

**METROPOLITAN WASHINGTON COUNCIL  
OF GOVERNMENTS**

**FINANCIAL STATEMENTS AND  
COMPLIANCE REPORTS**

**YEAR ENDED JUNE 30, 2022**



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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, 2022, 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, 2022, 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, 2021, the MWCOG adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability for all leases with lease terms greater than 12 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 12 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 30, 2022, 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 30, 2022

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	Increase (Decrease)	%Change
<b>Assets:</b>				
Current and other assets	\$ 40,234,173	\$ 34,017,063	\$ 6,217,110	18.3%
Capital assets, net	<u>25,897,224</u>	<u>26,953,714</u>	<u>(1,056,490)</u>	-3.9%
Total assets	<u>66,131,397</u>	<u>60,970,777</u>	<u>5,160,620</u>	8.5%
Deferred outflows of resources	<u>2,681,245</u>	<u>2,739,106</u>	<u>(57,861)</u>	-2.1%
<b>Liabilities:</b>				
Current and other liabilities	7,427,577	8,023,309	(595,732)	-7.4%
Long-term liabilities	<u>25,027,457</u>	<u>26,084,573</u>	<u>(1,057,116)</u>	-4.1%
Total liabilities	<u>32,455,034</u>	<u>34,107,882</u>	<u>(1,652,848)</u>	-4.8%
Deferred inflows of resources	<u>11,430,437</u>	<u>8,523,995</u>	<u>2,906,442</u>	34.1%
<b>Net Position:</b>				
Net investment in capital assets	2,263,015	2,223,070	39,945	1.8%
Restricted	20,205,817	13,462,018	6,743,799	50.1%
Unrestricted	<u>2,458,339</u>	<u>5,392,918</u>	<u>(2,934,579)</u>	-54.4%
Total net position	<u>\$ 24,927,171</u>	<u>\$ 21,078,006</u>	<u>\$ 3,849,165</u>	18.3%

Current and other assets increased by \$6.2 million due to a \$6.4 million increase in the pension asset because actual performance exceeded actuarial assumptions. Current and other liabilities decreased by \$0.6 million, primarily due to the close out of a program with the Army Corp of Engineers. Long-term liabilities decreased by \$1.1 million due to payments on the building lease. The net result was an increase in total net position of \$3.8 million primarily driven by a \$3.5 million increase due to changes in the pension valuation and the remaining \$0.4 million was an increase in project funds received in current year for future expenses and undesignated funds driven by positive budget to actual variances from cost savings measures taken throughout the year.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Statement of Activities**

The following table presents a summary of the Statement of Activities for MWCOG for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Revenue:				
Federal, state and local revenues	\$ 36,144,471	\$ 30,623,193	\$ 5,521,278	18.0%
Member dues	4,664,454	4,550,607	113,847	2.5%
Building revenue	576,562	375,325	201,237	53.6%
Miscellaneous	2,580,928	2,456,042	124,886	5.1%
Total Revenues	<u>43,966,415</u>	<u>38,005,167</u>	<u>5,961,248</u>	15.7%
Expenses:				
Personnel	17,141,633	16,916,590	225,043	1.3%
Professional fees	10,004,994	7,954,408	2,050,586	25.8%
Professional support and subawards	7,799,154	4,550,607	3,248,547	71.4%
Other direct expense	3,870,031	2,109,591	1,760,440	83.4%
Pension expense adjustment	(3,456,395)	(1,954,235)	(1,502,160)	76.9%
Non-personnel support service costs	4,757,833	4,206,802	551,031	13.1%
Total Expenses	<u>40,117,250</u>	<u>33,783,763</u>	<u>6,333,487</u>	18.7%
Change in net position	<u>3,849,165</u>	<u>4,221,404</u>	<u>(372,239)</u>	-8.8%
Beginning net position	<u>21,078,006</u>	<u>16,856,602</u>	<u>4,221,404</u>	25.0%
Ending net position	<u>\$ 24,927,171</u>	<u>\$ 21,078,006</u>	<u>\$ 3,849,165</u>	18.3%

Total operating revenue in fiscal year 2022 was \$43.9 million. Of the total operating revenue, \$36.2 million (82%) was from federal, state, and local funds, of which \$1.9 million was passed through to subrecipients. Member dues generated an additional \$4.7 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 2022, MWCOG recorded \$576,562 in revenue from the REIT and from the sublease of a portion of its office space.

Revenue increased by \$6.0 million, and expenses increased by \$6.4 million in fiscal year 2022 compared to fiscal year 2021. Most of MWCOG's projects are cost reimbursement and thus an increase in revenue is usually driven by an increase in expense. Advanced transportation and congestion management contributed an additional \$2.4 million in revenue in fiscal 2022 versus 2021. This is due to the ramp up of the program and revenue is expected to remain at this level in future year. The increase in revenue is also due in part to a \$1.7 million increase in the Commuter Connections program. Prior year revenue was low due to COVID restrictions that resulted in significant decreases in other direct expense related to promotional expense and for professional fees for public transportation which in turn reduced the revenue reimbursement.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

Fiscal 2022 also had \$0.7 million in revenue related to the Amazon housing grant project. The additional expense above the revenue was largely due to unrealized losses in the investment portfolio.

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, 2022, and assets available for current and future general expenditures (undesigned).

Net Position by Category	2021	Net Activity	2022
Net investment in capital assets	\$ 2,223,070	\$ 39,945	\$ 2,263,015
Restricted program funds	3,682,628	323,101	4,005,729
Restricted net pension assets	9,779,390	6,420,698	16,200,088
Unrestricted			
Capital expenditure reserve	5,184,082	(48,212)	5,135,870
Operating reserve	5,243,878	-	5,243,878
Deferred inflows and outflows	(5,784,889)	(2,964,303)	(8,749,192)
Undesignated	749,847	77,936	827,783
Total net position	<u>\$ 21,078,006</u>	<u>\$ 3,849,165</u>	<u>\$ 24,927,171</u>

The increase in net position in fiscal year 2022 of \$3.8 million is due to a \$3.2 million increase in the net pension assets and deferred due to actual investment performance exceeding actuarial assumptions, plus a \$0.3 million increase in restricted program funds which are funds received in the current year reserved for expenditures in future fiscal years, and a \$0.3 million increase in undesignated funds.

Investment (increase) in capital assets of \$296,118 included laptops, hardware related to the new TEAMS phone system and technology upgrades for meeting rooms 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 net pension asset of \$7.4 million is the value of assets in excess of liabilities in MWCOG's pension plan as of January 1, 2022 and includes deferred inflows and outflows. Net pension assets are not available for use in operations. There are \$0.8 million in undesignated net assets available for future operations and projects or to maintain the board-designated reserves.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**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 59% 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 16% and 17% of expenses, respectively.

Expenses by Program	2022	2021
Transportation	\$ 25,604,442	\$ 21,159,991
Community planning, health, and child welfare	1,929,549	916,215
Homeland security and public safety	7,516,843	5,790,655
Environmental	6,764,967	6,541,412
Executive, governance, and member services	1,577,854	1,329,725
Pension expense adjustment	(3,456,395)	(1,954,235)
Total operating expenses	<u>\$ 39,937,260</u>	<u>\$ 33,783,763</u>

**Capital Assets**

Capital assets are made up of furniture and equipment (\$1.9 million), computer hardware and networks (\$2.7 million), software (\$1.2 million), right to use assets (\$24.7 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, 2022 was \$6.8 million, for a net book value of approximately \$25.9 million.

	2021	Net Activity	2022	Useful Life (in Years)
Construction in progress	\$ 755,544	\$ (46,432)	\$ 709,112	
Furniture and equipment	1,885,514	-	1,885,514	10
Right to use assets	24,730,644	-	24,730,644	Lease Term
Leasehold improvements	1,040,380	-	1,040,380	10-17
Computer hardware	2,423,093	320,550	2,743,643	3-5
Computer software	1,202,666	22,000	1,224,666	5
Local area network	333,227	-	333,227	3
Total capital assets	<u>32,371,068</u>	<u>296,118</u>	<u>32,667,186</u>	
Less: accumulated depreciation and amortization	5,417,354	1,352,608	6,769,962	
Capital assets, net	<u>\$ 26,953,714</u>	<u>\$ (1,056,490)</u>	<u>\$ 25,897,224</u>	

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**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, 2022**

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,341,134
Due from Other Governments	13,827,943
Other Receivables	776,787
Prepaid Items and Other Assets	258,969
Investments	494,626
Total Current Assets	18,699,459
Noncurrent Assets:	
Investments	5,334,626
Net Pension Asset	16,200,088
Capital Assets, Net	25,897,224
Total Noncurrent Assets	47,431,938
Total Assets	66,131,397
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Plan	2,681,245
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	3,375,113
Due to Other Governments	1,056,291
Accrued Liabilities	1,292,649
Unearned Revenue	1,703,524
Total Liabilities	7,427,577
Noncurrent Liabilities:	
Due Within One Year	1,642,757
Due in More than One Year	23,384,700
Total Noncurrent Liabilities	25,027,457
Total Liabilities	32,455,034
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Plan	11,430,437
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,263,015
Restricted - Net Pension Asset	16,200,088
Restricted - Program Funds	4,005,729
Unrestricted	2,458,339
Total Net Position	\$ 24,927,171

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Net Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Planning and Administration	\$ 26,086,427	\$ 2,802,539	\$ 27,151,451	\$ 3,867,563
Planning and Administration - Indirect	6,051,679	-	6,051,679	-
Professional Support and Subawards	7,799,154	-	7,799,154	-
Total Governmental Activities	<u>\$ 39,937,260</u>	<u>\$ 2,802,539</u>	<u>\$ 41,002,284</u>	3,867,563
<b>GENERAL REVENUES</b>				
Use of Money and Property				(112,210)
Miscellaneous				93,812
Total General Revenues				<u>(18,398)</u>
<b>CHANGE IN NET POSITION</b>				3,849,165
Net Position Beginning of Year				<u>21,078,006</u>
<b>NET POSITION - END OF YEAR</b>				<u>\$ 24,927,171</u>

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2022**

	General Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 3,341,134
Due from Other Governments	13,827,943
Other Receivables	776,787
Prepaid Items and Other Assets	258,969
Investments	5,829,252
Total Assets	\$ 24,034,085
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 3,375,113
Due to Other Governments	1,056,291
Accrued Liabilities	1,292,649
Unearned Revenue	1,703,524
Total Liabilities	7,427,577
<b>FUND BALANCE</b>	
Nonspendable	258,969
Restricted - Program Funds	3,682,628
Committed	10,427,961
Unassigned	2,236,950
Total Fund Balances	16,606,508
Total Liabilities and Fund Balances	\$ 24,034,085

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, 2022**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>		<b>\$ 16,606,508</b>
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.		16,200,088
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental fund.		
Capital Assets	\$ 32,667,187	
Less: Accumulated Depreciation and Amortization	<u>(6,769,963)</u>	25,897,224
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.		2,681,245
Compensated absences and leases are liabilities not due and payable in the current period and, therefore, are not reported in the governmental fund.		(25,027,457)
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>(11,430,437)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ 24,927,171</u></b>

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, 2022**

	General Fund
<b>REVENUES</b>	
Intergovernmental:	
Federal Grants and Contracts	\$ 10,201,588
State Grants and Contracts	20,917,417
Member Dues	4,664,454
Contributions and Local Match	5,218,825
Charges for Services	2,802,539
Use of Money and Property	(112,210)
Miscellaneous	93,812
Total Revenues	43,786,425
<b>EXPENDITURES</b>	
Planning and Administration	29,247,329
Planning and Administration - Indirect	6,051,679
Professional Support and Subawards	7,799,154
Capital Outlay	296,119
Total Expenditures	43,394,281
<b>NET CHANGE IN FUND BALANCE</b>	392,144
Fund Balance - Beginning of Year	16,214,364
<b>FUND BALANCE - END OF YEAR</b>	\$ 16,606,508

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, 2022**

**TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND** \$ 392,144

Amounts reported for governmental activities in the statement of activities are 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	\$ 296,119	
Depreciation and Amortization	<u>(1,352,608)</u>	(1,056,489)

Principal payments on lease liability		1,096,435
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Compensated Absences		(296,340)
Pension Expense		<u>3,713,415</u>

Change in Net Position of Governmental Activities		<u><u>\$ 3,849,165</u></u>
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**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2022**

	Pension Trust Funds (12/31/21)	Custodial Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 1,247,432
Due from Other Governments	-	308,500
Investments	82,407,712	-
Total Assets	82,407,712	1,555,932
<b>LIABILITIES</b>		
Accrued Liabilities	-	-
<b>FIDUCIARY NET POSITION</b>		
Restricted for:		
Other Governments	-	1,555,932
Pension Benefits	82,407,712	-
Total Fiduciary Net Position	\$ 82,407,712	\$ 1,555,932

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2022**

	<u>Pension Trust Funds (12/31/21)</u>	<u>Custodial Funds</u>
<b>ADDITIONS</b>		
Contributions	\$ 2,233,998	\$ 3,668,848
<b>INVESTMENT EARNINGS</b>		
Interest Earned on Investments	14,733,366	-
Net Increase in Fair Value of Investments	<u>(2,957,846)</u>	<u>-</u>
Total Loss for Investment Activities	11,775,520	-
<b>DEDUCTIONS</b>		
Consultants	-	3,395,691
Benefit Payments	2,609,165	-
Administrative Fees	151,926	-
Miscellaneous	-	4,137
Total Deductions	<u>2,761,091</u>	<u>3,399,828</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	11,248,427	269,020
Fiduciary Net Position - Beginning of Year	<u>71,159,285</u>	<u>1,286,912</u>
<b>NET FIDUCIARY NET POSITION - END OF YEAR</b>	<u><u>\$ 82,407,712</u></u>	<u><u>\$ 1,555,932</u></u>

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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, 2022**

**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, 2021.

**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 Lease
Right to Use Assets	Shorter of Useful Life or Life of Lease
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, 2022**

**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.

**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, employer contributions made subsequent to the measurement date and the difference between expected and actual experience are reported as deferred outflows of resources.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2022.

**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, 2022 were as follows:

Indirect Costs .....	59.96%
Leave Benefits .....	19.03%
Fringe Benefits .....	24.40%

**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  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

MWCOG has evaluated subsequent events through December 30, 2022, the date on which the financial statements were available to be issued.

**Adoption of New Accounting Standards**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and a right-to-use lease asset.

MWCOG's adopted the requirement effective July 1, 2021 and has applied this provisions of the standard to the beginning of the period of adoption.

**Change in Accounting Period for Pension Fund**

During 2022, management changed the Pension Fund's year end to December 31 from June 30 to align with the actuary valuation as required by governmental accounting standards.

**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.

**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, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments**

MWCOG's investments are stated at fair value as determined by quoted prices. As of June 30, 2022, 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)	\$ 4,585,136	\$ 262,076	\$ 1,618,455	\$ 2,040,150	\$ 664,455
Corporate Bonds (General Fund)	1,244,116	-	232,550	1,011,566	-
Money Market Funds (Fiduciary Fund)	358,285	358,285	-	-	-
Mutual Funds (Fiduciary Fund)	59,883,847	59,883,847	-	-	-
Guaranteed Investment Contract (Fiduciary Fund)	21,868,211	21,868,211	-	-	-
Mutual Funds (Fiduciary Fund)	297,369	297,369	-	-	-
Total	<u>\$ 88,236,964</u>	<u>\$ 82,669,788</u>	<u>\$ 1,851,005</u>	<u>\$ 3,051,716</u>	<u>\$ 664,455</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, 2021 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, 2022, 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, 2022**

**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	\$ 4,585,136	\$ -	\$ -
Corporate Bonds	1,244,116	-	-
Money Market Funds	358,285	-	-
Mutual Funds	60,181,216	-	-
Guaranteed Investment Contract	-	21,868,211	-
	<u>\$ 66,368,753</u>	<u>\$ 21,868,211</u>	<u>\$ -</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 4 DUE TO / FROM GOVERNMENTS**

Amounts due from other governments are as follows:

Maryland Department of Transportation	\$ 3,400,838
DC Government	3,106,309
DC Department of Public Works	1,984,543
Virginia Department of Health	876,530
Virginia Department of Transportation	834,344
Federal Transit Administration	581,255
Virginia Department of Rail & Public Transportation	567,143
District Department of Transportation	437,595
WSSC Water	421,116
United Nations Medical Directors	409,561
Nevada Department of Transportation	187,750
DC Department of Energy	172,749
Office of Local Defense Community Cooperation	126,471
Prince George's County, Maryland	113,254
Metropolitan Washington Airports Authority	107,959
Montgomery County Department of Environmental Protection	105,274
Federal Highway Administration	93,550
Loudoun County, Virginia	85,581
Maryland State Highway Administration	50,980
Other governments	165,141
Total	<u><u>\$ 13,827,943</u></u>

Amounts due to other governments are as follows:

University of Maryland	\$ 761,202
County of Montgomery, MD	186,444
County of Prince George, MD	23,590
Fairfax County, VA	44,798
Other Governments	40,257
Total	<u><u>\$ 1,056,291</u></u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 CAPITAL ASSETS**

Capital assets consisted of the following as of June 30, 2022:

	June 30, 2021	Additions	Reductions	June 30, 2022
Capital Assets not Being Depreciated or Amortized:				
Construction in Progress	\$ 755,544	\$ -	\$ 46,432	\$ 709,112
Capital Assets Being Depreciated or Amortized:				
Furniture and Equipment	1,885,514	-	-	1,885,514
Right to Use Assets	24,730,644	-	-	24,730,644
Leasehold Improvements	1,040,380	-	-	1,040,380
Computer Hardware	2,423,093	320,550	-	2,743,643
Computer Software	1,202,666	22,000	-	1,224,666
Local Area Network	333,227	-	-	333,227
Total Capital Assets Being Depreciated or Amortized	31,615,524	342,550	-	31,958,074
Less Accumulated Depreciation or Amortization for:				
Furniture and Equipment	1,862,510	16,631	-	1,879,141
Right to Use Assets	-	1,104,702	-	1,104,702
Leasehold Improvements	697,770	61,309	-	759,079
Computer Hardware	1,475,405	133,186	-	1,608,591
Computer Software	1,061,658	33,129	-	1,094,787
Local Area Network	320,011	3,651	-	323,662
Total Accumulated Depreciation and Amortization	5,417,354	1,352,608	-	6,769,962
Total Capital Assets Being Depreciated or Amortized, Net	26,198,170	(1,010,058)	-	25,188,112
Total Capital Assets, Net	<u>\$ 26,953,714</u>	<u>\$ (1,010,058)</u>	<u>\$ 46,432</u>	<u>\$ 25,897,224</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, 2022, was \$1,352,608.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 NONCURRENT LIABILITIES**

Changes in noncurrent liabilities for the year ended June 30, 2022 were as follows:

	June 30, 2021	Additions	Reductions	June 30, 2022	Due in One Year
Compensated Absences	\$ 1,353,929	\$457,814	\$ 418,495	\$ 1,393,248	\$ 557,299
Lease Liability	24,730,644	-	1,096,435	23,634,209	1,085,458
Total Noncurrent Liabilities	<u>\$26,084,573</u>	<u>\$457,814</u>	<u>\$ 1,514,930</u>	<u>\$25,027,457</u>	<u>\$1,642,757</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, 2022.

**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.

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.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

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, 2022 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	24
Total Inactive Members	77
Active Members	124
Total	201

*Contributions*

MWCOG actuarially determined contribution rate for the years ended December 31, 2021 and 2020 was 16.31% and 16.87%, respectively, of covered employee compensation, based on an actuarial valuation as of January 1, 2022 and 2021, 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, 2022 and 2021 were \$2,237,022 and \$2,163,459, respectively.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 PENSION PLAN (CONTINUED)**

**Net Pension Liability (Asset)**

MWCOG's net pension liability (asset) was measured as of December 31, 2021. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of January 1, 2022.

*Actuarial Assumptions*

Valuation Date:	January 1, 2022
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:	6.00%
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

*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, 2021, 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%	6.54%	3.27%
International Equity	10.00%	7.32%	0.73%
Core Fixed Income	40.00%	3.49%	1.40%
Cash	0.00%	1.99%	0.00%
	<u>100.00%</u>		<u>5.40%</u>

Inflation	2.44%
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**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 PENSION PLAN (CONTINUED)**

**Net Pension Liability (Asset) (Continued)**

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 12.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will continue at the current rate and employer contributions would continue at 9.00% of payroll. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods and projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

The changes in the net pension liability (asset) as of December 31, 2021 were as follows:

	Total Pension	Plan Fiduciary	Net Pension
	<u>Liability</u>	<u>Net Position</u>	<u>Liability (Asset)</u>
Balances at December 31, 2020	\$ 61,048,227	\$ 70,827,617	\$ (9,779,390)
Changes for the Year:			
Service Cost	2,539,561	-	2,539,561
Interest (Includes Interest on Service Cost)	4,361,369	-	4,361,369
Difference Between Expected and Actual Experience	(200,732)	-	(200,732)
Changes of Assumptions	770,994	-	770,994
Contributions - Employer	-	1,241,737	(1,241,737)
Contributions - Employee	-	965,781	(965,781)
Net Investment Income	-	11,836,299	(11,836,299)
Benefit Payments, Including Refunds of Member Contributions	(2,609,164)	(2,609,164)	-
Administrative Expenses	-	(151,927)	151,927
Net Changes	<u>4,862,028</u>	<u>11,282,726</u>	<u>(6,420,698)</u>
Balances at December 31, 2021	<u>\$ 65,910,255</u>	<u>\$ 82,110,343</u>	<u>\$ (16,200,088)</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 PENSION PLAN (CONTINUED)**

**Changes in the Net Pension Liability (Asset) (Continued)**

*Sensitivity of the Net Pension Asset*

The following presents the net pension asset of MWCOG as of December 31, 2021, calculated using the discount rate of 6.00%, as well as what MWCOG's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net Pension Asset	\$ (11,501,853)	\$ (16,200,088)	\$ (20,040,403)

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

For the year ended June 30, 2022, MWCOG recognized a pension credit of \$3,215,367. MWCOG also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ -	\$ (11,430,437)
Difference Between Expected and Actual Experience	2,050,113	-
Employer Contributions made Subsequent to the Measurement Date	631,132	-
Total	\$ 2,681,245	\$ (11,430,437)

The \$631,132 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, 2023. 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	\$ (1,999,532)
2024	(1,884,379)
2025	(1,314,087)
2026	(2,540,768)
2027	(967,977)
2028	(673,581)
Total	\$ (9,380,324)

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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 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, 2022, MWCOG held \$297,369 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, 2022, CPAS distributed \$540,000 of income to MWCOG.

CPAS's summarized financial information as of and for the year ended December 31, 2021, was as follows:

Total Assets	\$ 28,174,898
Total Liabilities	37,959,338
Total Stockholders' Deficit	<u>\$ (9,784,440)</u>
Revenue	\$ 9,452,374
Expenses	7,964,185
Net Income	<u>\$ 1,488,189</u>

As of December 31, 2021, CPAS's assets included net rental property of \$14,159,405. 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, 2022**

**NOTE 11 LEASES**

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>
2023	\$ 1,085,458	\$ 259,142	\$ 1,344,600
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
2028-2032	5,870,433	852,567	6,723,000
2033-2037	6,208,394	514,606	6,723,000
2038-2042	6,004,513	158,235	6,162,748
Total	<u>\$ 23,634,209</u>	<u>\$ 2,697,540</u>	<u>\$ 26,331,749</u>

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

Building	\$ 24,730,644
Less: Accumulated amortization	<u>(1,104,702)</u>
Total	<u>\$ 23,625,942</u>

MWCOG subleased a portion of its office space during fiscal year 2021. 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, 2022, total rental income for the leased portion of its office space was \$36,562.

**NOTE 12 PENDING GASB STATEMENTS**

At June 30, 2021, 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. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. Statement No. 94 will be effective for fiscal years beginning after June 15, 2022.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 12 PENDING GASB STATEMENTS (CONTINUED)**

GASB Statement No. 96, *Subscription-Based information Technology Arrangements*, will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 99, *Omnibus 2000*, intends to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements for potentially applicable parts of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*, intends to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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
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
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
Difference Between Expected and Actual Experience	60,147	203,660	(401,382)	(394,776)	472,664	(648,148)	93,850	(202,732)
Changes of Assumptions	-	-	-	-	3,053,404	(3,073,225)	-	770,994
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)
<b>Net Change in Total Pension Liability</b>	<b>805,566</b>	<b>3,336,135</b>	<b>1,746,872</b>	<b>4,944,913</b>	<b>3,969,197</b>	<b>(536,842)</b>	<b>470,684</b>	<b>4,860,028</b>
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
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 47,117,268</b>	<b>\$ 50,453,403</b>	<b>\$ 52,200,275</b>	<b>\$ 57,145,188</b>	<b>\$ 61,114,385</b>	<b>\$ 60,577,543</b>	<b>\$ 61,048,227</b>	<b>\$ 65,908,255</b>
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
Contributions - Employee	826,530	977,358	968,242	1,015,076	995,733	904,534	933,930	965,781
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
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)
Administrative Expense	(195,512)	(83,192)	(76,138)	(113,556)	(135,101)	(144,638)	(144,449)	(151,927)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,552,777</b>	<b>1,189,770</b>	<b>2,383,853</b>	<b>9,109,742</b>	<b>(4,793,454)</b>	<b>10,046,494</b>	<b>3,417,306</b>	<b>11,282,726</b>
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
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 49,473,906</b>	<b>\$ 50,663,676</b>	<b>\$ 53,047,529</b>	<b>\$ 62,157,271</b>	<b>\$ 57,363,817</b>	<b>\$ 67,410,311</b>	<b>\$ 70,827,617</b>	<b>\$ 82,110,343</b>
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)	\$ (16,202,088)
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%
Covered Payroll	\$ 10,331,622	\$ 10,615,561	\$ 12,279,948	\$ 12,219,765	\$ 13,284,225	\$ 12,981,772	\$ 13,100,839	\$ 13,742,213
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-22.81%	-1.98%	-6.90%	-41.02%	28.23%	-52.63%	-74.65%	-117.90%

**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
Actuarially Determined Contribution	\$ 2,086,941	\$ 2,106,242	\$ 2,403,087	\$ 2,367,541	\$ 2,464,185	\$ 2,489,100	\$ 2,342,561	\$ 2,241,355
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
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>\$ 33,837</u>
Covered Payroll	\$ 10,331,622	\$ 10,615,561	\$ 12,279,948	\$ 12,219,765	\$ 13,284,225	\$ 12,981,772	\$ 13,100,839	\$ 13,742,213
Actual Contribution as a Percent of Covered Payroll	18.49%	20.72%	17.74%	18.69%	17.26%	15.93%	16.29%	16.31%

**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, 2022**

**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.

**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*

Valuation Date:	January 1, 2022
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:	6.00%
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, 2022**

	<u>Pension Fund (12/31/21)</u>	<u>Supplemental Executive Retirement Plan</u>	<u>Total</u>
<b>ASSETS</b>			
Investments Held in Trust at Fair Value	\$ 82,110,343	\$ 297,369	\$ 82,407,712
Total Assets	<u>82,110,343</u>	<u>297,369</u>	<u>82,407,712</u>
<b>LIABILITIES</b>			
Accrued Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>FIDUCIARY NET POSITION</b>			
Restricted for:			
Other Governments	-	297,369	297,369
Pension Benefits	82,110,343	-	82,110,343
Total Net Position	<u>\$ 82,110,343</u>	<u>\$ 297,369</u>	<u>\$ 82,407,712</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
SUPPLEMENTARY INFORMATION  
COMBINING PENSION TRUST FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSTION  
YEAR ENDED JUNE 30, 2022**

	Pension Fund (12/31/21)	Supplemental Executive Retirement Plan	Total
<b>ADDITIONS</b>			
Contributions	\$ 2,207,518	\$ 26,480	\$ 2,233,998
<b>INVESTMENT EARNINGS</b>			
Interest Earned on Investments	14,733,366	-	14,733,366
Net Decrease in Fair Value of Investments	(2,897,067)	(60,779)	(2,957,846)
Total Loss for Investment Activities	11,836,299	(60,779)	11,775,520
<b>DEDUCTIONS</b>			
Benefit Payments	2,609,165	-	2,609,165
Administrative Fees	151,926	-	151,926
Total Deductions	2,761,091	-	2,761,091
<b>CHANGE IN FIDUCIARY NET POSTION</b>	11,282,726	(34,299)	11,248,427
Fiduciary Net Position - Beginning of Year	70,827,617	331,668	71,159,285
<b>NET FIDUCIARY NET POSTION - END OF YEAR</b>	<u>\$ 82,110,343</u>	<u>\$ 297,369</u>	<u>\$ 82,407,712</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 (MWCOC) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the MWCOC's basic financial statements, and have issued our report thereon dated December 30, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the MWCOC'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 MWCOC's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be significant deficiency.

### **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*.

### **MWCOG's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on MWCOG's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. MWCOG's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 30, 2022



**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, 2022. 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, 2022.

***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**

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

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

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

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 30, 2022

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name	Assistance Listing	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Urban and Community Forestry Program	10.675		\$ -	\$ 43,181
Total U.S. Department of Agriculture			-	43,181
<b>U.S. Department of Transportation</b>				
Airport Improvement Program	20.106		-	183,420
<i>Transit Services Programs Cluster:</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		1,247,900	1,408,589
COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities			325,337	336,380
COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities			310,024	319,475
Total Enhanced Mobility of Seniors and Individuals with Disabilities			1,883,261	2,064,444
Job Access and Reverse Commute Program	20.516		28,455	65,672
Total Transit Services Programs Cluster			1,911,716	2,130,116
Total U.S. Department of Transportation			1,911,716	2,313,536
<b>U.S. Department of Homeland Security</b>				
Homeland Security Grant Program	97.067			
Passed Through D.C. Office of Deputy Mayor for Public Safety and Justice				
District Preparedness Strategy		18-UASI117-02	-	2,688
Water Supply Contaminant		19-UASI117-02	-	324,208
MetrorailStationEmergency		19-UASI117-04	-	114,284
MetrorailStationEmer Trng		19-UASI117-05	-	58,359
District Preparedness Strategy		19-UASI117-06	-	365,177
District Preparedness Strategy		19-UASI117-07	-	740,497
Gun Violence Prevention		19-UASI117-08	-	767,072
District Preparedness Strategy		19-UASI117-09	-	139,238
Cybersecurity Assessment and Planning		19-UASI117-10	-	59,187
Interoperability Summit		19-UASI117-11	-	1,240,999
Deployable Radio Trucking		19-UASI117-12	-	18,882
ROCC Comm Infrast Upgrade		19-UASI117-13	-	94,994
Regional Radio System-Capital		19-UASI117-14	-	57,498
Bomb Squad Robotic Equipment		20UASI117-02	-	11,548
District Preparedness Strategy		20UASI117-03	-	133,544
NCR Staff Support		20-UASI117-01	-	365,187
NCR Staff Support		20-UASI117-01	-	1,153,766
Total Homeland Security Grant Program			-	5,647,128

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, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name	Assistance Listing	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Homeland Security (Continued)</b>				
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111			
Passed Through District of Columbia Homeland Security and Emergency Management Agency				
Regional Food and Water Supply Planning		19RCPG117-01	\$ -	\$ 654,208
Total U.S. Department of Homeland Security			-	6,301,336
<i>Research and Development Cluster:</i>				
<b>U.S. Department of Transportation</b>				
Highway Research and Development Program	20.200		-	1,259,148
Total U.S. Department of Transportation			-	1,259,148
<b>U.S. Department of Defense</b>				
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation	12.003		-	464,377
Total U.S. Department of Defense			-	464,377
<i>Total Research and Development Cluster</i>			-	1,723,525
Total Expenditures of Federal Awards			<u>\$ 1,911,716</u>	<u>\$ 10,381,578</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, 2022**

**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, 2021. 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, 2022**

**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, 2022**

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***Section I – Summary of Auditors’ Results***

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**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? \_\_\_\_\_ x \_\_\_\_\_ yes \_\_\_\_\_ 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? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ 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)? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no

***Identification of Major Federal Programs***

**Assistance Listing Number(s)**

20.513, 20.516  
Multiple

**Name of Federal Program or Cluster**

Transit Services Programs Cluster  
Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ x \_\_\_\_\_ yes \_\_\_\_\_ no

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

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***Section II – Financial Statement Findings***

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

**Criteria:**

The audit of the pension trust plan must be on the same date used by the actuary to measure the pension asset recorded in the MWCOG's financial statements.

**Condition:**

In prior years, the actuary's measurement date was January 1 for determining the pension asset and related deferred inflows and outflows. Management had the pension trust plan's financial statements presented as of June 30. This strategy resulted in a six-month lag between the audit financial statement information and the required disclosures for the pension plan financial statements. The lag has existed since implementing GASB No. 67, *Financial Reporting for Pension Plans*, in the fiscal year ending June 30, 2015.

**Cause:**

At the time of implementation of GASB No. 67, *Financial Reporting for Pension Plans* management recognized the need to move the actuarial valuation to December 31 to meet reporting requirements and timelines. However, management did not consider a specific requirement to match the pension trust financial statement's year-end with the measurement date used in the actuarial valuation.

**Effect:**

The financial statement did not report the pension trust's net fiduciary net position on the same year-end as the required footnote disclosures. Prior years' financial statements amounts were appropriate for the years reported, but the related footnotes include December 31 amounts.

**Recommendation:**

We recommend that management change the year-end pension trust plan based on upon a review of the actuarially report and GASB No. 67.

**Management Response:**

MWCOG concurs with the recommendation and the pension plan date has been changed to year end December 31 to match the actuarial valuation date.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
JUNE 30, 2022**

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***Section III – Findings and Questioned Costs for Federal Grant Awards***

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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***Section IV – Prior Year Findings***

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There were no findings in the prior year.