

WASHINGTON METRORAIL SAFETY COMMISSION
Washington, D.C.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

As of and for the Year Ended June 30, 2022

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE
WASHINGTON METRORAIL SAFETY COMMISSION
Washington, D.C.**

As of and for the Year Ended June 30, 2022

Prepared by:
David Mayer, Chief Executive Officer
Sharmila Samarasinghe, Deputy Chief Executive Officer & Chief Operating Officer
Kyle Ange, Chief Financial Officer

WASHINGTON METRORAIL SAFETY COMMISSION

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INTRODUCTORY SECTION



December 13, 2022

To the Commissioners
Washington Metrorail Safety Commission:

The Washington Metrorail Safety Commission (the “WMSC”) Compact (Section 39) requires the WMSC to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). These financial statements must also be audited 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. This is the Annual Comprehensive Financial Report (“ACFR”) of the WMSC for the fiscal year that ended on June 30, 2022. All disclosures necessary for the reader to gain an understanding of the WMSC’s financial condition have been included.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rest with management. To the best of our knowledge and belief, the enclosed data is complete and reliable in all material respects and is reported in a manner that presents fairly the financial position and results of WMSC operations. WMSC management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, WMSC management has established a comprehensive internal control framework that is designed to both protect the assets of the WMSC from loss, theft, or misuse, and to compile sufficient, reliable data for the preparation of the WMSC’s financial statements in conformity with U.S. GAAP. Because the cost of internal controls should not outweigh the benefits, the WMSC’s comprehensive internal control framework has been designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement.

The WMSC’s financial statements have been audited by Cherry Bekaert LLP, a firm of licensed certified public accountants. As required by the WMSC Compact, Cherry Bekaert LLP was selected by the WMSC Board, and Cherry Bekaert LLP has no direct or indirect personal interest in the financial affairs of the WMSC or any of its officers or employees.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the WMSC for the year ended June 30, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the WMSC’s financial statements for the year ended June 30, 2022, are fairly presented in conformity with U.S. GAAP. The report of independent auditor is presented as the first component of the financial section of this report.

U.S. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The WMSC’s MD&A is in the financial section of the ACFR, immediately following the report of the independent auditor.

The WMSC and its Purpose

The WMSC is the independent entity with oversight and enforcement authority to ensure continual safety improvement of the Washington Metropolitan Area Transit Authority's ("WMATA") Rail System ("Metrorail").

The WMSC is also responsible for Metrorail safety event investigations. Six commissioners and three alternates serve on the WMSC Board. The District of Columbia, State of Maryland, and Commonwealth of Virginia each appoint two commissioners and one alternate. Each member must have expertise in transportation safety or related fields.

Among other responsibilities, the WMSC Board reviews Metrorail's safety plans, adopts investigation reports, considers WMATA's progress on Corrective Action Plans, and sets the Program Standard outlining how WMSC staff conduct their safety oversight work.

The WMSC's daily operations are led by its Chief Executive Officer who oversees a highly trained staff that regularly conducts inspections, audits, reviews, and other oversight work.

Part of that work includes monitoring and reviewing WMATA's efforts to correct safety issues identified in investigations, audits, or other reviews.

WMSC staff include experts that correspond to WMATA's main disciplines including operations, traction power, train control and signals, track and structures, vehicles, and emergency preparedness. As the only standalone State Safety Oversight Agency in the nation, the WMSC also handles all aspects of its own operations with funding from the District of Columbia, Maryland, and Virginia, and when available, federal grant funds.

One substantial difference between the WMSC and WMATA's oversight under the earlier Tri-State Oversight Committee is the WMSC's significant enforcement authority. Among other powers, the WMSC can, if necessary, require WMATA to restrict, partially suspend, or even completely shut down Metrorail service. Another difference is transparency: the WMSC holds regular public meetings and posts safety event investigation and audit reports on its public website.

In 2015, the Federal Transit Administration ("FTA") assumed direct safety oversight of Metrorail, pending the creation and certification of the WMSC. The three jurisdictions, with the approval of the Congress and the President, created the WMSC through an interstate compact that was signed into federal law in August 2017. In March 2019, after substantial, additional efforts to actually stand up the WMSC, the FTA certified the WMSC's safety oversight program and transferred direct safety oversight of Metrorail to the WMSC. The certification met a nationwide federal deadline for jurisdictions with rail transit systems to establish FTA-certified State Safety Oversight Agencies.

Although the WMSC plays a crucial role in the safety of Metrorail, the WMSC does not operate Metrorail; that responsibility is held by WMATA.

Focus and Accomplishments of the WMSC

The WMSC continues to impact safety at Metrorail by conducting safety audits and issuing findings and directives. The WMSC's detailed oversight work also includes inspections and safety event investigations. The WMSC continues to work with Metrorail to improve safety for riders, workers, and the region.

Under WMSC oversight, WMATA is required to continually improve safety. Metrorail is making some significant progress, but there is much more work to be done.

During 2022, this work included frequent interactions with personnel at all levels of the Metrorail organization, more than 140 inspections, consistent oversight of processes such as safety certification and emergency management, safety event investigations, and the completion of four in-depth audit reports of Metrorail functional areas. All of this is achieved with a staff of fewer than 20 people and an annual budget that is a fraction of WMATA's budget. The WMSC responded to the scene of the October 12 Blue Line train derailment between Rosslyn and Arlington Cemetery stations and remains an active party to the National Transportation Safety Board (NTSB) investigation.

The WMSC continues to turn the challenge of a global public health emergency into an opportunity to continually improve collaboration and to increase the analysis of available data and recordings while also adding capabilities by hiring and integrating additional talented staff into the team. The WMSC accomplished this while taking all precautions to keep staff, and those with whom WMSC staff interact with, safe.

The expertise and collaboration of WMSC staff, and consultants or contractors when appropriate, is the crucial piece that makes the WMSC's safety oversight effective and efficient.

Public meetings continued in a remote environment via webcast, which allowed for ongoing transparency and input while keeping commissioners, alternates, staff, and the public safe.

WMSC staff also participated in a variety of training classes, including those required to complete or progress toward credentials required by the Public Transportation Safety Certification Training Program.

Although other State Safety Oversight Agencies are a part of larger state departments of transportation or utility commissions, the WMSC handles not only safety oversight and enforcement work but also its own finances and other administrative operations.

Members of the D.C. Council, Maryland and Virginia General Assemblies, local and regional bodies, the U.S. House of Representatives and U.S. Senate, and officials in numerous agencies have been crucial partners since the WMSC's creation. Other elected and agency leaders and staff in the District of Columbia, Maryland, and Virginia, at the U.S. Department of Transportation, the FTA, and the Metropolitan Washington Council of Governments were also instrumental in standing up the WMSC and continue to be instrumental in supporting the WMSC's mission. Local support, federal grants, and the hard work of WMSC staff, have allowed the WMSC to establish financial independence and have put the WMSC in a good financial position heading into fiscal year 2023.

Economic Condition & Outlook

The WMSC has ample operating and reserve funds on hand, a large obligated federal grant balance, adequate apportionments that provide expectation of future grant awards, and no indication from the District of Columbia, Maryland, or Virginia about any funding concerns. In addition, the WMSC fulfills a statutorily-mandated function and the WMSC Compact provides that the jurisdictions are responsible for our funding. The WMSC continues to right size itself in terms of staffing and operating budget to ensure high quality Metrorail oversight.

Internal Controls and Budgetary Controls

The WMSC Board is comprised of commissioners from each of the three jurisdictions. The Board reviews financial statements and the budget regularly, among other aspects of the WMSC's day-to-day operations.

Therefore, as appointees of the jurisdictions that fund the WMSC, each serves as an effective check on how the WMSC spends resources.

Financial Management Policies

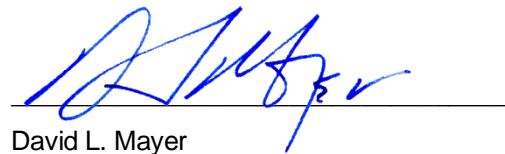
The WMSC's financial policies serve as guidelines for both the financial planning and internal financial management of the WMSC. These policies represent a combination of required practices under existing internal controls documents, formally adopted by the WMSC Board, and recommended best practices.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the WMSC. I would like to recognize Kyle Ange who worked many hours to ensure the completion of this document while fulfilling their many other program responsibilities over the past few months. I would also like to thank the independent certified public accounting firm of Cherry Bekaert LLP for their input, able assistance, and the professional manner in which they have performed their audit engagement.

Lastly, I would like to thank the Commissioners and staff for their interest and support in planning and conducting the financial operations of the WMSC in a responsible and effective manner.

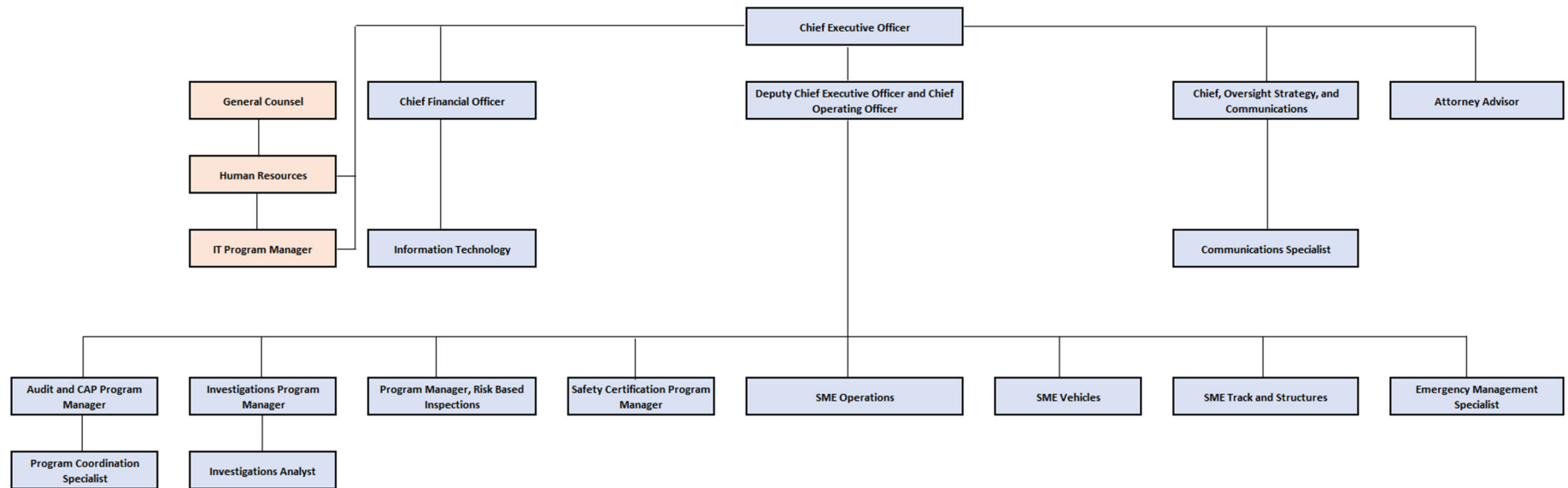
Respectfully,



David L. Mayer
Chief Executive Officer

WASHINGTON METRORAIL SAFETY COMMISSION ORGANIZATIONAL CHART

JUNE 30, 2022



WASHINGTON METRORAIL SAFETY COMMISSION

COMMISSIONERS AND STAFF

JUNE 30, 2022

COMMISSIONERS

Christopher Hart (District of Columbia), Chair
Greg Hull (Commonwealth of Virginia), Vice Chair
Debra Farrar-Dyke (State of Maryland), Secretary-Treasurer
Robert Bobb (District of Columbia)
Michael J. Rush (Commonwealth of Virginia)
Robert C. Lauby (Commonwealth of Virginia – Alternate)
Suhair Al Khatib (State of Maryland)

STAFF

David L. Mayer, Ph.D.....	Chief Executive Officer
Sharmila Samarasinghe.....	Deputy Chief Executive Officer & Chief Operating Officer
Kyle Ange.....	Chief Financial Officer
John DeRenzo	Program Manager, Risk Based Inspections
Richard David	Emergency Management Specialist
Wilfred Haynes.....	IT Program Manager
Manuel Lopez	SME, Vehicles
Tiffany Minor	Communications Specialist
Adam Quigley.....	Investigations Program Manager
Natalie Quiroz	Investigations Analyst
Davis Rajtik	Audit and CAP Program Manager
Ashley Rhodes.....	Program Coordination Specialist
Tino Sahoo.....	Safety Certificate Program Manager
Brackett Smith.....	Attorney Advisor and Government Relations Lead
Max Smith	Chief, Oversight Strategy and Communications
Bruce Walker.....	SME, Operations
Jemayne Walker	SME, Track & Structures

FINANCIAL SECTION

Report of Independent Auditor

To the Board of Commissioners
Washington Metrorail Safety Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Washington Metrorail Safety Commission (the "Commission"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Commission, as of June 30, 2022, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cherry Bekaert LLP".

Tysons Corner, Virginia
December 15, 2022

WASHINGTON METRORAIL SAFETY COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2022

The following discussion and analysis of the Washington Metrorail Safety Commission's (the "Commission") financial performance provides a narrative overview and analysis of the Commission's financial activities as of and for the year ended June 30, 2022. Please read it in conjunction with the Commission's letter of transmittal, financial statements, and the accompanying notes.

The Commission oversees and enforces safety practices of the Washington Metropolitan Area Transit Authority's ("WMATA") Rail System ("Metrorail"). The Commission is an independent agency created in 2017 by the U.S. Congress, the District of Columbia, the State of Maryland, and the Commonwealth of Virginia. The Commission officially began performing its oversight function on July 1, 2019, as an independent commission. The Commission is funded by contributions from the participating jurisdictions of the District of Columbia, Maryland, and Virginia.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

- The assets of the Commission exceeded its liabilities by \$3,415,977 as of June 30, 2022. Of the Commission's \$3,415,977 net position, \$658,597 is unrestricted and available for spending at the Commission's discretion, \$2,531,000 is restricted as an operating reserve for emergency expenditures, and \$226,380 represents the Commission's net investment in capital assets. The Commission uses these capital assets to provide safety oversight of Metrorail; consequently, these assets are not available for future spending.
- Revenues of the Commission amount to \$3,464,726 while expenses amount to \$4,540,645 related to the operations of the Commission.

Highlights for Fund Financial Statements

- The assets of the General Fund exceeded its liabilities by \$3,382,361 as of June 30, 2022. Of the General Fund's \$3,382,361 fund balance, \$802,282 is unassigned and available for spending at the Commission's discretion, \$2,531,000 is restricted for operating reserves, and \$49,079 is nonspendable.
- Revenues of the Commission amount to \$3,464,726 while expenditures amount to \$4,738,108 related to the operations of the Commission.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Annual Comprehensive Financial Report ("ACFR") consists of four sections: the introductory section, the financial section, the statistical section, and the compliance section. The financial section includes the report of the independent auditor, MD&A, the basic financial statements, and required supplementary information other than MD&A. This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements comprised of three components: the government-wide financial statements, the fund financial statements, and the notes to the financial statements.

WASHINGTON METRORAIL SAFETY COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2022

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commission in a manner similar to a private sector business.

The Statement of Net Position presents information on all the Commission's assets and liabilities. The difference between assets and liabilities is reported as net position. Over time, increases and decreases in net position may provide an indication of whether the Commission's financial position is improving or deteriorating.

The Statement of Activities presents information reflecting how the Commission's net position has changed during the fiscal year just ended. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related resource flows. Thus, revenues and expenses are reported in this statement for some items that will only result in resource flows in future fiscal periods.

The governmental activities of the Commission include Metrorail safety.

The government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission has only one governmental fund.

Governmental funds are used to report those same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, the fund financial statements are prepared on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term debt and similar long-term items which are recorded when due. Therefore, the focus of the governmental fund financial statements is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. As such, the government fund financial statements may be useful in evaluating a government's near-term financing requirements.

Since the focus of the governmental funds is on near-term resources, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison may provide readers with a better understanding of the long-term impact of the Commission's near-term financing decisions. To facilitate this comparison, reconciliations are provided for both the Balance Sheet – General Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances of the General Fund. Information is presented separately in the Balance Sheet – General Fund and in the Statement of Revenues, Expenditures, and Changes in Fund Balances of the General Fund.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

WASHINGTON METRORAIL SAFETY COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2022

Notes to the Financial Statements

The notes to the financial statements are considered an integral part of the basic financial statements since they provide additional information needed to gain a full understanding of the data provided in both the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-27 of this report.

Required Supplementary Information other than MD&A

In addition to the basic financial statements, which include the accompanying notes, this report also presents required supplementary information other than MD&A ("RSI").

The Commission adopts an annual appropriated budget for its general fund. A budgetary comparison statement for the general fund has been provided to demonstrate compliance with this budget.

The RSI can be found on page 28 of this report.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of fiscal year 2022, the Commission's assets exceeded liabilities by \$3,415,977, an increase of \$1,075,919 from fiscal year 2021 net position of \$4,491,896. The following summaries of net position and changes in net position are presented for fiscal years 2022 and 2021, followed by a description of significant changes.

Summary of Net Position

The following table reflects the condensed statement of net position for fiscal years 2022 and 2021:

	2022	2021
ASSETS		
Current and other assets	\$ 4,709,049	\$ 5,650,399
Noncurrent assets	1,605,817	38,603
Total Assets	6,314,866	5,689,002
LIABILITIES		
Current liabilities	1,623,178	1,153,784
Long-term liabilities	1,275,711	43,322
Total Liabilities	2,898,889	1,197,106
NET POSITION		
Net investment in capital assets	226,380	24,203
Restricted	2,531,000	2,795,100
Unrestricted	658,597	1,672,593
Total Net Position	\$ 3,415,977	\$ 4,491,896

For more detailed information see the Statement of Net Position on page 16 of this report.

WASHINGTON METRORAIL SAFETY COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2022

The Commission's overall total net position was \$3,415,977.

- Current and other assets of \$4,709,049 decreased \$941,350 compared to prior year, which mostly consist of cash and cash equivalents the Commission had on hand as of June 30, 2022 as a result of operations.
- Current liabilities of \$1,623,178 increased \$469,394 compared to prior year, which mostly consist of unearned revenue related to payments received from the District of Columbia, Maryland, and Virginia during the fiscal year related to the subsequent fiscal year, accounts payable, and accrued expenses and accrued salaries and benefits.
- Noncurrent assets of \$1,605,817 increased \$1,567,214 compared to prior year due to the right-to-use asset reported in the current year as a result of the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 87 – *Leases*, as of July 1, 2021. See Note 2 to the accompanying financial statements for more detailed information. The prior year information has not been restated for the implementation of GASB 87.
- Long-term liabilities of \$1,275,711 increased \$1,232,389 compared to prior year, which consist of compensated absences related to accrued vacation and sick leave for the Commission's employees and the lease liability recorded as a result of the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 87 – *Leases*, as of July 1, 2021. See Note 2 to the accompanying financial statements for more detailed information. The prior year information has not been restated for the implementation of GASB 87.

Summary of Changes in Net Position

The following table reflects the condensed changes in net position for fiscal years 2022 and 2021:

	2022	2021
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 3,464,726	\$ 5,264,590
Total Revenues	3,464,726	5,264,590
Expenses:		
Metrorail safety	4,540,645	4,250,274
Total Expenses	4,540,645	4,250,274
Net Change in Net Position	(1,075,919)	1,014,316
Net Position, Beginning	4,491,896	3,477,580
Net Position, Ending	\$ 3,415,977	\$ 4,491,896

For more detailed information see the Statement of Net Position on page 16 of this report.

Program revenue decreased \$1,799,864 compared to prior year. Revenue for the Commission is related to contributions from the participating jurisdictions of the District of Columbia, Maryland, and Virginia and grant funding from the Federal Transit Administration. The Commission receives all its funding from operating grants and contributions.

Expenses increased \$290,371 compared to prior year. The Commission's expenses are related to operational expenses to execute the Commission's purpose of Metrorail safety including staff compensation, contractor services, insurance, miscellaneous expenses, and interest expenses.

WASHINGTON METRORAIL SAFETY COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUND

As noted previously, the Commission uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The focus of the Commission's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Commission has one fund which is the General Fund. The General Fund's fund balance was \$3,382,361 as of June 30, 2022. Of the General Fund's \$3,382,361 fund balance, \$802,282 is unassigned and available for spending at the Commission's discretion, \$2,531,000 is restricted for operating reserves, and \$49,079 is nonspendable. General Fund revenues amounted to \$3,464,726 primarily related to contributions from the three participating jurisdictions and expenses in the amount to \$4,738,108 related to operational expenses to execute the Commission's purpose of Metrorail safety including staff compensation, contractor services, insurance, miscellaneous expenses, and repayments on the lease liability. Net change in general fund balance of \$1,273,382 decreased prior year fund balance from \$4,655,743 to \$3,382,361 at June 30, 2022.

GENERAL FUND BUDGET HIGHLIGHTS

Actual revenues were under budget by \$1,597,274, primarily due to the jurisdictions being required to fund an operating reserve in the amount of \$2,531,000. The Commission was below budget expenditures by \$323,892 as this was only the third full year in operation.

The original and final budgeted amounts are shown in the Budgetary Comparison Schedule in the RSI on page 28.

CAPITAL ASSETS

The Commission's investment in capital assets for its governmental activities as of June 30, 2022, amounted to \$1,591,417. This investment in capital assets consists of furniture and equipment, software, and the right-to-use office space.

	Balances July 1, 2021	Balances June 30, 2022
Capital assets, net:		
Furniture and equipment	\$ 24,203	\$ 249,838
Software	-	17,767
Right-to-use office space	1,489,289	1,323,812
Governmental activities capital assets, net	<u>\$ 1,513,492</u>	<u>\$ 1,591,417</u>

For more detailed information see the Note 2 – Capital Assets on pages 25-26 of this report.

WASHINGTON METRORAIL SAFETY COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2022

LONG-TERM LIABILITIES

The Commission's long-term liabilities for its governmental activities as of June 30, 2022, amounted to \$1,275,711. These long-term liabilities consist of compensated absences and principal lease obligations not expected to be paid in the next fiscal. For more detailed information see the Note 3 – Long-term liabilities on page 26 of this report.

ECONOMIC FACTORS AND TRENDS

Section 40 of the Commission Compact provides that "The Commission's operations shall be funded, independently of WMATA, by the Signatory jurisdictions and, when available, by federal funds". Although jurisdictional and federal budgets may fluctuate, the Commission anticipates that sufficient funds will be available in future years to fund Commission operations. In fact, an underfunding of the Commission could trigger the FTA to decertify the Commission's oversight program, which would result in the FTA withholding transit funds from the three jurisdictions, as occurred in 2017. Such a reoccurrence is unlikely. Additionally, the Commission has approximately six months of operating expenses held in an operating reserve.

During the third quarter of Commission FY 2020, like many organizations, the Commission abruptly transitioned to remote work due to the COVID-19 public health emergency. The Commission began holding its public meetings via webcast and began conducting most of its other business (including daily team meetings) via videoconference. The Commission remains in a remote work posture but also conducts in person inspections, observations, and other activities that cannot occur remotely.

CONTACTING THE COMMISSION'S MANAGEMENT

This ACFR is designed to provide a general overview of the Commission's finances and to display the Commission's accountability for the money it receives. If you have any questions or need other information regarding the Commission, please contact correspondence@wmisc.gov.

WASHINGTON METRORAIL SAFETY COMMISSION
STATEMENT OF NET POSITION

AS OF JUNE 30, 2022

ASSETS

Current Assets:

Cash and cash equivalents	\$ 2,143,370
Restricted cash and cash equivalents	2,531,000
Prepaid expenses	34,679
Total Current Assets	<u>4,709,049</u>

Noncurrent Assets:

Capital assets, net	1,591,417
Other assets	14,400
Total Noncurrent Assets	<u>1,605,817</u>
Total Assets	<u><u>\$ 6,314,866</u></u>

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses	\$ 155,027
Accrued salaries and benefits	51,728
Unearned revenue	1,134,333
Current portion of long-term liabilities	282,090
Total Current Liabilities	<u>1,623,178</u>

Noncurrent Liabilities:

Long-term liabilities	<u>1,275,711</u>
Total Noncurrent Liabilities	<u>1,275,711</u>
Total Liabilities	<u><u>\$ 2,898,889</u></u>

NET POSITION

Net investment in capital assets	\$ 226,380
Restricted	2,531,000
Unrestricted	658,597
Total Net Position	<u><u>\$ 3,415,977</u></u>

The accompanying notes to the financial statements are an integral part of the financial statements.

WASHINGTON METRORAIL SAFETY COMMISSION
STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2022

Function/Program	Expenses	Program Revenues	Change in Net
		Operating Grants and Contributions	Governmental Activities
Governmental Activities:			
Metrorail safety	\$ 4,540,645	\$ 3,464,726	\$ (1,075,919)
Total Governmental Activities	<u>\$ 4,540,645</u>	<u>\$ 3,464,726</u>	<u>\$ (1,075,919)</u>
	Change in Net Position		(1,075,919)
	Net Position, Beginning		4,491,896
	Net Position, Ending		<u>\$ 3,415,977</u>

The accompanying notes to the financial statements are an integral part of the financial statements.

WASHINGTON METRORAIL SAFETY COMMISSION
BALANCE SHEET – GENERAL FUND

AS OF JUNE 30, 2022

ASSETS

Cash and cash equivalents	\$ 2,143,370
Restricted cash and cash equivalents	2,531,000
Prepaid expenditures	34,679
Other assets	14,400
Total Assets	\$ 4,723,449

LIABILITIES

Accounts payable and accrued expenses	\$ 155,027
Accrued salaries and benefits	51,728
Unearned revenue	1,134,333
Total Liabilities	1,341,088

FUND BALANCES

Nonspendable	\$ 49,079
Restricted	2,531,000
Unassigned	802,282
Total Fund Balances	3,382,361
Total Liabilities and Fund Balances	\$ 4,723,449

The accompanying notes to the financial statements are an integral part of the financial statements.

WASHINGTON METRORAIL SAFETY COMMISSION
RECONCILIATION OF THE BALANCE SHEET OF THE GENERAL FUND TO THE
STATEMENT OF NET POSITION

AS OF JUNE 30, 2022

Total fund balances - total governmental funds	\$ 3,382,361
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	1,591,417
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,557,801)</u>
Net Position of Governmental Activities	<u><u>\$ 3,415,977</u></u>

The accompanying notes to the financial statements are an integral part of the financial statements.

WASHINGTON METRORAIL SAFETY COMMISSION**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF
THE GENERAL FUND***FISCAL YEAR ENDED JUNE 30, 2022*

Revenues:

Intergovernmental	\$ 3,464,726
Total Revenues	<u>3,464,726</u>

Expenditures:**Metrorail Safety:**

Staff compensation	3,204,823
Contracted services	760,486
Insurance	142,464
Miscellaneous	178,752

Capital Outlay	274,464
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Debt Service:

Principal	124,252
Interest	52,867

Total Expenditures	<u>4,738,108</u>
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Net Change in Fund Balance	(1,273,382)
Fund Balance, Beginning	<u>4,655,743</u>
Fund Balance, Ending	<u>\$ 3,382,361</u>

The accompanying notes to the financial statements are an integral part of the financial statements.

WASHINGTON METRORAIL SAFETY COMMISSION**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GENERAL FUND TO THE STATEMENT OF ACTIVITIES***FISCAL YEAR ENDED JUNE 30, 2022*

Net change in fund balances - total governmental funds	\$ (1,273,382)
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Reconciliation of amounts reported for governmental activities in the
Statement of Activities:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization expense in the current period.	77,925
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Repayment of leases is an expenditure in the governmental funds, but repayment reduces the lease liability in the statement of net position.	124,252
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(4,714)</u>
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Net change in net position of governmental activities	<u><u>\$ (1,075,919)</u></u>
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The accompanying notes to the financial statements are an integral part of the financial statements.

WASHINGTON METRORAIL SAFETY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Summary of significant accounting policies

The accompanying financial statements presented for the Washington Metrorail Safety Commission (the “Commission”) are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. The Commission’s significant accounting and reporting policies are described below.

The Financial Reporting Entity

The Commission is a standalone government agency created to oversee and enforce safety of the Washington Metropolitan Area Transit Authority’s Rail System (“Metrorail”) through financial support from the participating jurisdictions of the District of Columbia, Maryland, and Virginia. The three jurisdictions, with the approval of the United States Congress and the President of the United States, created the Commission through an interstate compact that was signed into law in August 2017. On March 18, 2019, after substantial additional efforts to stand up the Commission, the Federal Transit Administration certified the Commission’s safety oversight program and transferred direct safety oversight of Metrorail to the Commission, commencing the planned principal operations of the Commission. On June 3, 2019, the participating jurisdictions terminated their Memorandum of Understanding with the Metropolitan Washington Council of Governments (“MWCOG”) and authorized MWCOG to transfer all remaining local, state, and federal State Safety Oversight funds to the Commission, assigning the right to the revenue associated with the planned principal operations of the Commission.

The Commission’s management is responsible for implementing its financial reporting policies. The Commission’s Board is comprised of six commissioners and three alternates. The District of Columbia, State of Maryland, and Commonwealth of Virginia each appoint two commissioners and one alternate. Each member must have expertise in transportation safety or related fields.

Basis of Presentation

The Commission’s basic financial statements consist of government-wide statements, including a statement of net position and the statement of activities; fund financial statements, which provide more detailed level of financial information; and notes to the financial statements, which provide a comprehensive narrative information. The Commission categorizes its primary activities solely as governmental activities.

Government-Wide Financial Statements – The government-wide statement of net position and the statement of activities display information about the Commission as a whole. These statements are reflected on an accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets and long-term obligations.

The statement of net position presents the financial condition of the governmental-type activities of the Commission at year-end. The Commission does not have any business-type activities. The statement of activities reduces gross direct expenses by related program revenues. Direct expenses are those that are clearly identifiable within a specific function. The program revenues must be directly associated with the function. Program revenues include operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The Commission only has one function which is metrorail safety.

WASHINGTON METRORAIL SAFETY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Summary of significant accounting policies (continued)

Fund Financial Statement – The accounts of the Commission are organized in one single major fund, the General Fund, which is considered the sole accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental funds statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

Measurement Focus and Basis of Accounting

The basis of accounting determines when transactions are reported in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net position. Revenues are documented when earned or when all eligibility requirements are met and expenses are recorded when a liability is incurred irrespective of the timing of the associated cash flows.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

For the governmental funds' statements, under the modified accrual basis of accounting, revenues, including grants, are recorded as soon as they are both measurable and available. Available means that the revenues collectible within the current period or within 60 days of year-end to be used to pay current liabilities. Expenditures are generally recorded when the fund liability is incurred, if measurable. However, debt service principal and interest expenditures on leases are recognized when payment is due. Due to the difference in measurement focus in comparison to government-wide statements, reconciliations are presented to detail the dissimilarities.

Cash and Cash Equivalents

Cash and cash equivalents include the cash operating and operating reserve accounts. Restricted cash and cash equivalents consist of the \$2,531,000 operating reserve required under the Congress approved Joint Resolution relating to the establishment of the Commission with the participating jurisdictions (the "Compact") in order to maintain six months of operating expenses. The Commission maintains its cash and cash equivalents in interest-bearing bank accounts, which, at times, exceed federally insured amounts. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Commission maintains such deposits with high quality financial institutions and does not believe this results in any significant credit risk. The Commission has not experienced any losses in such accounts to date. As of June 30, 2022, the Commission has \$4,424,370 which exceeded these insured limits.

WASHINGTON METRORAIL SAFETY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Summary of significant accounting policies (continued)

Capital Assets

Capital Assets, which consist of furniture and equipment, software, and the right-to-use office space, are reported in the government-wide financial statements at historical cost, or in the case of right-to-use office space, at the present value of future lease payments. It is the Commission's policy to capitalize all capital expenditures in excess of \$5,000 and a useful life greater than one year.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset useful lives are not capitalized. Property that is capitalized is depreciated or amortized over its estimated useful life on the straight-line basis. Estimated useful lives for office furniture is the remaining useful life of the office lease (expires in June 2030) whereas estimated useful lives for equipment and computers is 5 years and 3 years, respectively.

Intangible right-to-use assets are reported as a result of the Commission's leasing arrangements. See Notes 2 and 4 for additional disclosures related to the Commission's leases.

Net Position

Net position in government-wide financial statements is classified as net investment in capital assets, restricted or unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balance of bonds, mortgages, notes, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law. Unrestricted net position includes all remaining assets and liabilities not included in net investment in capital assets or restricted net position. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balances

Fund balance is categorized, within one of the three classifications listed below, based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of resources in the governmental funds.

- The *nonspendable fund balance* category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. At June 30, 2022, the unassigned fund balance of the General Fund consisted of \$34,679 in prepaid expenditures and \$14,400 in other assets which consists of a security deposit that is refundable only after the conclusion of the Commission's office space leasing arrangement.
- The *restricted fund balance* is reported as restricted when constraints are placed on the use of resources either externally by creditors, grantors, contributors, laws and regulations, or through enabling legislation. The Commission's Compact requires the Commission to maintain six months of operating expenses in operating reserve. Should the operating reserve fall under the required balance, the jurisdictions will be billed accordingly. Overages in the operating reserve will be credited against future bills for the jurisdictions. As of June 30, 2022, the restricted fund balance of the General Fund was \$2,531,000.
- The *unassigned fund balance* is the residual classification and includes all spendable amounts not contained in the other classifications. As of June 30, 2022, the unassigned fund balance of the General Fund was \$802,282.

WASHINGTON METRORAIL SAFETY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Summary of significant accounting policies (continued)

Because restricted resources consist of an operating reserve which must be maintained at a specific level, it is not considered available for use until such circumstances exist as dictated by the Compact, which is generally the result of all other resources being depleted. Therefore, the Commission's policy is to use all unrestricted resources before using restricted resources.

Prepaid Expenses/Expenditures

Prepaid expenses are accounted for under the consumption method. Prepaid expenses represent transactions that do not qualify for expense or expenditure recognition, but cash flow occurred as of the end of the fiscal year. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses or expenditures in the financial statements.

Unearned Revenues

The Commission receives funding from federal sources as well as matching contributions from the participating jurisdictions prior to the Commission's fulfillment of the requirements to receive funding based on the agreement. The Commission holds this funding until such requirements have been fulfilled.

Compensated Absences

Employees of the Commission are granted annual leave based on their length of service. Unused paid time off is payable to employees upon termination up to one week's payout. The compensated absences liability in the government-wide statement of net position is separated into current (expected to be paid within one year) and long-term (expected to be paid after one year). The amount expected to be paid within one year is an estimate based on the Commission's paid time off policy.

Note 2—Capital assets

During the year ended June 30, 2022, the Commission implemented GASB Statement No. 87 – *Leases*. This pronouncement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset and requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.

WASHINGTON METRORAIL SAFETY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Capital assets (continued)

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balances July 1, 2021	Additions	Reductions	Balances June 30, 2022
Capital assets:				
Furniture and equipment	\$ 24,203	\$ 247,814	\$ -	\$ 272,017
Software	-	26,650	-	26,650
Right-to-use office space	1,489,289	-	-	1,489,289
Total capital assets	1,513,492	274,464	-	1,787,956
Less accumulated depreciation and amortization for:				
Furniture and equipment	-	(22,179)	-	(22,179)
Software	-	(8,883)	-	(8,883)
Right-to-use office space	-	(165,477)	-	(165,477)
Total accumulated depreciation and amortization	-	(196,539)	-	(196,539)
Governmental activities capital assets, net	<u>\$ 1,513,492</u>	<u>\$ 77,925</u>	<u>\$ -</u>	<u>\$ 1,591,417</u>

Depreciation and amortization expense for the year ended June 30, 2022 was \$196,539.

Note 3—Long-term liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2022:

	Balances July 1, 2021	Additions	Reductions	Balances June 30, 2022	Due Within One Year
Compensated absences	\$ 188,050	\$ 411,600	\$ (406,886)	\$ 192,764	\$ 148,670
Lease liability	1,489,289	-	(124,252)	1,365,037	133,420
	<u>\$ 1,677,339</u>	<u>\$ 411,600</u>	<u>\$ (531,138)</u>	<u>\$ 1,557,801</u>	<u>\$ 282,090</u>

The compensated absences liability is liquidated by the General Fund.

Note 4—Leases

The Commission is party to a lease agreement for office space in Washington, D.C. with a term commencing July 1, 2020 through June 30, 2030. Principal and interest requirements to maturity as of June 30 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 133,420	\$ 48,128	\$ 181,548
2024	143,040	43,044	186,084
2025	153,132	37,596	190,728
2026	163,749	31,767	195,516
2027	174,874	25,538	200,412
2028 - 2030	596,822	34,943	631,765
	<u>\$ 1,365,037</u>	<u>\$ 221,016</u>	<u>\$ 1,586,053</u>

WASHINGTON METRORAIL SAFETY COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 5—Defined contribution plan

The Commission participates in a multiple-employer, defined contribution retirement savings plan under Section 401(k) of the Internal Revenue Code. The plan provides for salary deferred contributions by eligible participants and the Commission voluntarily matching those contributions up to 6% of the participant's elected contribution. Employees are eligible to participate in the plan upon employment and are 100% vested immediately. For the year ended June 30, 2022, employer contributions totaled \$138,561.

Note 6—Commitments and contingencies

Litigation

The Commission is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. Although the outcome of these matters is not presently determinable, in the opinion of Commission's management, the resolution of these matters will not have a material, adverse effect on the Commission's financial condition.

Grants

The Commission received grant funds, principally from the federal government and matched by participating localities, for Metrorail safety oversight. Expenditures from these grants are subject to audit by the grantor, and the Commission is contingently liable to refund amounts received in excess of allowable expenditures. Commission's management believes such refunds, if any, will not be significant.

Note 7—Related party

The Commission's board comprised of nominated officials from each participating jurisdictions: the District of Columbia, Maryland, and Virginia. The Commission is funded by contributions from the participating jurisdictions. For the year ended June 30, 2022, the Maryland and Virginia jurisdiction each contributed \$660,933 to the Commission. For the year ended June 30, 2022, the District of Columbia jurisdiction contributed \$403,396 as the jurisdictions first semi-annual contribution was received by the Commission on June 30, 2021. Because the semi-annual contributions do not have time requirements as defined by U.S. GAAP, the Commission recognized the unrestricted portion of the contribution in the year ended June 30, 2021. All contributions to the Commission were for the purpose to assist with the Commission's operations.

Note 8—Subsequent events

The Commission has evaluated subsequent events through December 15, 2022, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

WASHINGTON METRORAIL SAFETY COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S
DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2022

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ 5,062,000	\$ 5,062,000	\$ 3,464,726	\$ (1,597,274)
Total Revenues	5,062,000	5,062,000	3,464,726	(1,597,274)
Expenditures:				
Current:				
Metrorail safety	5,062,000	5,062,000	4,738,108	323,892
Total Expenditures	5,062,000	5,062,000	4,738,108	323,892
Net Change in Fund Balance	-	-	(1,273,382)	(1,273,382)
Fund Balance, Beginning	4,655,743	4,655,743	4,655,743	-
Fund Balance, Ending	\$ 4,655,743	\$ 4,655,743	\$ 3,382,361	\$ (1,273,382)

STATISTICAL SECTION
(Unaudited)

WASHINGTON METRORAIL SAFETY COMMISSION

STATISTICAL SECTION

JUNE 30, 2022

This part of the Washington Metrorail Safety Commission's ("Commission") Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health as presented in the financial section of this report.

Financial Trends

These schedules contain trend information to help the reader comprehend how the Commission's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Commission's most significant local revenue sources, grants, and contributions.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Commission's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Report for the respective year.

WASHINGTON METRORAIL SAFETY COMMISSION
STATISTICAL SECTION
FINANCIAL TRENDS

JUNE 30, 2022

Net Position by Component:

	2022	2021	2020*
Governmental Activities:			
Net investment in capital assets	\$ 226,380	\$ 24,203	\$ -
Restricted	2,531,000	2,795,100	2,750,000
Unrestricted	658,597	1,672,593	727,580
Total Net Position	<u>\$ 3,415,977</u>	<u>\$ 4,491,896</u>	<u>\$ 3,477,580</u>

Changes in Net Position:

	2022	2021	2020*
Revenues:			
Program Revenues:			
Operating grants and contributions	<u>\$ 3,464,726</u>	<u>\$ 5,264,590</u>	<u>\$ 6,744,889</u>
Total Revenues	<u>3,464,726</u>	<u>5,264,590</u>	<u>6,744,889</u>
Expenses:			
Metrorail safety	<u>4,540,645</u>	<u>4,250,274</u>	<u>3,267,309</u>
Total Expenses	<u>4,540,645</u>	<u>4,250,274</u>	<u>3,267,309</u>
Net Change in Net Position	(1,075,919)	1,014,316	3,477,580
Net Position, Beginning	<u>4,491,896</u>	<u>3,477,580</u>	<u>-</u>
Net Position, Ending	<u>\$ 3,415,977</u>	<u>\$ 4,491,896</u>	<u>\$ 3,477,580</u>

* These schedules are intended to show information for ten years. Fiscal year 2020 was the inaugural year of operation for the Commission. Additional years will be displayed as they become available. The years prior to 2022 do not reflect the effect of GASB 87.

WASHINGTON METRORAIL SAFETY COMMISSION
STATISTICAL SECTION
FINANCIAL TRENDS

JUNE 30, 2022

Fund Balance – General Fund

	2022	2021	2020*
General Fund:			
Nonspendable	\$ 49,079	\$ 46,936	\$ 31,591
Restricted	2,531,000	2,795,100	2,750,000
Unassigned	802,282	1,813,707	858,349
Total Fund Balances	<u>\$ 3,382,361</u>	<u>\$ 4,655,743</u>	<u>\$ 3,639,940</u>

Changes in Fund Balance of the General Fund

	2022	2021	2020*
Revenues:			
Intergovernmental	\$ 3,464,726	\$ 5,264,590	\$ 6,620,990
Contributions	-	-	123,899
Total Revenues	<u>3,464,726</u>	<u>5,264,590</u>	<u>6,744,889</u>
Expenditures:			
Metrorail safety	<u>4,738,108</u>	<u>4,248,787</u>	<u>3,104,949</u>
Total Expenditures	<u>4,738,108</u>	<u>4,248,787</u>	<u>3,104,949</u>
Net Change in Fund Balance	(1,273,382)	1,015,803	3,639,940
Fund Balance, Beginning	<u>4,655,743</u>	<u>3,639,940</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 3,382,361</u>	<u>\$ 4,655,743</u>	<u>\$ 3,639,940</u>

General Governmental Expenditures by Function

<u>Fiscal Year</u>	2022	2021	2020*
Expenditures:			
Metrorail Safety:			
Staff compensation	\$ 3,204,823	\$ 2,719,810	\$ 2,075,305
Office rent	-	181,646	85,876
Contracted services	760,486	1,058,268	711,896
Insurance	142,464	119,974	108,075
Miscellaneous	178,752	144,886	123,797
Capital outlay	274,464	24,203	-
Debt service	<u>177,119</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 4,738,108</u>	<u>\$ 4,248,787</u>	<u>\$ 3,104,949</u>

* These schedules are intended to show information for ten years. Fiscal year 2020 was the inaugural year of operation for the Commission. Additional years will be displayed as they become available. The years prior to 2022 do not reflect the effect of GASB 87.

WASHINGTON METRORAIL SAFETY COMMISSION
STATISTICAL SECTION
REVENUE CAPACITY

JUNE 30, 2022

General Governmental Revenues by Source

<u>Revenues</u>	<u>2022</u>	<u>2021</u>	<u>2020*</u>
Intergovernmental	\$ 3,464,726	\$ 5,264,590	\$ 6,620,990
Contributions	-	-	123,899

Principal Revenue Payers

<u>Payer</u>	<u>2022</u>	<u>2021</u>	<u>2020*</u>
Federal Transit Administration	\$ 1,739,464	\$ 741,647	\$ 1,718,210
Virginia	660,933	1,421,802	1,634,260
Maryland	660,933	1,421,802	1,634,260
District of Columbia	403,396	1,679,339	1,634,260

** These schedules are intended to show information for ten years. Fiscal year 2020 was the inaugural year of operation for the Commission. Additional years will be displayed as they become available.*

WASHINGTON METRORAIL SAFETY COMMISSION
STATISTICAL SECTION
DEMOGRAPHIC AND ECONOMIC INFORMATION

JUNE 30, 2022

Demographic and Economic Statistics

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Personal Income¹</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2022	6,356	\$ 485,550,913	\$ 76,393	3.7%
2021	6,386	\$ 485,550,913	\$ 76,034	5.1%
2020*	6,297	\$ 467,176,430	\$ 74,190	8.4%

Sources:

- Population: U.S. Census Bureau, Population Division. Estimates for fiscal years 2013 - 2022 reflect midyear population estimates as of April 1, 2010 to July 1, 2021 available as of September 2022.
- Total personal income: U.S. Bureau of Economic Analysis. Total personal income information for the fiscal years 2020 – 2022 are based on 2020 latest available data updated August 8, 2022.
- Unemployment rate: U.S. Bureau of Labor Statistics. Unemployment rates are as of July 31 of the indicated fiscal years.

¹ In thousands

* These schedules are intended to show information for ten years. Fiscal year 2020 was the inaugural year of operation for the Commission. Additional years will be displayed as they become available.

WASHINGTON METRORAIL SAFETY COMMISSION
STATISTICAL SECTION
DEMOGRAPHIC AND ECONOMIC INFORMATION

JUNE 30, 2022

Major Private Employers
Current Fiscal Year and Ten Years Ago

Employer	2022			2013		
	Rank	Area Employees	Percentage of Total Employment	Rank	Area Employees	Percentage of Total Employment
Inova Health System	1	20,000	0.6%	1	15,178	0.50%
Giant Food LLC	2	19,172	0.6%	7	11,206	0.40%
Booz Allen Hamilton	3	17,744	0.5%	5	13,900	0.40%
MedStar Health	4	17,236	0.5%	2	14,316	0.50%
Deloitte LLP	5	16,041	0.5%	10	7,723	0.20%
Leidos Holdings	6	15,822	0.5%			
Safeway	7	11,568	0.4%			
General Dynamics	8	11,500	0.3%	9	8,100	0.30%
Amazon.com Inc	9	11,400	0.3%			
Capital One Financial Corp	10	10,520	0.3%			
Lockheed Martin Corp				3	14,000	0.5%
Marriott International Inc				4	13,935	0.5%
Northrop Grumman Corp				6	13,302	0.4%
Verizon Communications Inc				8	11,000	0.4%
		<u>151,003</u>	<u>4.5%</u>		<u>122,660</u>	<u>4.1%</u>

Sources:

- Washington Business Journal, Largest Employers in Greater DC 2022.
- Washingtonpost.com – 2013 Top DC Companies.

WASHINGTON METRORAIL SAFETY COMMISSION
STATISTICAL SECTION
OPERATING INFORMATION

JUNE 30, 2022

Full-Time Equivalents Employees

	2022	2021	2020*
General Government:			
Metrorail safety	17	16	15

Source: Commission records

Operating Indicators

	2022	2021	2020*
Audit reports	4	4	2
Inspection reports	144	170	69
Investigation reports	48	57	33

Source: Commission records

** These schedules are intended to show information for ten years. Fiscal year 2020 was the inaugural year of operation for the Commission. Additional years will be displayed as they become available.*

COMPLIANCE SECTION

**Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Board of Commissioners
Washington Metrorail Safety Commission

We have audited, in accordance with the 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, the financial statements of the governmental activities and the General Fund of the Washington Metrorail Safety Commission (the "Commission") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 15, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

A *deficiency in internal control* 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 *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Tysons Corner, Virginia
December 15, 2022

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Commissioners
Washington Metrorail Safety Commission

Report on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited the Washington Metrorail Safety Commission's (the "Commission") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended June 30, 2022. The Commission's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs.

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Commission's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Tysons Corner, Virginia
December 15, 2022

WASHINGTON METRORAIL SAFETY COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED JUNE 30, 2022

Federal Granting Agency Grant Program	Assistance Listing Number	Federal Expenditures
Department of Transportation		
Federal Transit Administration		
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528	\$ 1,739,464
Total Expenditures of Federal Awards		<u>\$ 1,739,464</u>

See the accompanying notes to the schedule of expenditures of federal awards

WASHINGTON METRORAIL SAFETY COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED JUNE 30, 2022

Summary of significant accounting policies

Basis of Presentation – The information in the Schedule of Expenditures of Federal Awards (the “Schedule”) is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Basis of Accounting – The Schedule has been prepared on the modified accrual basis of accounting as defined in Note 1 of the financial statements.

De Minimis Cost Rate – The Commission has not elected to use the 10% de minimis cost rate allowed under the Uniform Guidance.

WASHINGTON METRORAIL SAFETY COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2022

A. Summary of Auditor's Results

- | | | |
|----|--|---------------------------|
| 1. | The type of report issued on the basic financial statements: | Unmodified opinion |
| 2. | Significant deficiencies in internal control disclosed by the audit of the financial statements: | None reported |
| 3. | Material weaknesses in internal control disclosed by the audit of financial statements: | No |
| 4. | Noncompliance, which is material to the financial statements: | No |
| 5. | Significant deficiencies in internal control over major programs: | No |
| 6. | Material weaknesses in internal control over major programs: | No |
| 7. | The type of report issued on compliance for major programs: | Unmodified opinion |
| 8. | Any audit findings which are required to be reported under the Uniform Guidance: | No |
| 9. | The program tested as major programs were: | |

CFDA Number

Name of Federal Program and Cluster

20.528

Rail Fixed Guideway Public Transportation System State Safety Oversight
Formula Grant Program

- | | | |
|-----|--|------------------|
| 10. | Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 11. | The Washington Metrorail Safety Commission ("Commission") did not qualify as a low-risk auditee under Section 530 of Uniform Guidance. | |

WASHINGTON METRORAIL SAFETY COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

JUNE 30, 2022

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None reported.

C. Findings and Questioned Costs Relating to Federal Awards

None reported.

D. Status of Prior Year Findings and Questioned Costs Relating to *Government Auditing Standards*

None reported.

E. Status of Prior Year Findings and Questioned Costs Relating to Federal Awards

Not applicable.