MULTISTATE TAX COMMISSION
Working Together Since 1967 to Preserve Federalism and Tax Fairness

To:	Members, Executive Committee
From:	Tim Russell, Treasurer
Date:	July 8, 2008
Subject:	Financial Statements for the eleven-month period ended May 31, 2008

OVERALL COMMENTS:

Attached are the financial statements for the eleven -month period ended May 31, 2008.

The **Budget** amounts in this report reflect the amounts in the **Final Proposed** column of the fiscal year 2007/2008 budget. These **Final Proposed** amounts were approved by the Executive Committee at the Committee's meeting on August 2, 2007 in Minneapolis, Minnesota.

The reports indicate a total *current* unappropriated fund balance of $431,866 (computed as $627,841 Current Unappropriated less $195,955 Current Adj Unappropriated). The reports indicate a total *current* restricted fund balance of $195,955.

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

Expenditures are running less than the budgeted amounts in all of the ongoing operational program areas of the MTC.

Favorable variances (for revenue or expense items) are shown as a positive numbers and unfavorable variances (for revenue or expense items) are shown as a negative numbers.

BALANCE SHEET:

Assets –

Cash in Banks are funds held at Wachovia and are currently earning 1.79%.

Accounts Receivable – Other are registration fees receivable from a previously held Audit Sampling School

Current Liabilities –

Accrued Self Insurance represents the amount accrued at June 30, 2007 relating to the estimated terminal coverage claims amount expected under the current Guardian partially self-funded health insurance plan.

Prepaid Assessments is the amount of unearned income (now only the June 2008 revenue) remaining to be recognized in FY 07/08 from fees collected from states. As noted above fees earned are recognized ratably throughout the year.

Fund Balances -

The **Enterprise Automation Project Appropriated Fund** is charged for expenditures from the **Enterprise Automation Project.** Please note that the Enterprise Automation Project is a multi-year effort. Funds not expended this fiscal year are intended to be expended in future years.

INCOME STATEMENT - Revenues:

Interest income earned is allocated to each program based on the relative amounts of fees that each program area generates.

Training Program Fees show an unfavorable variance from the budgeted amount due to delivery of fewer classes than expected. Two Nexus Schools were delivered, rather than the three projected. Likewise, one Corporate Income Tax course was delivered rather than the two projected. Only one statistical sampling course was delivered during the period (a second was held in June, and a third in July), rather than the five projected due to additional time needed for development of the new MTC sampling software and concomitant revision of this course. The related *expenses* for the Training and Education Program show a favorable variance because variable expenses are likewise reduced when training schools are not held.

INCOME STATEMENT - Expenditures:

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

Salaries, Retirement, and Employee Insurance show a favorable variance from the budgeted amounts as a result of a number of positions that were vacant for much or all of the eleven-month period. These positions are: Research Associate (Policy; part-time), two Administrative positions, a Nexus position, and two Audit positions. [The Administrative/Web site manager and Research Associate positions were filled in June. One of the audit positions was filled in April].

Temporary Help shows an unfavorable variance from the budgeted amount due to the use of temporary help in filling budgeted paralegal positions in the Nexus program. This unfavorable amount nets against the favorable variance in salaries, *etc.* created during the period early in the fiscal year when these two paralegal positions were not yet filled with permanent employees.

Remodeling Expense shows an $40,710 unfavorable variance for the first 11 months of the fiscal year. Remodeling expenses are being budgeted ratably over the fiscal year at $10,413 per month based on an **original** approved estimate of $125,000 for the project (completed as of June 2008). As of May 31, 2008, 65% of the construction and architectural cost payments have been made. As was discussed at the January 2008 Executive Committee meeting the cost for this renovation project is now expected to approximate an **additional** $49,000 out of pocket. This additional cost for the renovation project was approved at the January 2008 Executive Committee meeting. [The additional funding for this amount will come from fiscal 2008 surpluses]. Thus, this variance at May 31, 2008 reflects a portion of this anticipated, but previously (as of July 2007) unbudgeted additional amount.