

**METROPOLITAN WASHINGTON COUNCIL
OF GOVERNMENTS**

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2016



ASSURANCE, TAX & ADVISORY SERVICES

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Metropolitan Washington Council of Governments

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of Metropolitan Washington Council of Governments ("MWCOG"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise MWCOG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MWCOG's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 remaining fund information of MWCOG as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 12 to the financial statements, MWCOG has elected to change its method of accounting for its presentation of its financial statements. Our opinion is not modified with respect to this matter.

As discussed in Note 14 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-8 and 36-37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MWCOG's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016 on our consideration of 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 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 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.

PBMares, LLP

Harrisonburg, Virginia
December 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 22 local governments, the Maryland and Virginia state legislatures, and U.S. Congress.

FINANCIAL HIGHLIGHTS

Statement of Net Position

The following table presents a summary of the Statement of Net Position for MWCOG as of June 30, 2016 and 2015:

Summary Statement of Net Position June 30, 2016 and 2015

	Governmental Activities		Increase (Decrease)	%
	2016	2015		
Assets:				
Current and other assets	\$ 32,631,756	\$ 26,403,088	\$ 6,228,668	23.6%
Capital assets, net	1,379,056	1,143,539	235,517	20.6%
Total assets	<u>34,010,812</u>	<u>27,546,627</u>	<u>6,464,185</u>	23.5%
Deferred outflows of resources	<u>2,179,689</u>	<u>618,302</u>	<u>1,561,387</u>	252.5%
Liabilities:				
Current and other liabilities	17,577,774	8,783,436	8,794,338	100.1%
Long-term liabilities	597,243	52,462	544,781	1038.4%
Total liabilities	<u>18,175,017</u>	<u>8,835,898</u>	<u>9,339,119</u>	105.7%
Deferred inflows of resources	<u>-</u>	<u>601,918</u>	<u>(601,918)</u>	-100.0%
Net Position:				
Net investment in capital assets	1,379,056	1,143,539	235,517	20.6%
Restricted	8,198	8,198	-	0.0%
Unrestricted	<u>16,628,230</u>	<u>17,575,376</u>	<u>(947,146)</u>	-5.4%
Total net position	<u>\$ 18,015,484</u>	<u>\$ 18,727,113</u>	<u>\$ (711,629)</u>	-3.8%

Due from other governments increased by \$11.1 million (89%) and due to other governments increased by \$8.0 million (143%), as a result of the inflow and outflow of TIGER funds at the end of the fiscal year. Cash in excess of bank balance in the amount of \$1.8 million is due to checks being issued on the last day of the fiscal year (June 30), and TIGER reimbursements being received the following day, on July 1.

Changes in Net Position

The following table presents a summary of the Statement of Changes in Net Position for MWCOG as of June 30, 2016 and 2015:

Summary Statement of Changes in Net Position Years Ended June 30, 2016 and 2015

	Governmental Activities		Increase (Decrease)	% Change
	2016	2015		
Revenues:				
Intergovernmental:				
Federal grants	\$ 51,543,687	\$ 33,155,266	\$ 18,388,421	55.5%
State grants	6,006,557	3,469,934	2,536,623	73.1%
Local grants	3,922,908	4,486,747	(563,839)	-12.6%
Member contributions	3,766,255	3,711,182	55,073	1.5%
Foundation contributions	998,129	304,254	693,875	228.1%
Use of money and property	865,960	708,309	157,651	22.3%
Miscellaneous	429,588	1,483,802	(1,054,214)	-71.0%
Total Revenues	67,533,084	47,319,494	20,213,590	42.7%
Expenses:				
Personnel	15,124,847	13,896,653	1,228,194	8.8%
Professional fees/subrecipient	43,815,000	24,113,116	19,701,884	81.7%
Other direct expenses/pass through	3,830,907	3,764,416	66,491	1.8%
Contributed services	688,900	822,026	(133,126)	-16.2%
Non-personnel support service costs	4,722,265	4,441,124	281,141	6.3%
Total Expenses	68,181,919	47,037,335	21,144,584	45.0%
Change in net position	(648,835)	282,159	(930,994)	-330.0%
Beginning net position, as restated	18,664,319	18,382,160	282,159	1.5%
Ending net position	\$ 18,015,484	\$ 18,664,319	\$ (648,835)	-3.5%

MWCOG ended fiscal year 2016 with a net loss in dues-funded programs of \$387,700, which was both expected and budgeted. This is 1% of total operations expense, and will be covered by surplus funds from prior years (unrestricted net position). Programs with other revenue sources also made use of their surplus funds in fiscal year 2016, reducing the balance in designated project funds by \$278,000. Accounting for MWCOG's pension plan added \$16,900 to the bottom line, for a total decrease in net position of \$648,800. Revenue and expenses in fiscal year 2016 are approximately \$20 million higher than fiscal year 2015, due to project close-out activity for the \$58.8 million TIGER funds awarded to the Transportation Planning Board in 2010.

Net position refers to the resources that would remain if all obligations were settled. The table below categorizes net position into those that are non-cash (invested in capital assets), those that are designated for future capital projects and programs, funds available to support specific programs, board-designated operating reserves for emergencies and cash flow interruptions, the net pension asset based on the actuarial report as of January 1, 2016, restricted funds, and cash assets that are available for future plans (unrestricted).

Net Position by Category	Balance			Balance June 30, 2016
	June 20, 2015	Increase	Decrease	
Net investment in capital assets	\$ 1,143,539	\$ 579,616	\$ 344,099	\$ 1,379,056
Restricted	8,198	-	-	8,198
Unrestricted				
Capital expenditure reserve	-	6,746,191	446,191	6,300,000
Designated for program funds	1,252,900	-	269,645	983,255
Operating reserve	11,263,480	-	6,536,363	4,727,117
Net pension asset	3,408,571	2,179,689	3,198,298	2,389,962
Unrestricted	1,650,425	3,908,428	3,330,957	2,227,896
Total Net Position	\$ 18,727,113	\$ 13,413,924	\$ 14,125,553	\$ 18,015,484

In fiscal year 2016, net capital assets increased by \$235,500. Investments were made in office space and meeting room improvements, redesign of MWCOG's website, and upgrades to IT equipment and software, utilizing funds designated for capital projects. The amount designated for program funds was reduced by \$269,600, based on analysis of project balances and work plans. Board designated operating reserves are fully funded at 16.7% of operating expenses, and Board designated capital expense reserves are fully funded at \$6.3 million, based on the board-approved 5-year capital expenditure plan. Reserves and excess cash are invested in laddered certificates of deposits. Accounting standards require inclusion of the net pension obligation or asset on MWCOG's financial statements. Assets recorded for the pension plan can be used only for plan purposes, and are not available for MWCOG's operations, working reserves, or investment activities. Unrestricted net position is available for use as approved by MWCOG Board of Directors.

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.

MWCOG's Sources of Funding

Of the total operating revenue, \$61.0 million was from federal, state and local funds, of which \$29.7 million was passed through to sub-recipients.

Member dues generated an additional \$3.8 million in revenue, and were used primarily to leverage federal, state and other funding to support core programs in transportation, the environment, community planning and health, and emergency preparedness. Dues are also used to support MWCOG as a membership organization, and to provide member services such as the Cooperative Purchasing Program.

Total operating revenue in fiscal year 2016 was \$67.1 million, compared to fiscal year 2015 revenue of \$46.7 million. The increase in revenue is due to project close-out activity for the \$58.8 million TIGER funds awarded to the Transportation Planning Board in 2010.

MWCOG 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 office building housing MWCOG's offices. In fiscal year 2016, MWCOG recorded \$560,375 in revenue from the REIT and from the sublease of a portion of its office space.

MWCOG'S Uses of Funds

Transportation planning and operations make up 73% of the expenditure budget, with the Department of Environmental Programs and Department of Public Safety & Homeland Security accounting for 11% and 13% of expenses, respectively.

Expenses by Program	June 30, 2016	June 30, 2015
Transportation	\$ 49,649,530	\$ 30,661,758
Community Planning, Health & Child Welfare	1,028,022	989,840
Public Safety & Homeland Security	8,490,869	7,139,460
Environmental	7,146,984	7,874,050
Member Services ⁽¹⁾	1,866,514	624,302
Additional Required Pension	-	(252,075)
Total Operating Expenses	<u>\$ 68,181,919</u>	<u>\$ 47,037,335</u>

⁽¹⁾ A portion of these costs were previously included in the indirect cost pool and distributed as an allocated support service expense.

MWCOG's Capital Assets

Capital assets are made up of furniture and equipment (\$1.9 million), computer hardware (\$1.2 million), computer software and website (\$1.2 million), leasehold improvements (\$768,000), and local area network (\$300,000) recorded at cost. Accumulated depreciation and amortization at June 30, 2016 was \$4.0 million, for a net book value of approximately \$1.4 million. Capital expenditures in fiscal year 2016 included a backup server, improvements to the first floor conference rooms, data center fire suppressant, scheduled replacement of office chairs, and final stage development costs for the new MWCOG website.

	June 30, 2015	Net Additions	June 30, 2016	Useful Life (in Years)
Construction in progress	\$ 138,480	\$ 133,425	\$ 271,905	
Furniture and equipment	1,788,177	70,381	1,858,558	7
Leasehold improvements	518,682	249,285	767,967	10
Computer hardware	1,135,666	114,525	1,250,191	5
Computer software	911,721	12,000	923,721	3
Local area network	300,032	-	300,032	3
Total capital assets	<u>4,792,758</u>	<u>579,616</u>	<u>5,372,374</u>	
Less: accumulated depreciation and amortization	<u>3,649,219</u>	<u>344,099</u>	<u>3,993,318</u>	
Capital assets, net	<u>\$ 1,143,539</u>	<u>\$ 235,517</u>	<u>\$ 1,379,056</u>	

MWCOG's Future Changes and Trends

New Uniform Guidance regulations specifically limit inclusion of Executive Office costs in the indirect cost pool, which resulted in a shift in funding source for these costs starting in fiscal year 2016. Management will work to identify additional funding sources and/or implement necessary expense reductions to balance the budget in fiscal year 2017 and beyond.

Pass-through funds for the ARRA Regional Priority Bus Service (TIGER) projects ended on September 30, 2016. Unified Planning Work Program funding will be available to pay for salaries and overhead costs previously funded by the TIGER grants.

Other programs and funding are stable at this time. Other than what has been noted above, 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 777 North Capitol Street, NE, Washington, D.C. 20002.

BASIC FINANCIAL STATEMENTS

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 190,640
Due from other governments	23,417,543
Other receivables	74,917
Prepaid items	652,406
Restricted cash	8,198
Investments	8,001,279
Investment in noncontributory executive retirement plan	76,500
Net pension asset	210,273
Capital assets, net	<u>1,379,056</u>
Total assets	<u>34,010,812</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	<u>2,179,689</u>
Total deferred outflows of resources	<u>2,179,689</u>
LIABILITIES	
Cash in excess of bank balance	1,789,668
Accounts payable	4,275,053
Due to other governments	9,217,116
Accrued liabilities	280,806
Unearned revenue	1,644,376
Due within one year:	
Compensated absences	370,755
Noncurrent liabilities:	
Due in more than one year:	
Compensated absences	520,743
Noncontributory executive retirement plan	<u>76,500</u>
Total liabilities	<u>18,175,017</u>
NET POSITION	
Net investment in capital assets	1,379,056
Restricted	8,198
Unrestricted	<u>16,628,230</u>
Total net position	<u><u>\$ 18,015,484</u></u>

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Function/Programs	Expenses	Program Revenues <u>Operating Grants and Contributions</u>	Net (Expense) Revenue and Change in Net Position Governmental Activities
Governmental activities:			
Planning and administration	\$ 32,587,228	\$ 31,072,433	\$ (1,514,795)
Planning and administration - indirect Subrecipient	5,888,731	5,888,731	-
	<u>29,705,960</u>	<u>29,705,960</u>	<u>-</u>
Total governmental activities	<u><u>\$ 68,181,919</u></u>	<u><u>\$ 66,667,124</u></u>	<u><u>(1,514,795)</u></u>
General revenues:			
Use of money and property			<u>865,960</u>
Total general revenues			<u><u>865,960</u></u>
Change in net position			(648,835)
Net position, beginning, as restated			<u>18,664,319</u>
Net position, ending			<u><u>\$ 18,015,484</u></u>

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

**BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 190,640
Due from other governments	23,417,543
Other receivables	74,917
Prepaid items	652,406
Restricted cash	8,198
Investments	8,001,279
Investment in noncontributory executive retirement plan	76,500
	<hr/>
Total assets	\$ 32,421,483
	<hr/> <hr/>
LIABILITIES	
Cash in excess of bank balance	\$ 1,789,668
Accounts payable	4,275,053
Due to other governments	9,217,116
Accrued liabilities	280,806
Unearned revenue	1,644,376
Noncontributory executive retirement plan	76,500
	<hr/>
Total liabilities	17,283,519
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	439,641
	<hr/>
Total deferred inflows of resources	439,641
	<hr/>
FUND BALANCE	
Nonspendable	652,406
Committed	11,027,117
Assigned	983,255
Restricted	8,198
Unassigned	2,027,347
	<hr/>
Total fund balance	14,698,323
	<hr/>
Total liabilities, deferred inflows of resources and fund balance	\$ 32,421,483
	<hr/> <hr/>

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION

June 30, 2016

General Fund

Reconciliation of fund balance on the Balance Sheet for the governmental fund to the net position of the governmental activities on the Statement of Net Position:

Fund balance \$ 14,698,323

Amounts reported for governmental activities in the Statement of Net Position are different because:

Net pension asset is a long-term asset and not a current financial resource and, therefore, not reported in the governmental fund. 210,273

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental fund.

Capital assets	\$ 5,372,374	
Less accumulated depreciation and amortization	<u>(3,993,318)</u>	
		1,379,056

Unearned revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental fund. 439,641

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.

Pension plan 2,179,689

Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental fund. (891,498)

Net position of governmental activities \$ 18,015,484

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUND
Year Ended June 30, 2016**

	General Fund
Revenues:	
Intergovernmental:	
Federal grants	\$ 51,104,046
State grants	6,006,557
Local grants	3,922,908
Member contributions	3,766,255
Foundation contributions	998,129
Use of money and property	865,960
Miscellaneous	429,588
Total revenues	<u>67,093,443</u>
Expenditures:	
Planning and administration	32,256,402
Planning and administration - indirect	5,888,731
Subrecipient	29,705,960
Capital outlay	579,616
Total expenditures	<u>68,430,709</u>
Net change in fund balance	(1,337,266)
Fund balance, beginning, as restated	<u>16,035,589</u>
Fund balance, ending	<u>\$ 14,698,323</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balance	\$ (1,337,266)
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. This is the amount by which capital outlays exceeded depreciation in the current period.	
Add - capital outlay	\$ 579,616
Deduct - depreciation and amortization expense	<u>(344,099)</u>
Excess of capital outlays over depreciation and amortization	235,517
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.	
Change in unearned revenue	439,641
Deferred outflows of resources - pension	2,179,689
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	(3,667)
Pension expense	<u>(2,162,749)</u>
	<u>(2,166,416)</u>
Change in net position of governmental activities	<u>\$ (648,835)</u>

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

**STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2016**

	Pension Trust Fund
<hr/>	
ASSETS	
Investments held in trust	<u>\$ 51,164,466</u>
Total assets	<u><u>\$ 51,164,466</u></u>
NET POSITION	
Held in trust for pension benefits	<u><u>\$ 51,164,466</u></u>

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

STATEMENT OF CHANGES IN NET POSITION

FIDUCIARY FUND

Year Ended June 30, 2016

	Pension Trust Fund
<hr/>	
Additions:	
Contributions	\$ 2,160,669
	<hr/>
Total additions	2,160,669
	<hr/>
Investment income:	
Interest earned on investments	1,562,524
Net increase in fair value of investments	690,054
	<hr/>
Total income from investment activities	2,252,578
	<hr/>
Deductions:	
Benefit payments	2,078,632
Administrative fees	146,238
	<hr/>
Total deductions	2,224,870
	<hr/>
Change in net position	2,188,377
	<hr/>
Net position, beginning	48,976,089
	<hr/>
Net position, ending	<u><u>\$ 51,164,466</u></u>

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

Metropolitan Washington Council of Governments (“MWCOG”) is an organization comprised of 22 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. MWCOG’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 MWCOG, individual counties and cities coordinate their efforts to maintain and improve the physical, economic, and social wellbeing of the area. MWCOG’s funding is obtained from member jurisdictions’ annual contributions and Federal, State, and other contracts for specified projects, which are designed to further MWCOG’s goals and objectives.

The financial statements of MWCOG 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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information of the governmental activities supported by intergovernmental revenues.

The government-wide Statement of Net Position reports net position as restricted when externally imposed constraints are in effect. Internally imposed designations of resources are not presented as restricted net position.

The government-wide Statement of Activities is designed to report the degree to which the expenses of a given function are offset by program revenues. Expenses are those that are clearly identifiable with a specific function. Program revenues include contributions that are restricted to meet the operational requirements of a particular function.

The fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. Given that governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented which explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Separate fund financial statements are provided for the General Fund. In the fund financial statements, financial transactions and accounts of MWCOG are organized on the basis of funds. The operation of the fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The General Fund is reported on a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance (fund equity). Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the government-wide financial statements.

C. Measurement Focus and Basis of Accounting

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 contributions 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.

Governmental 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. MWCOG considers revenues to be available if they are collected within 90 days after year end. 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 MWCOG and is used to account for and report all revenues and expenditures applicable to the general operations of MWCOG. Revenues are derived primarily from intergovernmental activities. The General Fund is considered a major fund for financial reporting purposes.

Fiduciary Fund: Fiduciary funds (trust and agency funds) account for assets held by MWCOG in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. These funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. MWCOG's sole fiduciary fund is the Pension Trust Fund which accounts for activities of MWCOG's pension benefits.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Other Significant Accounting Policies

1. Cash and Cash Equivalents

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

2. Investments

Investments are stated at fair value based on quoted market prices. MWCOG has adopted a formal investment policy that authorizes management to deposit funds, not immediately needed for operating activities, in short-term investment accounts, including money market funds, where such accounts or funds are invested in securities of the United States of America or insured by the Federal government.

3. 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.

4. Restricted Cash

Restricted cash was \$8,198 for governmental activities at June 30, 2016 and is comprised of a security deposit held for a sublease of office space to another entity.

5. Capital Assets

Capital assets include furniture and equipment, leasehold improvements, 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 and intangibles is charged as an expense against operations using the straight-line method over the following estimated useful lives:

Furniture and equipment	10 years
Leasehold improvements	Shorter of useful life or life of lease
Computer hardware	5 years
Computer software	3 years
Local area network	5 years

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Other Significant Accounting Policies (Continued)

6. Pensions

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's ("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.

7. 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 thirteen to twenty-six vacation days in a year, depending on the length of their employment. All employees receive thirteen 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.

8. 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.

9. 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 position 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, pension contributions subsequent to the measurement date and the net 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.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Other Significant Accounting Policies (Continued)

10. 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.

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.

11. 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.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Other Significant Accounting Policies (Continued)

12. 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 financials as of June 30, 2016.

13. 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 management and administrative personnel costs, fringe benefits (excluding leave), leave (vacation and sick), and indirect non-personnel costs. The rates are calculated as follows:

- a. The management and administrative (M&A) personnel costs rate is the ratio of M&A salaries over direct and temporary salaries;
- b. The leave rate is the ratio of leave benefits over total salary costs;
- 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; and
- d. The indirect non-personnel rate is the ratio of total indirect costs over total salaries and benefits costs and fringe benefit costs.

The M&A, leave, fringe benefit, and indirect costs rates for the fiscal year ended June 30, 2016 were as follows:

M&A personnel costs	21.28%
Leave	20.75%
Fringe benefits	27.24%
Indirect non-personnel costs	29.72%

14. 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.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Other Significant Accounting Policies (Continued)

15. Subsequent Events

MWCOG has evaluated subsequent events through December 20, 2016, the date on which the financial statements were available to be issued.

Note 2. Deposits and Investments

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.

Investments

MWCOG's investments are stated at fair value as determined by quoted prices. As of June 30, 2016, the investment balance consisted of the following:

	Fair Value	Investment Maturities (in years)			
		Less Than 1 Year	1 - 5 Years	6 - 10 Years	10 Years or More
Certificate of deposit	\$ 7,776,244	\$ 874,199	\$ 5,736,654	\$ 550,602	\$ 614,789
Government-backed securities	200,028	-	200,028	-	-
Money market funds - MBS	25,007	25,007	-	-	-
Money market funds - SunTrust	67,029	67,029	-	-	-
Mutual funds - SunTrust	31,613,201	31,613,201	-	-	-
New York Life	19,484,236	19,484,236	-	-	-
Mutual funds	76,500	76,500	-	-	-
Total	\$ 59,242,245	\$ 52,140,172	\$ 5,936,682	\$ 550,602	\$ 614,789

MWCOG's investments are subject to certain risks; credit risk, concentration of credit risk, and interest rate risk.

Credit Risk

Credit Risk is the risk that an issuer to 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, 2016, 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.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

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.

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.

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	\$ 7,776,244	\$ -	\$ -
Government-backed securities	200,028	-	-
Money market funds	92,036	-	-
Mutual funds	31,689,701	-	-
Fixed dollar accounts	-	19,484,236	-

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 4. Due To/From Other Governments

Amounts due from other governments are as follows:

U.S. Department of Transportation	\$ 12,320,301
U.S. Department of Homeland Security	3,084,756
Maryland Department of Transportation	2,163,897
Virginia Department of Transportation	1,592,800
District of Columbia - Department of Transportation	1,445,955
Prince George County	570,896
District of Columbia Water and Sewer Authority	346,265
Federal Aviation Administration	276,863
Virginia Department of Rail and Public Transportation	263,369
Metropolitan Washington Airport Authority	216,344
Northern Virginia District	118,929
Washington Suburban Sanitary Commission	93,918
Other governments	<u>923,250</u>
	<u>\$ 23,417,543</u>

Amounts due to other governments are as follows:

District of Columbia - Department of Transportation	\$ 3,154,835
Maryland Transit Administration	3,147,692
Washington Metropolitan Area Transit Authority	1,867,774
Potomac and Rappahannock Transportation Commission	681,575
City of Alexandria	161,402
Other governments	<u>203,838</u>
	<u>\$ 9,217,116</u>

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital assets consisted of the following as of June 30, 2016:

	June 30, 2015	Additions	June 30, 2016
Capital assets not being depreciated or amortized:			
Construction in progress	\$ 138,480	\$ 133,425	\$ 271,905
Capital assets being depreciated or amortized:			
Furniture and equipment	1,788,177	70,381	1,858,558
Leasehold improvements	518,682	249,285	767,967
Computer hardware	1,135,666	114,525	1,250,191
Computer software	911,721	12,000	923,721
Local area network	300,032	-	300,032
Total capital assets being depreciated or amortized	4,654,278	446,191	5,100,469
Less accumulated depreciation or amortization for:			
Furniture and equipment	1,521,161	73,384	1,594,545
Leasehold improvements	343,042	44,835	387,877
Computer hardware	656,169	166,309	822,478
Computer software	828,815	59,571	888,386
Local area network	300,032	-	300,032
Total accumulated depreciation and amortization	3,649,219	344,099	3,993,318
Total capital assets being depreciated or amortized, net	1,005,059	102,092	1,107,151
Total capital assets, net	\$ 1,143,539	\$ 235,517	\$ 1,379,056

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, 2016, was \$344,099.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 6. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2016, were as follows:

Activity	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Due in One Year
Noncontributory executive retirement plan	\$ 52,462	\$ 24,038	\$ -	\$ 76,500	\$ -
Compensated absences	887,831	964,771	(961,104)	891,498	370,755
	<u>\$ 940,293</u>	<u>\$ 988,809</u>	<u>\$ (961,104)</u>	<u>\$ 967,998</u>	<u>\$ 370,755</u>

Note 7. Short-Term Debt

MWCOG has a \$3,000,000 revolving line of credit that can be used for operations or 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, 2016.

Note 8. Pension Plan

A. 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 agent of general-purpose local governments, 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

Note 8. Pension Plan (Continued)

A. 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 \$236 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, 2016 actuarial valuation, the following members were covered by the benefit terms of the Plan:

	<u>Number</u>
Inactive member or their beneficiaries currently receiving benefits	38
Inactive members:	
Vested	8
Non-vested	<u>11</u>
Total inactive members	57
Active members	<u>128</u>
Total	<u><u>185</u></u>

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

A. Plan Description (Continued)

Contributions

MWCOG actuarially determined contribution rate for the years ended December 31, 2015 and 2014 was 19.57% and 19.84%, respectively, of covered employee compensation, based on an actuarial valuation as of January 1, 2016 and 2015, 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 10% and participants are required to contribute 8% of their salary in bi-weekly installments to the Plan. The contributions to the Plan from MWCOG and the participants for the years ended June 30, 2016 and 2015 was \$1,200,380 and \$960,288, respectively.

B. Net Pension Asset

MWCOG's net pension asset was measured as of December 31, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of January 1, 2016.

Actuarial Assumptions

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal
Asset valuation	4 year smoothed market
Amortization method	30 year open period, level dollar amortization
Discount rate	7.00%
Amortization growth rate	0.00%
Price inflation	4.00%
Salary increases	3.50% plus merit component based on employee's years of service
Mortality	Sex distinct RP-2000 Combined Mortality with generation projection using Scale AA

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

B. Net Pension Asset (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, 2015, these best estimates are summarized in the following table.

Asset Class (Strategy)	Target Weight	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	60.00%	5.50%	3.30%
Core Fixed Income	40.00%	2.50%	1.00%
Cash	0.00%	2.00%	0.00%
Total	100.00%		4.30%
Inflation		2.00%	

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 4.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A single discount rate of 7.00% 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 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

C. Changes in the Net Pension Asset

The changes in the net pension asset as of December 31, 2015, were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances at December 30, 2014	\$ 47,117,268	\$ 49,473,906	\$ (2,356,638)
Changes for the year:			
Service cost	1,895,939	-	1,895,939
Interest	3,292,604	-	3,292,604
Difference between expected and actual experience	203,660	-	203,660
Contributions - employer	-	1,221,904	(1,221,904)
Contributions - employee	-	977,358	(977,358)
Net investment income	-	1,129,768	(1,129,768)
Benefit payments, including refunds of member contributions	(2,056,068)	(2,056,068)	-
Administrative expense	-	(83,192)	83,192
Net changes	3,336,135	1,189,770	2,146,365
Balances at December 31, 2015	<u>\$ 50,453,403</u>	<u>\$ 50,663,676</u>	<u>\$ (210,273)</u>

Sensitivity of the Net Pension Asset

The following presents the net pension asset of MWCOG as of December 31, 2015, calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability (asset)	<u>\$ 5,333,509</u>	<u>\$ (210,273)</u>	<u>\$ (5,257,566)</u>

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

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

For the year ended June 30, 2016, MWCOG recognized pension expense of \$2,162,749. MWCOG also reported deferred outflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 1,634,466
Employer contributions made subsequent to measurement date	<u>545,223</u>
	<u>\$ 2,179,689</u>

The \$545,223 reported as deferred outflows of resources related to pensions resulting from MWCOG's contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2017.

The difference between expected and actual experiences reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 273,837
2018	273,837
2019	273,837
2020	273,837
2021	273,837
2022	<u>265,281</u>
Total	<u>\$ 1,634,466</u>

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 9. Supplementary Retirement Plans

Defined Contribution Plan

MWCOG sponsors 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 non-elective contributions to the defined contribution 403(b) plan.

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, 2016, MWCOG held \$76,500, of noncontributory compensation in a trust that is administered by MWCOG, which has been recorded as an asset in the accompanying statement of net position.

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 International City Management Association Retirement Corporation (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, 2016, CPAS distributed \$550,000 of income to MWCOG.

CPAS's summarized financial information as of and for the year ended December 31, 2015, was as follows:

Total assets	\$ 29,647,400
Total liabilities	<u>38,065,141</u>
Total stockholders' deficit	<u><u>\$ (8,417,741)</u></u>
Revenue	\$ 9,296,065
Expenses	<u>7,912,139</u>
Net income	<u><u>\$ 1,383,926</u></u>

As of December 31, 2015, CPAS's assets included net rental property of \$16,474,333. The owners of the building are jointly liable for the outstanding note payable of \$36,000,000 included in total liabilities above.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 11. Lease Commitments

MWCOG is obligated under a ten year operating lease agreement with 777 North Capitol Corporation. The lease expires on December 31, 2026. 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).

The future minimum lease payments required under the various operating leases, excluding real estate taxes, operating expenditures and CPI adjustments as of June 30, 2016 are below.

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 1,204,538
2018	1,344,600
2019	1,344,600
2020	1,344,600
2021	1,344,600
2022-2026	<u>6,050,700</u>
	<u><u>\$ 12,633,638</u></u>

Rent expense for the fiscal year ended June 30, 2016 was \$2,550,283, which included real estate taxes, operating expenses, and CPI adjustments.

MWCOG leased a portion of its office space during fiscal year 2016. For the year ended June 30, 2016, total rental income for the leased portion of its office space was \$107,323. The lease expired subsequent to year end in October 2016.

Note 12. Change in Accounting Principle

For the year ended June 30, 2016, MWCOG elected to change the presentation of its financial statements from a proprietary fund basis of accounting, which is used to account for activities similar to those of funds in the private sector. Management concluded this was not the correct presentation and elected to change the presentation to conform with a governmental fund basis of accounting, as described in Note 1.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 13. Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the prior period reported results.

Note 14. Restatement

A prior period adjustment to beginning equity of the General Fund and Statement of Net Position is required to correctly state the impact of unearned revenue not recorded in the prior year.

	General Fund	Statement of Net Position
Equity as originally reported, July 1, 2015	\$ 16,098,383	\$ 18,727,113
Adjustment to unearned revenue for revenue previously recognized that should have been presented as unearned	(62,794)	(62,794)
Equity as adjusted, July 1, 2015	<u>\$ 16,035,589</u>	<u>\$ 18,664,319</u>

Note 15. Pending GASB Statements

At June 30, 2016, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by MWCOG reporting entity. The statements which might impact MWCOG are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, will improve the accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Statement No. 79 will be effective for fiscal years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 15. Pending GASB Statements (Continued)

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*, will address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement No. 82 will be effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

MWCOG has not yet determined the effect of these statements on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

SCHEDULE OF CHANGES IN EMPLOYER NET PENSION ASSET

	As of December 31,	
	2014	2015
Total pension liability:		
Service cost	\$ 1,771,873	\$ 1,895,939
Interest (includes interest on service cost)	3,157,400	3,292,604
Differences between expected and actual experience	60,147	203,660
Benefit payments, including refunds of member contributions	(4,183,854)	(2,056,068)
Net change in total pension liability	805,566	3,336,135
Total pension liability - beginning	46,311,702	47,117,268
Total pension liability - ending (a)	<u>\$ 47,117,268</u>	<u>\$ 50,453,403</u>
Plan fiduciary net position:		
Contributions - employer	\$ 1,083,695	\$ 1,221,904
Contributions - employee	826,530	977,358
Net investment income	4,021,918	1,129,768
Benefit payments, including refunds of member contributions	(4,183,854)	(2,056,068)
Administrative expense	(195,512)	(83,192)
Net change in plan fiduciary net position	1,552,777	1,189,770
Plan fiduciary net position - beginning	47,921,129	49,473,906
Plan fiduciary net position - ending (b)	<u>\$ 49,473,906</u>	<u>\$ 50,663,676</u>
Net pension asset - ending (a) - (b)	<u>\$ (2,356,638)</u>	<u>\$ (210,273)</u>
Plan fiduciary net position as a percentage of the total pension liability	105.00%	100.42%
Covered-employee payroll	\$ 10,331,622	\$ 10,615,561
Net pension asset as a percentage of covered employee payroll	22.81%	1.98%

Notes to Schedule:

- (1) **Changes of benefit terms:** There have been no actuarially material changes to the Plan benefit provisions since the prior actuarial valuation.
- (2) **Changes of assumptions:** There have been no changes in assumptions since the last actuarial valuation.
- (3) 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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Year Ended December 31,	
	2014	2015
Actuarially determined contribution	\$ 2,106,242	\$ 2,403,087
Actual contribution	1,083,695	1,221,904
Contribution deficiency	\$ 1,022,547	\$ 1,181,183
Covered employee payroll	\$ 10,331,622	\$ 10,615,561
Actual contribution as a percent of covered payroll	10.49%	11.51%

Notes to Schedule:

- (1) Valuation date: December 31, 2015
- (2) 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.
- (3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.00%
Projected salary increases	3.50%-6.50%
Investment rate of return	7.0%, compounded per annum
- (4) These schedules are 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.

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S 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**

To the Board of Directors of the
Metropolitan Washington Council of Governments

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the remaining fund information of Metropolitan Washington Council of Governments (MWCOC) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise MWCOC's basic financial statements, and have issued our report thereon dated December 20, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MWCOC's internal control over financial reporting (internal control) to determine the 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 MWCOC's internal control. Accordingly, we do not express an opinion on the effectiveness of MWCOC'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 a material misstatement of MWCOC'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 we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. 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 required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 MWCOG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
December 20, 2016



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of the
Metropolitan Washington Council of Governments

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan Washington Council of Governments’ (MWCOC) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of MWCOC’s major federal programs for the year ended June 30, 2016. MWCOC’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of MWCOC’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MWCOC’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MWCOC’s compliance.

Opinion on Each Major Federal Program

In our opinion, MWCOG complied, in all material respects, with the types of 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, 2016.

Report on Internal Control over Compliance

Management of MWCOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MWCOG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MWCOG's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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.

PBMares, LLP

Harrisonburg, Virginia
December 20, 2016

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE				
<u>Direct Payments:</u>				
Urban and Community Forest Program	10.675		\$ -	\$ 52,769
Total Department of Agriculture			-	52,769
DEPARTMENT OF TRANSPORTATION				
<u>Direct Payments:</u>				
Airport Improvement Program	20.106		-	371,935
TIGER Grants Transportation Investment Generating Economic Recovery - ARRA	20.932		27,903,524	28,224,272
Highway Planning and Construction Cluster:				
<u>Direct Payments:</u>				
Highway Planning and Construction	20.205		-	440,402
<u>Pass-through Payments:</u>				
D.C. Department of Transportation:				
Highway Planning and Construction	20.205	N/A	-	1,511,076
Commuter Connections Program	20.205	N/A	18,802	430,195
Virginia Department of Transportation:				
Highway Planning and Construction	20.205	N/A	-	2,123,189
Commuter Connections Program	20.205	N/A	69,957	1,600,628
Maryland Department of Transportation:				
Highway Planning and Construction	20.205	N/A	-	2,745,042
Maryland Highway & Safety Office:				
Discretionary Safety Grants	20.205	N/A	-	250,000
Total Highway Planning and Construction Cluster			88,759	9,100,532
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research:				
<u>Direct Payments:</u>				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		262,528	328,160
<u>Pass-through Payments:</u>				
D.C. Department of Transportation:				
Transportation Planning Grants	20.505	N/A	-	361,364
Virginia Department of Transportation:				
Transportation Planning Grants	20.505	N/A	-	753,630
Maryland Department of Transportation:				
Transportation Planning Grants	20.505	N/A	-	1,077,872
Total Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research			262,528	2,521,026
Transit Services Programs Cluster:				
<u>Direct Payments:</u>				
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513		703,205	950,187
Job Access and Reverse Commute Program	20.516		502,263	665,365
New Freedom Program	20.521		10,758	154,393
Total Transit Services Programs Cluster			1,216,226	1,769,945

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF TRANSPORTATION (Continued)				
<u>Pass-through Payments:</u>				
D.C. Department of Transportation:				
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528	N/A	\$ -	\$ 419,111
Discretionary Safety Grants	20.614	N/A	-	100,000
Virginia Highway & Safety Office:				
Discretionary Safety Grants	20.614	N/A	-	150,000
Washington Metropolitan Area Transit Authority:				
Discretionary Safety Grants	20.614	N/A	-	33,257
			-	283,257
Total Department of Transportation			29,471,037	42,690,078
DEPARTMENT OF ENERGY				
<u>Direct Payments:</u>				
Conservation Research and Development	81.086		-	404
<u>Pass-through Payments:</u>				
D.C. Mid-America Regional Council:				
Renewable Energy Research and Development	81.087	N/A	-	7,103
Virginia Electric and Power Company:				
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	N/A	-	58,174
Opotony, Inc.:				
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	N/A	-	9,273
			-	67,447
Total Department of Energy			-	74,954
DEPARTMENT OF ENVIRONMENTAL PROTECTION				
<u>Direct Payments:</u>				
National Clean Diesel Emissions Reduction Program	66.039		121,800	146,695
State Clean Diesel Grant Program	66.040		-	148,519
Water Pollution Control State, Interstate and Tribal Program Support	66.419		-	75,887
Performance Partnership Grants	66.605		-	20,335
Total Department of Environmental Protection			121,800	391,436

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF HOMELAND SECURITY				
<u>Pass-through Payments:</u>				
D.C. Office of Deputy Mayor for Public Safety & Justice:				
District Crisis Communication	97.067	13-SHSP117-02	\$ 143,027	\$ 146,549
Personal Preparedness Incident	97.067	13-UASII17-17	24,600	24,600
Metro Public Safety Radio	97.067	13-UASII17-22	10,131	11,827
District Training Exercise	97.067	14-SHSP117-01	88,076	94,239
Emergency Preparedness Website	97.067	14-SHSP117-02	238,147	247,950
District Full Scale Exercise	97.067	14-SHSP117-03	510,380	521,683
Programmatic Support STC	97.067	14-STC117-01	335,893	387,769
Regional Incident Coordination	97.067	14-UASII17-01	69,185	72,097
PMO & Secretariat Support	97.067	14-UASII17-02	30,600	434,242
Situational Awareness Dashboard Development (SADD)	97.067	14-UASII17-03	242,000	257,638
Disaster Debris Plans	97.067	14-UASII17-04	76,788	83,926
Metro Station Emergency	97.067	14-UASII17-05	455,542	473,072
District Emergency Response	97.067	14-UASII17-08	90,128	90,128
District Recovery Plan	97.067	14-UASII17-09	140,898	143,679
District Damage Assessment	97.067	14-UASII17-11	5,624	5,624
District Mass Care Plans	97.067	14-UASII17-12	41,743	44,604
District Prevention Protection	97.067	14-UASII17-13	157,789	160,775
District Preparedness System	97.067	14-UASII17-14	122,311	125,617
District Evacuation Planning	97.067	14-UASII17-15	167,690	175,929
Heavy Transportation Rescue	97.067	14-UASII17-16	371,811	437,268
Regional Water System Threat	97.067	14UASII17-17	441,675	445,143
Regional Water System Response	97.067	14UASII17-18	388,969	516,274
District-All Hazards Inc.	97.067	14-UASII17-19	96,339	97,803
Strategic Support for HSE	97.067	14-UASII17-20	207,506	220,949
Washington Regional Threat	97.067	14-UASII17-21	2,143	21,940
Metro Public Safety Radio	97.067	14-UASII17-22	70,539	74,052
Strategic Support for HSE	97.067	15-SHSP117-01	34,185	36,966
Programmatic Support STC	97.067	15-STC 117-01	-	1,171
PMO & Secretariat Support	97.067	15-UASII17-01	74,231	680,105
District Emergency Response	97.067	15-UASII17-02	335,905	344,834
NCR Situational Awareness	97.067	15-UASII17-03	145,937	151,939
Regional Information	97.067	15-UASII17-04	156,905	163,346
Metro Shutdown	97.067	15-UASII17-05	38,203	44,205
WMATA Shutdown Planning	97.067	15-UASII17-06	51,103	57,544
Tactical Response Multi-Site	97.067	15-UASII17-07	388,783	586
Technical Rescue PPE	97.067	15-UASII17-08	123,492	395,224
District Preparedness Sys Pl	97.067	15-UASII17-09	141,225	129,347
District Preparedness Frame	97.067	15-UASII17-11	-	146,788
District All Hazards Incident Management Team	97.067	15-UASII17-12	-	4,099
District Fire Rescue Preparedness	97.067	15-UASII17-13	-	1,464
District Logistics Mgmt. & Response	97.067	15-UASII17-14	-	878
State Program Manager	97.067	15-UASII17-15	51,124	53,466
District Snow Storm After Act	97.067	15-UASII17-16	151,335	151,920
WMATA Rail Operations Control	97.067	15-UASII17-17	6,782	7,074
Metro Public Safety Communication	97.067	15-UASII17-18	56,488	57,074
District Recovery Plan	97.067	15-UASII17-19	29,603	29,603
Total Department of Homeland Security			<u>6,314,835</u>	<u>7,773,010</u>
Total Federal Awards Expended			<u>\$ 35,907,672</u>	<u>\$ 50,982,247</u>

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation and 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, 2016. 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.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected on the Schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by MWCOG: Transit Services Programs Cluster and Highway Planning and Construction Cluster.

Note 2. 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.

MWCOG's indirect cost rates as allowed under the Uniform Guidance are disclosed in Note 1. D. 13 to the financial statements.

Pass-through identifying numbers are presented where available and applicable.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes √ No
 Significant deficiencies identified? Yes √ None Reported

Noncompliance material to financial statements noted? Yes √ No

Federal Awards

Internal control over major programs:

Material weaknesses identified? Yes √ No
 Significant deficiencies identified? Yes √ None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a)? Yes √ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research
20.932	TIGER Grants Transportation Investment Generating Economic Recovery - ARRA
97.067	Department of Homeland Security Grant Program
Highway Planning and Construction Cluster:	
20.205	Highway Planning and Construction
Transit Services Programs Cluster:	
20.513	Enhanced Mobility for Seniors and Individuals with Disabilities
20.516	Job Access and Reverse Commute Program
20.521	New Freedom Program

Dollar threshold used to distinguish between type A and type B programs \$ 1,529,467

Auditee qualified as low-risk auditee? √ Yes No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

II. FINANCIAL STATEMENT FINDINGS

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2016

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from prior audit's Summary Schedule of Prior Audit Findings.