	66,175	63,446	(2,729)	595,578	571,010	(24,568)
TOTAL REVENUES - SPECIAL PROJECTS	\$66,175	\$63,446	(\$2,729)	\$595,578	\$571,010	(\$24,568)
TRAINING & EDUCATION						
AUDIT SAMPLING SCHOOLS	25,350	16,915	(8,435)	50,700	38,960	(11,740)
INCOME TAX SCHOOLS	0	0	0	42,000	28,400	(13,600)
NEXUS SCHOOLS	0	4,500	4,500	30,000	26,490	(3,510)
TOTAL REVENUES-TRAINING & EDUCATI	\$25,350	\$21,415	(\$3,935)	\$122,700	\$93,850	(\$28,850)
TOTAL REVENUES	\$597,781	\$602,108	\$4,327	\$5,290,073	\$5,331,218	\$41,145

Multistate Tax Commission
EXPENDITURE SUMMARY
For the Nine Months Ending March 31, 2012

	Current Period			Year-to Date		
	Budget	Actual	Variance	Budget	Actual	Variance
EXPENDITURES BY PROGRAM TYPE						
GENERAL OPERATIONS						
PERSONNEL	\$100,672	\$87,552	\$13,120	\$906,046	\$846,849	\$59,197
OPERATING EXPENSES	53,199	62,136	(8,937)	454,040	417,010	37,030
EQUIPMENT	1,000	0	1,000	9,000	1,895	7,105
ADMINISTRATIVE SERVICES	<u>27,753</u>	<u>25,420</u>	<u>2,333</u>	<u>249,780</u>	<u>244,758</u>	<u>5,022</u>
TOTAL EXPENSES - GENERAL OPERATIO	<u>\$182,624</u>	<u>\$175,108</u>	<u>\$7,516</u>	<u>\$1,618,866</u>	<u>\$1,510,512</u>	<u>\$108,354</u>
ADMINISTRATIVE SERVICES						
PERSONNEL	\$61,824	\$58,761	\$3,063	\$556,420	\$534,885	\$21,535
OPERATING EXPENSES	23,154	22,778	376	208,387	192,386	16,001
EQUIPMENT	3,292	0	3,292	29,625	10,023	19,602
ADMIN. SERVICES ALLOCATION	<u>(88,270)</u>	<u>(81,537)</u>	<u>(6,733)</u>	<u>(794,432)</u>	<u>(737,293)</u>	<u>(57,139)</u>
TOTAL EXPS - ADMIN. SERVICES	<u>\$0</u>	<u>\$2</u>	<u>(\$2)</u>	<u>\$0</u>	<u>\$1</u>	<u>(\$1)</u>
AUDIT						
PERSONNEL	\$241,983	\$224,358	\$17,625	\$2,177,845	\$1,959,071	\$218,774
OPERATING EXPENSES	30,719	33,069	(2,350)	253,725	188,117	65,608
EQUIPMENT	1,917	1,275	642	17,250	3,540	13,710
ADMIN. SERVICES ALLOCATION	<u>50,746</u>	<u>46,660</u>	<u>4,086</u>	<u>456,712</u>	<u>411,963</u>	<u>44,749</u>
TOTAL EXPS - AUDIT	<u>\$325,365</u>	<u>\$305,362</u>	<u>\$20,003</u>	<u>\$2,905,532</u>	<u>\$2,562,691</u>	<u>\$342,841</u>
NEXUS PROGRAM						
PERSONNEL	\$34,638	\$32,459	\$2,179	\$311,739	\$290,399	\$21,340
OPERATING EXPENSES	21,705	19,075	2,630	160,349	134,044	26,305
EQUIPMENT	417	0	417	3,750	766	2,984
ADMIN. SERVICES ALLOCATION	<u>9,771</u>	<u>9,457</u>	<u>314</u>	<u>87,939</u>	<u>81,351</u>	<u>6,588</u>
TOTAL DIRECT EXPS - NEXUS PROGRAM	<u>\$66,531</u>	<u>\$60,991</u>	<u>\$5,540</u>	<u>\$563,777</u>	<u>\$506,560</u>	<u>\$57,217</u>
TRAINING & EDUCATION						
PERSONNEL	\$8,643	\$12,459	(\$3,816)	\$63,156	\$56,924	\$6,232
OPERATING EXPENSES	7,877	1,259	6,618	50,243	29,378	20,865
EQUIPMENT	250	0	250	2,250	0	2,250
TOTAL EXPS - TRAINING & EDUCATION	<u>\$16,770</u>	<u>\$13,718</u>	<u>\$3,052</u>	<u>\$115,649</u>	<u>\$86,302</u>	<u>\$29,347</u>
OTHER APPROPRIATED FUNDS						
TOTAL EXPENDITURES	<u>\$591,290</u>	<u>\$555,181</u>	<u>\$36,109</u>	<u>\$5,203,824</u>	<u>\$4,666,066</u>	<u>\$537,758</u>