

**METROPOLITAN WASHINGTON COUNCIL
OF GOVERNMENTS**

**FINANCIAL STATEMENTS AND
COMPLIANCE REPORTS**

YEAR ENDED JUNE 30, 2023



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Metropolitan Washington Council of Governments
Washington, DC

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Washington Council of Governments (MWCOG), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise MWCOG'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, each major fund, and the aggregate remaining fund information of the Metropolitan Washington Council of Governments, as of June 30, 2023, and the respective changes in 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 (GAAS) and the standards applicable to 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of MWCOG 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2022, the MWCOG adopted new accounting guidance for *Subscription-Based Information Technology Agreements* (SBITA). The guidance requires entities to recognize a right-to-use subscription asset and corresponding subscription liability for all subscription-based information technology agreements with terms greater than twelve months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 MWCOG'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 auditors' 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 GAAS 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 GAAS 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 MWCOG'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 MWCOG'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 requirement supplementary information, 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 GAAS, 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 MWCOG's basic financial statements. The combining fund financial statements and 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* are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the combining fund financial statements and 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 fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2023, on our consideration of the MWCOG'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 MWCOG'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 MWCOG's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 31, 2023

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The Executive Director, Deputy Executive Director, and Chief Financial Officer of the Metropolitan Washington Council of Governments (MWCOG) have provided this MD&A to give the reader of these statements an overview of the financial position and activities of MWCOG for the fiscal year covered by this audit report.

What We Do

MWCOG is an independent, nonprofit association that brings area leaders together to address major regional issues in the District of Columbia, suburban Maryland, and Northern Virginia. Membership is comprised of 300 elected officials from 24 local governments, the Maryland and Virginia state legislatures, and U.S. Congress.

Financial Highlights and Analysis

Statement of Net Position

The following table presents a summary of the Statement of Net Position for MWCOG as of June 30, 2023 and 2022:

	2023	2022	Increase (Decrease)	% Change
Assets:				
Current and other assets	\$ 27,207,681	\$ 40,234,173	\$ (13,026,492)	-32.4%
Capital assets, net	27,945,843	25,897,224	2,048,619	7.9%
Total assets	<u>55,153,524</u>	<u>66,131,397</u>	<u>(10,977,873)</u>	-16.6%
Deferred outflows of resources	<u>11,054,924</u>	<u>2,681,245</u>	<u>8,373,679</u>	312.3%
Liabilities:				
Current and other liabilities	6,064,883	7,427,577	(1,362,694)	-18.3%
Long-term liabilities	30,383,526	25,027,457	5,356,069	21.4%
Total liabilities	<u>36,448,409</u>	<u>32,455,034</u>	<u>3,993,375</u>	12.3%
Deferred inflows of resources	<u>1,785,088</u>	<u>11,430,437</u>	<u>(9,645,349)</u>	-84.4%
Net Position:				
Net investment in capital assets	2,280,308	2,263,015	17,293	0.8%
Restricted	7,730,716	20,205,817	(12,475,101)	-61.7%
Unrestricted	17,963,927	2,458,339	15,505,588	630.7%
Total net position	<u>\$ 27,974,951</u>	<u>\$ 24,927,171</u>	<u>\$ 3,047,780</u>	12.2%

Current and other assets decreased by \$13.0 million due to a \$19.6 million increase in the pension liability. In FY 2022 there was a pension asset of \$16.2 million that in FY 2023 became a \$3.4 million long-term liability. Investment returns for the pension plan were negative and thus lower funds were available for future payments. Under GASB requirements a lower discount rate had to be used to measure the pension liability resulting in the pension asset becoming a liability in FY 2023. The result was the FY2023 pension asset of \$16.2 million went to \$0 in FY2023 and this reduction was partially offset by an increase in cash and investments due to program funds received in advance of spending with the result being a \$13.0 million reduction in current and other assets. Current and other liabilities decreased by \$1.4 million, primarily due to the difference in estimated and actual indirect costs. The indirect liability is trued up over time through adjustments in future indirect cost rates.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Long term liabilities increased \$5.4 million driven by the \$3.4 million pension liability and \$2.9 million related to subscription agreements, partially offset by a decrease in the lease liability due to annual amortization. The net result was an increase in total net position of \$3.0 million. The restricted decrease of \$12.5 million was a result of the elimination of the \$16.2 million pension asset, partially offset by a \$3.7 million increase in project funds received in the current year for future expenses. The \$15.5 million increase in unrestricted was primarily driven by the \$18.0 million increase in deferred inflows and outflows related to the pension liability partially offset by a decrease in undesignated fund balance

Statement of Activities

The following table presents a summary of the Statement of Activities for MWCOG for the years ended June 30, 2023 and 2022:

	2023	2022	Increase (Decrease)	% Change
Revenue:				
Federal, state and local revenues	\$ 42,849,506	\$ 36,144,471	\$ 6,705,035	18.6%
Member dues	4,884,781	4,664,454	220,327	4.7%
Building revenue	607,710	576,562	31,148	5.4%
Miscellaneous	2,841,714	2,580,928	260,786	10.1%
Total Revenues	<u>51,183,711</u>	<u>43,966,415</u>	<u>7,217,296</u>	16.4%
Expenses:				
Personnel	17,961,251	17,141,633	819,618	4.8%
Professional fees	13,090,685	10,004,994	3,085,691	30.8%
Professional support and subawards	2,081,810	7,799,154	(5,717,344)	-73.3%
Other direct expense	8,736,836	3,870,031	4,866,805	125.8%
Pension expense adjustment	1,533,898	(3,456,395)	4,990,293	-144.4%
Non-personnel support service costs	4,731,451	4,757,833	(26,382)	-0.6%
Total Expenses	<u>48,135,931</u>	<u>40,117,250</u>	<u>8,018,681</u>	20.0%
Change in net position	<u>3,047,780</u>	<u>3,849,165</u>	<u>(801,385)</u>	-20.8%
Beginning net position	<u>24,927,171</u>	<u>21,078,006</u>	<u>3,849,165</u>	18.3%
Ending net position	<u>\$ 27,974,951</u>	<u>\$ 24,927,171</u>	<u>\$ 3,047,780</u>	12.2%

Total operating revenue in fiscal year 2023 was \$51.2 million. Of the total operating revenue, \$42.8 million (84%) was from federal, state, and local funds, of which \$2.1 million was passed through to subrecipients. Member dues generated an additional \$4.8 million in revenue and were used to provide member services and funding for specific regional programs, as approved by the Board of Directors. MWCOG also owns one-third of the common stock of the Center for Public Administration and Services, Inc., a real estate investment trust (REIT) which owns and operates the building that houses MWCOG's offices. In fiscal year 2023, MWCOG recorded \$607,710 in revenue from the REIT and from the sublease of a portion of its office space.

Revenue increased by \$7.2 million, and expenses increased by \$8.0 million in fiscal year 2023 compared to fiscal year 2022. Higher federal, state and local revenues were driven by \$3.0 million for a new program Securing the Cities, \$2.6 million from Amtrak for an engine repower project and increases in transportation programs.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The majority of the \$8.0 million increase in expenses was mostly driven by the pension expense of \$5.0 million. The rest of the increase is related to spending in the new Securing the Cities program.

Net position refers to the resources that would remain if all obligations were settled. The table below identifies categories of net position as non-cash (invested in capital assets), restricted for program use, designated for future capital projects and programs, operating reserves designated for emergencies and unexpected cash flow interruptions, the net pension asset based on the actuarial report as of January 1, 2023, and assets available for current and future general expenditures (undesignated).

Net Position by Category	2022	Net Activity	2023
Net investment in capital assets	\$ 2,263,015	\$ 17,293	\$ 2,280,308
Restricted program funds	4,005,729	3,724,987	7,730,716
Restricted net pension assets	16,200,088	(16,200,088)	-
Unrestricted			
Capital expenditure reserve	5,135,870	(222,062)	4,913,808
Operating reserve	5,243,878	-	5,243,878
Deferred inflows and outflows	(8,749,192)	18,019,028	9,269,836
Undesignated	827,783	(2,291,378)	(1,463,595)
Total net position	<u>\$ 24,927,171</u>	<u>\$ 3,047,780</u>	<u>\$ 27,974,951</u>

The increase in net position in fiscal year 2023 of \$3.0 million is primarily due to a \$3.7 million increase in restricted program funds. These funds were received in advance for an engine repower project in the amount of \$2.6 million, \$0.5 million for Amazon Housing Grants, Enhanced Mobility and public safety funds make up the balance. Investment (increase) in capital assets of \$17,293 includes technology upgrades for the board room to assist with continued hybrid work environment utilizing funds from the capital expenditure reserve. The board-designated operating reserve is one hundred percent funded as per board policy.

The pension asset is now a liability and is reflected in the \$16.2 million decrease in restricted pension asset and \$18.0 million increase in deferred inflows and outflows and decrease in undesignated funds. The net pension liability of \$3.4 million is the actuarial value of liabilities in excess of assets in MWCOG's pension plan assets as of January 1, 2023 and includes deferred inflows and outflows. Net pension liability is not available for use in operations

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

ANALYSIS OF FINANCIAL INFORMATION

The following analysis is provided to help the reader understand the major operations of MWCOG, where the resources come from, and how the resources are used.

Uses of Funds

The Department of Transportation Planning accounts for 58% of program expenditures and is by far the largest segment of the organization. The Department of Environmental Programs and the Department of Homeland Security and Public Safety account for 22% and 15% of expenses, respectively.

<u>Expenses by Program</u>	<u>2023</u>	<u>2022</u>
Transportation	\$ 26,819,124	\$ 25,604,442
Community planning, health, and child welfare	1,173,251	1,929,549
Homeland security and public safety	10,089,240	7,516,843
Environmental	7,055,321	6,764,967
Executive, governance, and member services	1,570,000	1,577,854
Pension expense adjustment	1,428,995	(3,456,395)
Total operating expenses	<u>\$ 48,135,931</u>	<u>\$ 39,937,260</u>

Capital Assets

Capital assets are made up of right to use assets (\$29.3 million), furniture and equipment (\$1.9 million), computer hardware and networks (\$3.1 million), software (\$1.3 million), and leasehold improvements (\$1.0 million), recorded at cost. Constructions in progress (\$.7 million) includes expenses associated with the future remodel of the office and meeting room space at 777 North Capitol St. N.E. in Washington office. Accumulated depreciation and amortization on June 30, 2023 was \$8.3 million, for a net book value of approximately \$28.0 million.

	<u>2022</u>	<u>Net Activity</u>	<u>2023</u>	<u>Useful Life (in Years)</u>
Construction in progress	\$ 709,112	\$ -	\$ 709,112	
Furniture and equipment	1,885,514	(25,958)	1,859,556	10
Vehicles	-	41,624	41,624	5
Right to use assets	24,730,644	4,570,957	29,301,601	Agreement Term
Leasehold improvements	1,040,380	-	1,040,380	10-17
Computer hardware	2,743,643	392,162	3,135,805	3-5
Computer software	1,224,666	71,091	1,295,757	5
Local area network	333,227	-	333,227	3
Total capital assets	<u>32,667,186</u>	<u>5,049,876</u>	<u>37,717,062</u>	
Less: accumulated depreciation and amortization	6,769,962	3,001,257	9,771,219	
Capital assets, net	<u>\$ 25,897,224</u>	<u>\$ 2,048,619</u>	<u>\$ 27,945,843</u>	

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Future Changes and Trends

Nothing known, enacted, adopted, contracted, or agreed upon will impact MWCOG's future revenue, expenses, or assets

CONTACT FOR FURTHER INFORMATION

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to: Metropolitan Washington Council of Governments, Inc., 777 North Capitol Street N.E., Suite 300, Washington, D.C. 20002.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,069,993
Due from Other Governments	11,223,745
Other Receivables	3,252,069
Prepaid Items and Other Assets	766,120
Investments	246,083
Total Current Assets	17,558,010
Noncurrent Assets:	
Investments	9,649,671
Capital Assets, Net	27,945,843
Total Noncurrent Assets	37,595,514
Total Assets	55,153,524
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan	11,054,924
LIABILITIES	
Current Liabilities:	
Accounts Payable	3,304,286
Due to Other Governments	1,382,264
Accrued Liabilities	786,120
Unearned Revenue	592,213
Total Liabilities	6,064,883
Noncurrent Liabilities:	
Net Pension Liability	3,352,838
Due Within One Year	3,406,118
Due in More than One Year	23,624,570
Total Noncurrent Liabilities	30,383,526
Total Liabilities	36,448,409
DEFERRED INFLOWS OF RESOURCES	
Pension Plan	1,785,088
NET POSITION	
Net Investment in Capital Assets	2,280,308
Restricted - Program Funds	7,730,716
Unrestricted	17,963,927
Total Net Position	\$ 27,974,951

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
GOVERNMENTAL ACTIVITIES				
Planning and Administration	\$ 39,736,977	\$ 2,911,810	\$ 39,335,333	\$ 2,510,166
Planning and Administration - Indirect	6,317,144	-	6,317,144	-
Professional Support and Subawards	2,081,810	-	2,081,810	-
Total Governmental Activities	<u>\$ 48,135,931</u>	<u>\$ 2,911,810</u>	<u>\$ 47,734,287</u>	2,510,166
GENERAL REVENUES				
Use of Money and Property				477,869
Miscellaneous				59,745
Total General Revenues				<u>537,614</u>
CHANGE IN NET POSITION				3,047,780
Net Position Beginning of Year				<u>24,927,171</u>
NET POSITION - END OF YEAR				<u>\$ 27,974,951</u>

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2023**

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 2,069,993
Due from Other Governments	11,223,745
Other Receivables	3,252,069
Prepaid Items and Other Assets	766,120
Investments	9,895,754
Total Assets	\$ 27,207,681
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 3,304,286
Due to Other Governments	1,382,264
Accrued Liabilities	786,120
Unearned Revenue	592,213
Total Liabilities	6,064,883
FUND BALANCE	
Nonspendable	766,120
Restricted - Program Funds	7,730,716
Committed	10,157,686
Unassigned	2,488,276
Total Fund Balances	21,142,798
Total Liabilities and Fund Balances	\$ 27,207,681

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 21,142,798
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension liability is a long-term liability and not a current financial obligation and, therefore, not reported in the governmental fund.		(3,352,838)
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental fund.		
Capital Assets	\$ 37,717,062	
Less: Accumulated Depreciation and Amortization	<u>(9,771,219)</u>	27,945,843
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental fund until then.		11,054,924
Compensated absences, leases, and SBITAs are liabilities not due and payable in the current period and, therefore, are not reported in the governmental fund.		(27,030,688)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental fund.		<u>(1,785,088)</u>
Total Net Position - Governmental Activities		<u><u>\$ 27,974,951</u></u>

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE OF THE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2023**

	General Fund
REVENUES	
Intergovernmental:	
Federal Grants and Contracts	\$ 13,716,737
State Grants and Contracts	20,989,287
Member Dues	4,884,781
Contributions and Local Match	8,143,482
Charges for Services	2,911,810
Use of Money and Property	477,869
Miscellaneous	59,745
Total Revenues	51,183,711
EXPENDITURES	
Planning and Administration	37,738,423
Planning and Administration - Indirect	6,317,144
Professional Support and Subawards	2,081,810
Capital Outlay	4,873,506
Total Expenditures	51,010,883
Excess of revenues over expenditures	172,828
Other Financing Source - Proceeds from SBITA	4,363,462
NET CHANGE IN FUND BALANCE	4,536,290
Fund Balance - Beginning of Year	16,606,508
FUND BALANCE - END OF YEAR	\$ 21,142,798

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 4,536,290

Amounts reported for governmental activities in the statement of activities are different because:
different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization.

Capital Outlays	\$ 510,044	
Subscription-based Information Technology Arrangements	4,363,462	
Depreciation and Amortization	<u>(3,032,382)</u>	1,841,124

Principal payments on lease and SBITA liability 2,539,631

Proceeds from SBITA (4,363,462)

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 the governmental fund.

Compensated Absences		28,095
Pension Adjustment		<u>(1,533,898)</u>

Change in Net Position of Governmental Activities \$ 3,047,780

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	Pension Trust Funds (12/31/22)	Custodial Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 1,901,817
Due from Other Governments	-	248,000
Investments	70,821,589	-
Total Assets	70,821,589	2,149,817
LIABILITIES		
Accrued Liabilities	-	-
FIDUCIARY NET POSITION		
Restricted for:		
Other Governments	-	2,149,817
Pension Benefits	70,821,589	-
Total Fiduciary Net Position	\$ 70,821,589	\$ 2,149,817

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2023**

	Pension Trust Funds (12/31/22)	Custodial Funds
ADDITIONS		
Contributions	\$ 2,564,752	\$ 3,953,827
Sponsors and Donations	-	702,258
Total Additions	2,564,752	4,656,085
 INVESTMENT EARNINGS		
Interest Earned on Investments	6,485,840	-
Net Increase in Fair Value of Investments	(16,481,719)	-
Total Loss for Investment Activities	(9,995,879)	-
 DEDUCTIONS		
Consultants	-	3,984,533
Benefit Payments	3,966,452	-
Administrative Fees	188,544	-
Miscellaneous	-	77,667
Total Deductions	4,154,996	4,062,200
 CHANGE IN FIDUCIARY NET POSITION	(11,586,123)	593,885
 Fiduciary Net Position - Beginning of Year	82,407,712	1,555,932
 NET FIDUCIARY NET POSITION - END OF YEAR	\$ 70,821,589	\$ 2,149,817

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Metropolitan Washington Council of Governments (MWCOC) is an organization comprised of 24 local governments of the Washington Metropolitan area, plus area members of the Maryland and Virginia legislatures, the U.S. Senate, and the U.S. House of Representatives. MWCOC's mission is to enhance the quality of life and competitive advantages of the Washington Metropolitan region in the global economy by providing a forum for consensus building and policy making; implementing intergovernmental policies, plans, and programs; and supporting the region as an expert information resource.

Through MWCOC, individual counties and cities coordinate their efforts to maintain and improve the physical, economic, and social wellbeing of the area. MWCOC's funding is obtained from member jurisdictions' annual dues and federal, state, and other contracts for specified projects, which are designed to further MWCOC's goals and objectives.

The financial statements of MWCOC have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Government-Wide and Fund Financial Statements

The MWCOC's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues, consisting of dues from participating jurisdictions and federal and state funds from the Commonwealth of Virginia, the state of Maryland, and the District of Columbia, are recognized in the period the funding is made available.

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. MWCOC considers revenues to be available if they are collected within 90 days after year-end. In addition, reimbursement grants are considered to be available to the extent that expenditures have been incurred. Expenditures are recorded when a liability is incurred under the full accrual method of accounting. The individual Governmental Fund is:

General Fund – The General Fund is the primary operating fund of MWCOC and is used to account for and report all revenues and expenditures applicable to the general operations of MWCOC. Revenues are derived primarily from intergovernmental activities. The General Fund is considered a major fund for financial reporting purposes.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds (trust and custodial funds) account for assets held by MWCOG in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. MWCOG's fiduciary funds are the Pension Trust Funds which account for activities of MWCOG's pension benefits and one Custodial Fund which accounts for funds held on behalf of other governmental entities. The Pension Trust Fund has a calendar year end of December 31, 2022.

Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with original maturities of three months or less.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements using the consumption method.

Capital Assets

Capital assets include furniture and equipment, leasehold improvements, right to use assets, computer hardware, computer software, and local area network with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Repairs and maintenance are charged to operations as they are incurred. Additions and betterments are capitalized. The costs of assets retired and accumulated depreciation are removed from the accounts.

Depreciation and amortization of all exhaustible equipment, leasehold improvements, right to use assets and intangibles are charged as an expense against operations using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and Equipment	5-10
Leasehold Improvements	Shorter of Useful Life or Life of Agreement
Vehicles	3
Right to Use Assets	Shorter of Useful Life or Life of Agreement
Computer Hardware	5-15
Computer Software	3
Local Area Network	5

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as an expense. There were no impaired assets at year-end.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Metropolitan Washington Council of Governments Pension Plan (the Plan) and the additions to/deductions from the Plan's fiduciary net position have been determined on the basis as they were reported by the Plan, which are prepared using the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Employees are allowed to accumulate unused annual leave up to a maximum of 320 hours from the previous calendar year plus the amount of unused annual leave credited to the employee during the current calendar year. MWCOG's employees earn 13 to 26 vacation days in a year, depending on the length of their employment. All employees receive 13 sick days a year. Upon termination or retirement, employees are entitled to receive compensation at their current base salary for all unused annual leave. Unused sick leave is cancelled upon termination of employment, with no compensation to the employee.

Unearned Revenue

Funds advanced to MWCOG before the satisfaction of program eligibility requirements are reflected as unearned revenue in the accompanying statement of net position. The eligibility requirements applicable to MWCOG relate to reimbursement or expenditure driven programs. MWCOG must incur allowable costs under a program before the revenue can be recognized.

Leases

MWCOG is a lessee for noncancellable leases of real estate. MWCOG recognizes a lease liability and an intangible right-to-use lease asset in the Statement of Net Position. MWCOG recognizes lease liabilities with an initial, individual value of \$5,000 or more.

Subscription-Based Information Technology Arrangements

When the MWCOG enters subscription-based arrangement for software, it records a right-to-use asset and a corresponding liability for the duration of the agreement. This means that the Authority has the right to use the software for a specific period, and it is obligated to pay for it during that time. MWCOG recognizes these arrangements with an initial value of \$5,000 or more.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. MWCOG currently has two items that qualify for reporting in this category related to pension. Accordingly, employer contributions made subsequent to the measurement date and the difference between expected and actual experience are reported as deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. MWCOG currently has one item that qualifies for reporting in this category related to pension. Accordingly, the item related to pension is the net difference between projected and actual earnings on plan investments is reported as deferred inflows of resources.

Fund Equity

MWCOG reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance classification includes amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact (corpus of a permanent fund).

Restricted fund balance classification includes amounts constrained to specific purposes by their providers (higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance classification includes amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority.

Unassigned fund balance classification includes the residual balance of the General Fund that has not been restricted, committed or assigned to specific purposes within the General Fund.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When fund balance resources are available for a specific purpose in more than one classification, MWCOG will consider the use of restricted, committed or assigned funds prior to the use of unassigned fund balance as they are needed.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by MWCOG or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

MWCOG first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Commitments and Contingencies

MWCOG receives financial assistance from federal government grants and contracts. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of MWCOG. MWCOG's management believes such disallowance, if any, would not be material to the financial statements as of June 30, 2023.

Fringe Benefit and Indirect Cost Allocations

Fringe benefit and indirect costs are allocated to each project based on approved allocation rates. Separate rates are determined for indirect costs, fringe benefits (excluding leave), leave (vacation and sick), and indirect nonpersonnel costs. The rates are calculated as follows:

- a. The indirect cost rate is the ratio of the total indirect cost pool over direct staffing expenses;
- b. The leave rate is the ratio of leave benefits over total salary costs; and
- c. The fringe benefits rate is the ratio of fringe benefit expense (excluding leave benefits) over total salary costs less temporary salaries and intern costs plus leave benefits

The indirect costs, leave benefits, and fringe benefits rates for the fiscal year ended June 30, 2023 were as follows:

Indirect Costs	52.25%
Leave Benefits	17.23%
Fringe Benefits	22.93%

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

MWCOG has evaluated subsequent events through December 31, 2023, the date on which the financial statements were available to be issued.

Adoption of New Accounting Standards

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard requires the recognition and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

NOTE 2 CASH AND INVESTMENTS

Custodial Credit Risk (Deposits)

MWCOG maintains its deposits at several financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, for interest bearing accounts. The amount on deposit throughout the year sometimes exceeds the federally insured limits. As of June 30, 2023, accounts insured by FDIC were under the \$250,000 limits.

Investment Policy

General Fund

The Operating Reserve will be maintained as cash or cash equivalents, with a primary investment objective of capital preservation and liquidity.

Pension Fund

MWCOG adopted a formal investment policy in May 2021 for MWCOG's pension plan. The objective of the policy is to provide benefits as anticipated through a carefully planned and executed investment program, which achieves a reasonable long term total return consistent with the level of risk assumed. MWCOG appointed a Pension Plan Administrative Committee to administer the investment policies and provide oversight for the management of the assets.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments

MWCOG's investments are stated at fair value as determined by quoted prices. As of June 30, 2023, the investment balance consisted of the following:

	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1 - 5 Years	6 - 10 Years	Greater Than 10 Years
Certificates of Deposit (General Fund)	\$ 8,290,609	\$ 246,083	\$ 6,053,421	\$ 1,832,238	\$ 158,867
Corporate Bonds (General Fund)	1,170,139	-	417,210	642,767	110,162
Government Bonds (General Fund)	435,006	-	-	435,006	-
Money Market Funds (Fiduciary Fund)	29,629	29,629	-	-	-
Mutual Funds (Fiduciary Fund)	48,572,136	48,572,136	-	-	-
Guaranteed Investment Contract (Fiduciary Fund)	21,860,106	21,860,106	-	-	-
Mutual Funds (Fiduciary Fund)	359,718	359,718	-	-	-
Total	<u>\$ 80,717,343</u>	<u>\$ 71,067,672</u>	<u>\$ 6,470,631</u>	<u>\$ 2,910,011</u>	<u>\$ 269,029</u>

MWCOG's investments are subject to certain risks; credit risk, concentration of credit risk, and interest rate risk. The investments for the fiduciary funds related to the pension trust are December 31, 2022 amounts.

Credit Risk

Credit Risk is the risk that an issuer of an investment will not fulfill its obligations. In addition, financial institutions must have a satisfactory or outstanding Community Reinvestment Act rating, total capitalization of at least \$10 million, and an FDIC Capital Classification of "Well Capitalized" or "Adequately Capitalized." As of June 30, 2023, MWCOG's bonds with the Federal National Mortgage Association had a AAA rating by Moody's Investments Ratings and AA+ by Standard and Poor's.

Concentration of Credit Risk

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There is no limit on the amount that may be invested in any one issuer. The limitations provided in the investment policy for the Pension Fund percentages of the portfolio for each category of investment are as follows:

Asset Class	Allowable Range	Target
Equities	50-70%	60%
Fixed Income	30-50%	40%
Cash Equivalents	0-5%	0%

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MWCOG mitigates the interest rate risk by investing in callable bonds and segmenting its investments with various maturity dates.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 FAIR VALUE MEASUREMENT

MWCOG categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described below.

Level 1 – Valuation based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.

Level 3 – Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

	Level 1	Level 2	Level 3
Certificates of Deposit	\$ 8,290,609	\$ -	\$ -
Corporate Bonds	1,170,139	-	-
Government Bonds	435,006	-	-
Money Market Funds	29,629	-	-
Mutual Funds	48,931,854	-	-
Guaranteed Investment Contract	-	21,860,106	-
	<u>\$ 58,857,237</u>	<u>\$ 21,860,106</u>	<u>\$ -</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 DUE TO / FROM GOVERNMENTS

Amounts due from other governments are as follows:

DC Government	\$ 5,399,652
State of Maryland	1,941,415
Commonwealth of Virginia	1,662,277
Federal Government	1,354,646
Local Governments	865,755
Total	<u><u>\$ 11,223,745</u></u>

Amounts due to other governments are as follows:

University of Maryland	\$ 662,556
DC Government	427,666
Local Governments	292,042
Total	<u><u>\$ 1,382,264</u></u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 CAPITAL AND RIGHT-TO-USE ASSETS

Capital and right-to-use assets consisted of the following as of June 30, 2023:

	June 30, 2022	Additions	Reductions	June 30, 2023
Capital Assets not Being Depreciated or Amortized:				
Construction in Progress	\$ 709,112	\$ -	\$ -	\$ 709,112
Capital Assets Being Depreciated or Amortized:				
Furniture and Equipment	1,885,514	5,167	31,125	1,859,556
Vehicles	-	41,624	-	41,624
Right to Use Assets - Leases	24,730,644	-	-	24,730,644
Right to Use Assets - SBITA	207,495	4,363,462	-	4,570,957
Leasehold Improvements	1,040,380	-	-	1,040,380
Computer Hardware	2,743,643	392,162	-	3,135,805
Computer Software	1,224,666	71,091	-	1,295,757
Local Area Network	333,227	-	-	333,227
Total Capital Assets Being Depreciated or Amortized	32,165,569	4,873,506	31,125	37,007,950
Less Accumulated Depreciation or Amortization for:				
Furniture and Equipment	1,879,141	5,588	31,125	1,853,604
Vehicles	-	1,156	-	1,156
Right to Use Assets-Leases	1,104,702	1,201,489	-	2,306,191
Right to Use Assets-SBITA	-	1,543,059	-	1,543,059
Leasehold Improvements	759,079	61,309	-	820,388
Computer Hardware	1,608,591	183,767	-	1,792,358
Computer Software	1,094,787	34,679	-	1,129,466
Local Area Network	323,662	1,335	-	324,997
Total Accumulated Depreciation and Amortization	6,769,962	3,032,382	31,125	9,771,219
Total Capital Assets Being Depreciated or Amortized, Net	25,395,607	1,841,124	-	27,236,731
Total Capital Assets, Net	<u>\$ 26,104,719</u>	<u>\$ 1,841,124</u>	<u>\$ -</u>	<u>\$ 27,945,843</u>

MWCOG calculates depreciation and amortization expense each year based on its capital assets estimated useful lives. The depreciation and amortization expense is then allocated to each of MWCOG's projects through its indirect cost rate. Depreciation and amortization expense for the year ended June 30, 2023 was \$3,032,382

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the year ended June 30, 2023 were as follows:

	June 30, 2022	Additions	Reductions	June 30, 2023	Due in One Year
Compensated Absences	\$ 1,393,248	\$ -	\$ 28,095	\$ 1,365,153	\$ 546,061
Lease Liability	23,634,209	-	1,085,457	22,548,752	1,344,600
SBITA Liability	207,495	4,363,462	1,454,174	3,116,783	1,515,457
Total Noncurrent Liabilities	<u>\$ 25,234,952</u>	<u>\$ 4,363,462</u>	<u>\$ 2,567,726</u>	<u>\$ 27,030,688</u>	<u>\$ 3,406,118</u>

NOTE 7 SHORT-TERM DEBT

MWCOG has a \$3,000,000 revolving line of credit that can be used for operations or to finance certain grant-funded projects prior to the receipt of reimbursements from the granting agencies. The revolving line of credit was not used during the year ended June 30, 2023.

NOTE 8 PENSION PLAN

Plan Description

MWCOG has a single employer defined benefit pension plan known as the Metropolitan Washington of Governments Pension Plan (the Plan), covering substantially all of its employees. The Plan is administered by the Pension Plan Administrative Committee of MWCOG.

As a tax-exempt entity comprised of local governments, state legislatures, and federal legislatures, MWCOG discontinued its participation in Social Security. Contributions, which would normally have gone to the Social Security Administration, are now added to MWCOG's Plan, which provides retirement, disability, and death benefits to participants and beneficiaries.

Cost of living adjustments (COLA) of the lesser of 3% or one-half of the increase in the cost-of-living index as measured from May 31 of the preceding year to May 31 preceding the determination date are made each July 1. By action of the Board of Directors, MWCOG may, at any time, amend, in any respect, or terminate the Plan, except that no amendment may reduce the accrued benefits of any participant or beneficiary. Participants are entitled to receive a summary of the Plan's financial reports upon written request to the Director of Human Resource Management.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 PENSION PLAN (CONTINUED)

Plan Description (Continued)

Under the terms of the Plan, a participant may retire at age 65 with at least five years of service or at age 60 with at least 25 years of service. Normal retirement benefits are received on the first day of the month following the month the participant retires. Normal retirement benefits paid each year represent 80% of the average final compensation participants received from MWCOG during the three calendar years in which participants received the highest compensation, multiplied by the ratio of service. In addition, effective July 1, 2004, a monthly supplemental insurance benefit of \$240 is payable to all retirees.

The pension benefit is payable in monthly amounts from the normal retirement date until death, with at least 120 monthly payments guaranteed.

Participants who are disabled while working for MWCOG will receive disability payments until the normal retirement date, unless they recover or die. Disability payments are two-thirds of the participant's salary up to a maximum of \$10,000 per month. Death benefits are equal to the greater of the present value of the participant's accrued benefit immediately before the date of death, or the amount of benefits that are paid under MWCOG's group term life insurance policy. The policy will pay an amount equal to three times the annual salary (rounded up to the nearest thousand) at the time of death.

Participants who terminate employment with MWCOG, other than by death or disability, before completing five years of vesting services, are entitled to receive, beginning after the normal retirement date, a benefit equal in value to the sum of the participant's contributions to the Plan, plus interest at 5% per year compounded annually (or the applicable federal rate for temporary employees), and the vested portion of the part of the accrued benefits that is not based on the contributions.

Plan Membership

As of the January 1, 2023 actuarial valuation, the following members were covered by the benefit terms of the Plan:

	Number
Inactive Member or Their Beneficiaries Currently Receiving Benefits	53
Inactive Members:	
Vested	25
Total Inactive Members	78
Active Members	125
Total	203

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 PENSION PLAN (CONTINUED)

Contributions

MWCOG actuarially determined contribution rate for the years ended December 31, 2022 and 2021 was 18.16% and 16.31%, respectively, of covered employee compensation, based on an actuarial valuation as of January 1, 2023 and 2022, respectively. The contribution requirements of the Plan participants are established and may be amended by MWCOG's Board of Directors. Currently, MWCOG is required to contribute 9% and participants are required to contribute 7% of their salary in bi-weekly installments to the Plan. The contributions to the Plan from MWCOG and the participants for the fiscal years ended June 30, 2023 and 2022 were \$2,333,927 and \$2,237,022, respectively.

Net Pension Liability (Asset)

MWCOG's net pension liability (asset) was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation.

Actuarial Assumptions

Valuation Date:	January 1, 2023
Actuarial Cost Method:	Entry Age Normal
Asset Valuation:	Close period of 20 years level dollar which began January 1, 2017
Amortization Method:	Expected value at valuation date plus 25% of the difference between market value and expected value
Discount Rate:	5.33%
Price Inflation:	2.50%
Salary Increases:	Starting at 5.5% and decreasing to 2.5% based on years of service
Mortality:	2010 Public Plan General Headcount-Weighted Employee Mortality Table generationally projected using scale MP-2020

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by MWCOG after considering input from MWCOG's investment consultant(s) and actuary(s), for each major asset class that is included in MWCOG's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table.

<u>Asset Class (Strategy)</u>	<u>Target Weight</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	50.00%	7.37%	3.69%
International Equity	10.00%	8.02%	0.80%
Core Fixed Income	40.00%	4.76%	1.90%
Cash	0.00%	3.23%	0.00%
	<u>100.00%</u>		<u>6.39%</u>
Inflation		2.46%	

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was -12.13%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 PENSION PLAN (CONTINUED)

Discount Rate

A single discount rate of 5.33% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.00% over the period over which the Plan's fiduciary net position is projected to be available for paying benefits and the municipal bond rate of 3.72% for periods thereafter. In making the determination of time periods, the projection of cash flows assumed that Plan members contributions will be made at the current contribution rate and that MWCOG contributions would continue at 9% of payroll. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year ending 2049. Following the procedures required by the accounting standards and these assumptions, the single rate as of December 31, 2022 was found to be 5.33%, developed based on the use of the long term expected rate of return of 6.00% through 2049 and the municipal bond rate of 3.72% thereafter. The municipal bond rate is based on the Bond Buyer 20-Bond GO Index as of December 29, 2022 the date closest to but not after the December 31, 2022 valuation date.

Changes in the Net Pension Liability (Asset)

The changes in the net pension liability (asset) as of December 31, 2022 were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2021	\$ 65,910,255	\$ 82,110,343	\$ (16,200,088)
Changes for the Year:			
Service Cost	2,952,490	-	2,952,490
Interest (Includes Interest on Service Cost)	4,053,853	-	4,053,853
Difference Between Expected and Actual Experience	532,779	-	532,779
Changes of Assumptions	2,987,655	-	2,987,655
Contributions - Employer	-	1,277,203	(1,277,203)
Contributions - Employee	-	993,363	(993,363)
Net Investment Income	-	(11,107,781)	11,107,781
Benefit Payments, Including Refunds of Member Contributions	(2,635,443)	(2,635,443)	-
Administrative Expenses	-	(188,934)	188,934
Net Changes	<u>7,891,334</u>	<u>(11,661,592)</u>	<u>19,552,926</u>
Balances at December 31, 2022	<u>\$ 73,801,589</u>	<u>\$ 70,448,751</u>	<u>\$ 3,352,838</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Asset

The following presents the net pension asset of MWCOG as of December 31, 2022, calculated using the discount rate of 5.33%, as well as what MWCOG's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.33%) or 1-percentage-point higher (6.33%) than the current rate:

	1% Decrease 4.33%	Current Discount Rate 5.33%	1% Increase 6.33%
Net Pension Liability (Asset)	<u>\$ 8,152,566</u>	<u>\$ 3,352,838</u>	<u>\$ (1,050,484)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2023, MWCOG recognized a pension debit of \$1,590,781. MWCOG also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ 5,878,896	\$ -
Difference Between Expected and Actual Experience	632,660	467,992
Changes in assumptions	3,876,110	1,317,096
Employer Contributions made Subsequent to the Measurement Date	667,258	-
Total	<u>\$ 11,054,924</u>	<u>\$ 1,785,088</u>

The \$667,258 reported as deferred outflows of resources related to pensions resulting from MWCOG's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 324,310
2024	1,866,769
2025	1,977,067
2026	3,847,698
2027	586,734
Total	<u>\$ 8,602,578</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 SUPPLEMENTARY RETIREMENT PLANS

Defined Contribution Plan

MWCOG sponsors a defined contribution 403(b) plans. An eligible employee may, on a voluntary basis, begin participation in the defined contribution plans immediately following the date that he or she becomes an employee of MWCOG. MWCOG is not required, and has not made, discretionary or nonelective contributions to the defined contribution 403(b) plans.

Supplemental Executive Retirement Plan

Effective November 14, 2012, MWCOG provides a noncontributory supplemental executive retirement plan (the SERP plan) for a certain executive under section 457(f) of the Internal Revenue Code of 1986, as amended. MWCOG's contributions to the SERP plan are established each year at the discretion of the Board of Directors. The participant is vested based on the provisions set forth in the SERP plan document. As of June 30, 2023, MWCOG held \$359,718 of noncontributory compensation in a trust that is administered by MWCOG, which has been recorded as a Fiduciary Pension Trust Fund.

NOTE 10 RELATED PARTY TRANSACTIONS

MWCOG owns one-third of the common stock of the Center for Public Administration and Services, Inc. (CPAS), which owns and operates the office building housing MWCOG's offices. There is no agreement between the owners for sharing in the profits or losses of the CPAS and, therefore, MWCOG has not recorded an equity interest for their one-third ownership. The remainder of the CPAS stock is held equally by the MissionSquare (formerly ICMA-RC) and the International City Management Association (ICMA). The owners occupy and/or sublease the majority of the building's rentable space. CPAS is a real estate investment trust (REIT) and must distribute most of its earnings to its owners each year. During the year ended June 30, 2023, CPAS distributed \$570,000 of income to MWCOG.

CPAS's summarized financial information as of and for the year ended December 31, 2022, was as follows:

Total Assets	\$ 27,529,072
Total Liabilities	37,738,272
Total Stockholders' Deficit	<u>\$ (10,209,200)</u>
Revenue	\$ 10,221,614
Expenses	8,920,749
Net Income	<u>\$ 1,300,865</u>

As of December 31, 2022, CPAS's assets included net rental property of \$13,413,590. The owners of the building are jointly liable for the outstanding note payable of \$37,300,000 included in total liabilities above.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Leases-Lessee

MWCOG is obligated under a ten year lease agreement with 777 North Capitol Corporation. The lease expires on December 31, 2026. MWCOG has renewal options that would expire through 2042. It is reasonably certain the renewal options were be exercised. The lease includes basic rent, a share of real estate taxes and operating expenses, and annual rental escalations based on the Consumer Price Index (CPI).

Total future minimum lease payments under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,097,677	\$ 246,923	\$ 1,344,600
2025	1,110,035	234,565	1,344,600
2026	1,122,531	222,069	1,344,600
2027	1,135,168	209,432	1,344,600
2028	1,147,947	196,653	1,344,600
2029-2033	5,936,520	786,480	6,723,000
2034-2038	6,278,286	444,714	6,723,000
2039-2042	4,720,588	97,562	4,818,150
Total	<u>\$ 22,548,752</u>	<u>\$ 2,438,398</u>	<u>\$ 24,987,150</u>

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class:

Building	\$ 24,730,644
Less: Accumulated amortization	(2,306,191)
Total	<u>\$ 22,424,453</u>

MWCOG subleased a portion of its office space during fiscal year 2022. MWCOG receives an annual rent of \$20,160 plus 0.2863% of the buildings operating costs and 0.2834% of the buildings real estate taxes for the new lease. The lease is year to year. For the year ended June 30, 2023, total rental income for the leased portion of its office space was \$37,710.

Subscription-Based Information Technology Arrangements

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

MWCOG entered into eight agreements to utilize software, the agreements range from 17 to 36 months an initial subscription liability was recorded in the amount of \$207,495. As of June 30, 2023, the value of the subscription liability is \$3,116,783. MWCOG is required to make annual fixed payments of \$103,280. The subscriptions have interest rate ranging between 1.85% and 2.5%. The value of the right to use assets as of June 30, 2023 is \$4,570,957 with accumulated amortization of \$1,543,059.

Principal and interest requirements to maturity are s follow:

<u>Year Ending June 30,</u>	Principal	Interest	Total
2024	\$ 1,515,457	\$ 73,366	\$ 1,588,823
2025	1,601,326	37,695	1,639,021
Total	<u>\$ 3,116,783</u>	<u>\$ 111,061</u>	<u>\$ 3,227,844</u>

NOTE 12 PENDING GASB STATEMENTS

At June 30, 2023, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by MWCOG. The statements which might impact MWCOG are as follows:

GASB Statement No. 101, *Compensated Absences*, is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management has not determined the effects these new Statements may have on prospective financial statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN EMPLOYER NET PENSION LIABILITY (ASSET) –
LAST TEN FISCAL YEARS**

	Year Ended December 31,								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability:									
Service Cost	\$ 1,771,873	\$ 1,895,939	\$ 2,211,619	\$ 2,221,553	\$ 2,436,327	\$ 2,632,703	\$ 2,398,764	\$ 2,539,561	\$ 2,952,490
Interest (Includes Interest on Service Cost)	3,157,400	3,292,604	3,484,954	3,711,023	3,965,673	3,827,439	4,194,448	4,361,369	4,053,853
Difference Between Expected and Actual Experience	60,147	203,660	(401,382)	(394,776)	472,664	(648,148)	93,850	(200,732)	532,779
Changes of Assumptions	-	-	-	-	3,053,404	(3,073,225)	-	770,994	2,987,655
Benefit Payments, Including Refunds of Member Contribution	(4,183,854)	(2,056,068)	(3,548,319)	(592,887)	(5,958,871)	(3,275,611)	(6,216,378)	(2,609,164)	(2,635,443)
Net Change in Total Pension Liability	805,566	3,336,135	1,746,872	4,944,913	3,969,197	(536,842)	470,684	4,862,028	7,891,334
Total Pension Liability - Beginning	46,311,702	47,117,268	50,453,403	52,200,275	57,145,188	61,114,385	60,577,543	61,048,227	65,910,255
Total Pension Liability - Ending (a)	\$ 47,117,268	\$ 50,453,403	\$ 52,200,275	\$ 57,145,188	\$ 61,114,385	\$ 60,577,543	\$ 61,048,227	\$ 65,910,255	\$ 73,801,589
Plan Fiduciary Net Position:									
Contributions - Employer	\$ 1,083,695	\$ 1,221,904	\$ 1,210,322	\$ 1,268,864	\$ 1,297,517	\$ 1,162,994	\$ 1,200,785	\$ 1,241,737	\$ 1,277,203
Contributions - Employee	826,530	977,358	968,242	1,015,076	995,733	904,534	933,930	965,781	993,363
Net Investment Income	4,021,918	1,129,768	3,829,746	7,532,245	(992,732)	11,399,215	7,643,418	11,836,299	(11,107,781)
Benefit Payments, Including Refunds of Member Contributions	(4,183,854)	(2,056,068)	(3,548,319)	(592,887)	(5,958,871)	(3,275,611)	(6,216,378)	(2,609,164)	(2,635,443)
Administrative Expense	(195,512)	(83,192)	(76,138)	(113,556)	(135,101)	(144,638)	(144,449)	(151,927)	(188,934)
Net Change in Plan Fiduciary Net Position	1,552,777	1,189,770	2,383,853	9,109,742	(4,793,454)	10,046,494	3,417,306	11,282,726	(11,661,592)
Plan Fiduciary Net Position - Beginning	47,921,129	49,473,906	50,663,676	53,047,529	62,157,271	57,363,817	67,410,311	70,827,617	82,110,343
Plan Fiduciary Net Position - Ending (b)	\$ 49,473,906	\$ 50,663,676	\$ 53,047,529	\$ 62,157,271	\$ 57,363,817	\$ 67,410,311	\$ 70,827,617	\$ 82,110,343	\$ 70,448,751
Net Pension Liability (Asset) - Ending (a) - (b)	\$ (2,356,638)	\$ (210,273)	\$ (847,254)	\$ (5,012,083)	\$ 3,750,568	\$ (6,832,768)	\$ (9,779,390)	\$ (16,200,088)	\$ 3,352,838
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	105.00%	100.42%	101.62%	108.77%	93.86%	111.28%	116.02%	124.58%	95.46%
Covered Payroll	\$ 10,331,622	\$ 10,615,561	\$ 12,279,948	\$ 12,219,765	\$ 13,284,225	\$ 12,981,772	\$ 13,100,839	\$ 13,841,961	\$ 14,553,534
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-22.81%	-1.98%	-6.90%	-41.02%	28.23%	-52.63%	-74.65%	-117.04%	23.04%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, MWCOG will present information for those years for which information is available.

See accompanying Notes to Required Supplementary Information.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS –
LAST TEN FISCAL YEARS**

	Year Ended December 31,								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	\$ 2,086,941	\$ 2,106,242	\$ 2,403,087	\$ 2,367,541	\$ 2,464,185	\$ 2,489,100	\$ 2,342,561	\$ 2,221,858	\$ 2,621,487
Actual Contribution	1,910,225	2,199,262	2,178,564	2,283,940	2,293,250	2,067,528	2,134,715	2,207,518	2,333,927
Contribution Deficiency (Excess)	<u>\$ 176,716</u>	<u>\$ (93,020)</u>	<u>\$ 224,523</u>	<u>\$ 83,601</u>	<u>\$ 170,935</u>	<u>\$ 421,572</u>	<u>\$ 207,846</u>	<u>\$ 14,340</u>	<u>\$ 287,560</u>
Covered Payroll	\$ 10,331,622	\$ 10,615,561	\$ 12,279,948	\$ 12,219,765	\$ 13,284,225	\$ 12,981,772	\$ 13,100,839	\$ 13,841,961	\$ 14,553,534
Actual Contribution as a Percent of Covered Payroll	18.49%	20.72%	17.74%	18.69%	17.26%	15.93%	16.29%	15.95%	16.04%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, MWCOG will present information for those years for which information is available.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

NOTE 1 CHANGES IN BENEFIT TERMS

There have been no actuarially material changes to the Plan benefit provisions since the prior actuarial valuation.

NOTE 2 CHANGES IN ASSUMPTIONS

There have been no actuarially material changes to the Plan assumptions since the prior actuarial valuation, except for a change in the discount rate from 6.00% to 5.33%.

NOTE 3 CONTRACTUALLY REQUIRED CONTRIBUTIONS

The actuarially determined contribution rates are calculated as of December 31, six months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Assumptions

Actuarial Cost Method:	Entry Age Normal
Asset Valuation:	Close period of 20 years level dollar which began January 1, 2017
Amortization Method:	Expected value at valuation date plus 25% of the difference between market value and expected value
Discount Rate:	5.33%
Price Inflation:	2.50%
Salary Increases:	Starting at 5.5% and decreasing to 2.5% based on years of service
Mortality:	2010 Public Plan General Headcount-Weighted Employee Mortality Table generationally projected using scale MP-2020

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
SUPPLEMENTARY INFORMATION
COMBINING PENSION TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	<u>Pension Fund (12/31/22)</u>	<u>Supplemental Executive Retirement Plan</u>	<u>Total</u>
ASSETS			
Investments Held in Trust at Fair Value	\$ 70,461,871	\$ 359,718	\$ 70,821,589
Total Assets	<u>70,461,871</u>	<u>359,718</u>	<u>70,821,589</u>
LIABILITIES			
Accrued Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FIDUCIARY NET POSITION			
Restricted for:			
Other Governments	-	359,718	359,718
Pension Benefits	<u>70,461,871</u>	<u>-</u>	<u>70,461,871</u>
Total Net Position	<u><u>\$ 70,461,871</u></u>	<u><u>\$ 359,718</u></u>	<u><u>\$ 70,821,589</u></u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
SUPPLEMENTARY INFORMATION
COMBINING PENSION TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSTION
YEAR ENDED JUNE 30, 2023**

	Pension Fund (12/31/22)	Supplemental Executive Retirement Plan	Total
ADDITIONS			
Contributions	\$ 2,547,078	\$ 17,674	\$ 2,564,752
INVESTMENT EARNINGS			
Interest Earned on Investments	6,485,840	-	6,485,840
Net Decrease in Fair Value of Investments	(16,526,394)	44,675	(16,481,719)
Total Loss for Investment Activities	(10,040,554)	44,675	(9,995,879)
DEDUCTIONS			
Benefit Payments	3,966,452	-	3,966,452
Administrative Fees	188,544	-	188,544
Total Deductions	4,154,996	-	4,154,996
CHANGE IN FIDUCIARY NET POSTION	(11,648,472)	62,349	(11,586,123)
Fiduciary Net Position - Beginning of Year	82,110,343	297,369	82,407,712
NET FIDUCIARY NET POSTION - END OF YEAR	<u>\$ 70,461,871</u>	<u>\$ 359,718</u>	<u>\$ 70,821,589</u>



**INDEPENDENT AUDITORS' REPORT 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**

Board of Directors
Metropolitan Washington Council of Governments

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, each major fund and the aggregate remaining fund information of the Metropolitan Washington Council of Governments (MWCOG) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the MWCOG's basic financial statements, and have issued our report thereon dated December 31, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the MWCOG'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 MWCOG's internal control. Accordingly, we do not express an opinion on the effectiveness of the MWCOG'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 MWCOG’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 result of that testing, and not to provide an opinion on the effectiveness of the MWCOG’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 MWCOG’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 31, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Metropolitan Washington Council of Governments
Washington, DC

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Metropolitan Washington Council of Governments' (MWCOG) 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 each of MWCOG's major federal programs for the year ended June 30, 2023. MWCOG's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, MWCOG complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of MWCOG 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 each major federal program. Our audit does not provide a legal determination of MWCOG'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 MWCOG's federal programs.

Auditors' 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 MWCOG'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 GAAS, *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 MWCOG's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 MWCOG'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 MWCOG'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 MWCOG'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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

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.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 31, 2023

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Urban and Community Forestry Program	10.675		\$ -	\$ 108,350
Total U.S. Department of Agriculture			-	108,350
U.S. Department of Transportation				
Airport Improvement Program	20.106		-	81,117
<i>Transit Services Programs Cluster:</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		1,716,170	3,224,958
COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities			218,088	247,640
COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities			148,048	186,798
Total Enhanced Mobility of Seniors and Individuals with Disabilities			<u>2,082,306</u>	<u>3,659,396</u>
Job Access and Reverse Commute Program	20.516		(497)	18,910
Public Transportation Innovation Program	20.530		-	59,739
Total Transit Services Programs Cluster			<u>2,081,809</u>	<u>3,738,045</u>
Total U.S. Department of Transportation			2,081,809	3,819,162
U.S. Department of Homeland Security				
Homeland Security Grant Program	97.067			
Passed Through D.C. Office of Deputy Mayor for Public Safety and Justice				
Gun Violence Prevention		19-UASI117-07	33,612	46,749
District Preparedness Strategy		19-UASI117-08	52,913	52,913
Deployable Radio Trunking		19-UASI117-11	213,000	249,970
ROCC Comm Infrastructure Upgrade		19-UASI117-12	330,005	330,005
Regional Radio System Cap		19-UASI117-13	99,115	113,847
Communications Resiliency		19-UASI117-14	74,128	86,342
District Preparedness Strategy		20UASI117-03	333,358	351,413
NCR HS Program Staff Support		21UASI117-01	-	361,577
NCR HS Program Staff Support		22UASI117-01	-	1,247,242
Situational Awareness Software		20UASI117-04	115,170	117,128
Metro Rail Response Kits		20UASI117-05	107,179	115,733
CAD2CAD Expansion-Anne Arundel		20UASI117-06	42,700	44,702
NCRnet Support		20UASI117-07	155,480	162,803
NCRnet Router Refresh		20UASI117-08	21,171	285,915
Bomb Squad Protect Equipm		20UASI117-09	-	17,962
Bomb Squad Training		20UASI117-10	-	112
Regional Comm Study Cont		20UASI117-11	8,684	8,759
District Preparedness Strategy		21UASI117-02	287,180	298,913
RAPID Database Sustainmen		21UASI117-03	523,810	530,636
Metro Rail Response Kits		21UASI117-04	-	410
Total Homeland Security Grant Program			<u>2,397,506</u>	<u>4,423,131</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Homeland Security (Continued)				
Passed Through District of Columbia Homeland Security and Emergency Management Agency				
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	19RCPG117-01	\$ -	\$ 673,080
Securing the Cities Program	97.106			
STC Program Continuation		17STC117-02	-	2,352,043
STC Program Continuation		20STC117-01	-	540,006
Total Securing the Cities Program			<u>-</u>	<u>2,892,049</u>
Total U.S. Department of Homeland Security			2,397,506	7,988,260
<i>Research and Development Cluster:</i>				
U.S. Department of Transportation				
Highway Research and Development Program	20.200		<u>-</u>	<u>533,623</u>
Total U.S. Department of Transportation			-	533,623
U.S. Department of Defense				
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation	12.003		<u>-</u>	<u>156,031</u>
Total U.S. Department of Defense			<u>-</u>	<u>156,031</u>
<i>Total Research and Development Cluster</i>			<u>-</u>	<u>689,654</u>
Total Expenditures of Federal Awards			<u>\$ 4,479,315</u>	<u>\$ 12,605,426</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023**

NOTE 1 SINGLE AUDIT REPORTING ENTITY

The Metropolitan Washington Council of Governments (MWCOG) is an independent, nonprofit association with a membership of elected officials from 24 local governments, the Maryland and Virginia state legislatures, and U.S. Congress. It serves as a hub for regional partnership, sharing information and developing solutions to the region's major challenges.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Metropolitan Washington Council of Governments (MWCOG) under programs of the federal government for the year ended June 30, 2023. The information in this 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). Because the Schedule presents only a selected portion of the operations of MWCOG, it is not intended to and does not present the financial position or changes in financial position of MWCOG.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, or other assistance.

Direct Payments – Assistance received directly from the federal government is classified as direct payments on the Schedule.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the federal government is classified as pass-through payments on the Schedule.

Major Programs – The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for MWCOG were determined using a risk-based approach in accordance with Uniform Guidance.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available and applicable.

NOTE 4 INDIRECT COST RATE

MWCOG's indirect cost rates as allowed under the *Uniform Guidance* are disclosed in Note 1, *Fringe Benefit and Indirect Cost Allocations* in the notes to financial statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
JUNE 30, 2023**

NOTE 5 CONTRACTS WITH STATE AND LOCAL GOVERNMENTS CONTAINING FEDERAL FUNDS

Under § 200.331, *Subrecipient and Contractor Determinations* of 2 CFR Part 200, Uniform Guidance explains that MWCOG may concurrently receive federal awards as a recipient, a subrecipient, and a contractor on the substance of its agreements with federal awarding agencies and pass-through entities. Therefore, a case-by-case determination of whether each agreement casts MWCOG's role as a subrecipient or a contractor is required to ensure the completeness of the Schedule. MWCOG enters into several agreements where the relationship has been determined, based on § 200.331(b), to be a contractor to provide services to federal programs where state and local governments are responsible for compliance with the federal program requirements. Those programs are excluded from the Schedule. These agreements do not have the characteristics of subrecipients, based on § 200.331(a) and appropriate notification under § 200.211, *Information Contained in a Federal Award* was not made.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
97.106	Securing the Cities Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u> 750,000 </u>
Auditee qualified as low-risk auditee?	<u> x </u> yes _____ no

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

Our audit did not disclose any financial statement findings.

Section III – Findings and Questioned Costs for Federal Grant Awards

Reference Number: 2023-001
Prior Year Finding: No
Federal Agency: U.S. Department of Homeland Security
Pass-Through Agency: Government of the District of Columbia Homeland Security and
Emergency Management Agency
Federal Program: Securing the Cities Program
Assistance Listing Number: 97.106
Award Number and Year: 17STC117-02, 20STC117-01 (9/1/2021-8/31/2023)
Compliance Requirement: Suspension and Debarment
Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or specific requirement:

Compliance: 2 CFR 200.214 Suspension and Debarment restricts awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

2 CFR 180.300 states that an entity may determine suspension and debarment status by:

- (a) Checking SAM (System for Award Management) Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

MWCOG did not determine the suspension and debarment status of vendors with expenditures exceeding \$25,000 as required by federal regulations.

Context:

The suspension and debarment status for 2 of 2 vendors was not documented.

Questioned costs:

There are no questioned costs related to this finding as the vendors were not federally suspended or debarred.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
JUNE 30, 2023**

Cause:

MWCOG's internal controls over suspension and debarment are not sufficient to ensure that all vendors' suspension and debarment status is documented.

Effect:

Failure to verify and document the suspension and debarment status of vendors may result in MWCOG issuing payments to vendors that are suspended or debarred and not authorized to provide services under the program.

Recommendation:

MWCOG should ensure policies and procedures include the three options for determining suspension and debarment status listed in 2 CFR 180.300 and that controls are sufficient to ensure that the suspension and debarment status is verified for all vendors.

Views of responsible officials:

MWCOG will ensure that all vendors' suspension and debarment status be documented in the procurement files at the time of contract with the vendors.

Section IV – Prior Year Findings

**2022-001 - Pension Trust Financial Report Year End
Significant Deficiency in Internal Control**

This finding was resolved.