METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

Financial Statements Together with Reports of Independent Public Accountants

For the Year Ended June 30, 2015

SB & COMPANY, LLC
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JUNE 30, 2015

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of the
Metropolitan Washington Council of Governments, Inc.

Report on the Basic Financial Statements

We have audited the accompanying financial statements of Metropolitan Washington Council of Governments, Inc. (COG) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise COG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to COG's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of COG's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COG as of June 30, 2015, and the respective changes in its net position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, COG adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - An amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The beginning balance of the basic financial statements as of July 1, 2014 was restated due to the implementation of above GASB Statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise COG's basic financial statements. The accompanying schedule of expenditures of Federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of COG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering COG's internal control over financial reporting and compliance.

Washington, DC
December 15, 2015

SB & Company, LLC

Management's Discussion and Analysis
As of June 30, 2015

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

FINANCIAL HIGHLIGHTS

Net revenue from operations and investments for the twelve months ending June 30, 2015 was $92,878. As per the approved budget, the surplus funds were designated for future capital projects.

1. Changes in Net Position

"Net position" refers to the resources that would remain if all obligations were settled. The table below categorizes net position into those that are non-cash (invested in capital assets), those that are designated for future capital projects and programs, board-designated reserves for emergencies and cash flow interruptions, and assets that are available for future plans (unrestricted).

Investment in office space and meeting room improvements, IT equipment, and software increased capital assets by $488,549 in the year ended June 30, 2015, utilizing funds designated for capital projects. The amount designated for program funds was reduced by $1.8 million, based on analysis of project balances and work plans. Board designated reserves are fully funded at 40% of operating expenses, and are invested in laddered certificates of deposits. New accounting standards require inclusion of the net pension obligation or asset on COG's financial statements. Unrestricted net position is available for capital and other future projects and program needs.

	June 30, 2014	Increase	Decrease	June 30, 2015	Variance	% Change
Net Position						
Net investments in capital assets	$ 844,275	$ 488,549	$ 327,765	**$ 1,005,059**	160,784	19.04%
Net pension asset	-	2,356,638	-	**2,356,638**	2,356,638	100.00%
Unrestricted, board designated:						
Project funds	3,056,317	-	1,803,417	**1,252,900**	(1,803,417)	-59.01%
Capital plans	159,338	327,764	487,102	-	(159,338)	-100.00%
Unrestricted	10,913,659	3,198,857	-	**14,112,516**	3,198,857	29.31%
Net Position	$ 14,973,589	$ 6,371,808	$ 2,618,284	**$ 18,727,113**	$ 3,753,524	25.07%

2. Revenues and Program Expenses

Revenue, expense, and change in net position in FY15 is comparable to FY14, with a net surplus from operations, special revenue funds, and investment income of $92,878 in FY15 compared to $70,444 in FY14. Contributed services revenue and expense are each reduced by $719,242. These in-kind match contributions, provided by sub-recipients in the various enhanced mobility programs, vary from year to year. COG adopted Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions– an amendment of GASB Statement No. 27,* which resulted in a restatement of net assets in the amount of $3,408,571, as of July 1, 2014. The new pension plan accounting requirements also resulted in an expense offset for the change in the net pension asset in FY15 in the amount of $747,211. Assets recorded for the pension plan can be used only for plan purposes, and are not available for COG's operations, working reserves, or investment activities.

Management's Discussion and Analysis
As of June 30, 2015

	2015	2014	Variance	% Change
Revenue				
Federal, state, and local grants	**$ 41,174,741**	$ 41,220,461	$ (45,720)	-0.11%
Member dues	**3,711,182**	3,579,955	131,227	3.67%
Contributed services	**822,026**	1,541,268	(719,242)	-46.67%
Other	**1,674,339**	1,592,524	81,815	5.14%
Total Revenue	**47,382,288**	47,934,208	(551,920)	-1.15%
Expenses				
Personnel	**14,148,728**	12,844,451	1,304,277	10.15%
Professional fees	**24,113,116**	25,295,490	(1,182,374)	-4.67%
Other direct expenses/pass through	**3,764,416**	3,369,029	395,387	11.74%
Contributed services	**822,026**	1,541,268	(719,242)	-46.67%
Pension expense adjustment	**(252,075)**	203,598	(455,673)	-223.81%
Indirect costs	**4,441,124**	4,609,928	(168,804)	-3.66%
Total Expenses	**47,037,335**	47,863,764	(826,429)	-1.73%
Changes in net position				
From operations and investment income	**74,700**	26,893	47,807	177.77%
From special revenue funds	**18,178**	43,551	(25,373)	-58.26%
Changes in net position from operations, investment income and special revenue funds	**92,878**	70,444	22,434	31.85%
Change in net position due to accounting for pensions	**252,075**	-	252,075	0.00%
Net position, beginning of year	**14,973,589**	14,903,145	70,444	0.47%
Change in accounting principle	**3,408,571**	-	3,408,571	0.00%
Net Position, End of Year	**$ 18,727,113**	$ 14,973,589	$ 3,753,524	25.07%

3. Significant Events and Trends

Accounts receivable decreased by $1.65 million (12%) and accounts payable decreased by $3.0 million (35%), as a result of improved procedures for timely receipt and payment of funds. COG maintained a positive cash flow throughout the fiscal year.

ANALYSIS OF FINANCIAL INFORMATION

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

1. What Does COG Do?

COG is an independent, nonprofit association that brings area leaders together to address major regional issues in the District of Columbia, suburban Maryland and Northern Virginia. Membership is comprised of 300 elected officials from 22 local governments, the Maryland and Virginia state legislatures, and U.S. Congress.

Management's Discussion and Analysis
As of June 30, 2015

2. Where Do the Resources Come From?

Total operating revenue in FY15 was $47.4 million, comparable to FY14 revenue of $47.9 million, with the drop in revenue coming primarily from a reduction in contributed services and related expense. Of the total operating revenue amount, $41.2 million was from federal, state and local funds, of which $18.0 million was passed through to sub-recipients. Member dues generated an additional $3.7 million in revenue, and were used to provide member services and funding for specific regional programs, as approved by the Board of Directors. Contributed services, in the form of vendor discounts for certain transportation programs, provided an additional $822,000 in revenue. COG 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 office building housing COG's offices. In FY15, COG recorded $562,637 in revenue from the REIT, and from the sublease of a portion of its office space.

3. What Is the Cost?

Transportation planning and operations make up 65% of the expenditure budget, with the Department of Environmental Programs and Department of Public Safety & Homeland Security accounting for 17% and 15% of expenses respectively.

	2015	2014	Variance	% Change
Transportation	$ 30,661,756	$ 30,452,698	$ 209,058	0.69%
Community planning and services	989,840	930,379	59,461	6.39%
Public safety and health	7,139,460	7,703,198	(563,738)	-7.32%
Environmental	7,874,050	8,070,171	(196,121)	-2.43%
Member services	624,304	503,720	120,584	23.94%
Pension expense adjustment	(252,075)	203,598	(455,673)	-223.81%
Total Operating Expenses	**$ 47,037,335**	**$ 47,863,764**	$ (826,429)	-1.73%

4. What are the Capital Assets of COG?

Capital assets are made up of furniture and fixtures ($1.8 million), IT equipment ($1.4 million), software ($911,700), and leasehold improvements ($518,700), recorded at cost. Accumulated depreciation at June 30, 2015 was $3.65 million, for a net book value of approximately $1.0 million.

	June 30, 2014	Additions	June 30, 2015	Useful Live
Furniture and equipment	$ 1,688,676	$ 99,501	**$ 1,788,177**	7 years
Leasehold improvements	434,134	84,548	**518,682**	10 years
Computer hardware	872,894	262,772	**1,135,666**	5 years
Computer software	869,996	41,725	**911,721**	3 years
Local area network	300,032	-	**300,032**	3 years
Total capital assets	4,165,732	488,546	**4,654,278**	
Less: accumulated depreciation	3,321,457	327,762	**3,649,219**	
Capital Assets, net	$ 844,275	$ 160,784	**$ 1,005,059**	

5. What Changes and Trends Affect COG's Future?

New OMB regulations specifically limit inclusion of Executive Office costs in the indirect cost pool to 50%, which will result in a shift in funding source for these costs starting in FY2016. Management will work to identify additional funding and/or implement necessary expense reductions to ensure continuation of a balanced budget in FY2016 and subsequent fiscal years.

Pass-through funds for the ARRA Regional Priority Bus Service (TIGER) projects will be ending after FY2017. Unified Planning Work Program funding will be available to pay for salaries and overhead costs previously funded by the TIGER grants.

Other programs and funding are stable at this time. Other than what has been noted above, nothing known, enacted, adopted, contracted or agreed upon will impact COG's future revenue, expenses, or assets.

NEW ACCOUNTING PRONOUNCEMENT

In February 2015, the Government Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*, (GASB 72) that reflects a change in disclosure of investments by requiring governments to disclose the fair value measurements, level of fair value hierarchy, and valuation techniques used to determine the level in the hierarchy. These disclosures will begin in fiscal year 2016. This pronouncement is not expected to have a material impact on the financial statements.

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, NE, Washington, D.C. 20002.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

Statement of Net Position
As of June 30, 2015

ASSETS		
Current Assets		
Cash	$	1,881,877
Investments		9,330,302
Accounts receivable		12,429,643
Prepaid expenses and other current assets		490,646
Total Current Assets		24,132,468
Non-Current Assets		
Investment in noncontributory executive retirement plan		52,462
Capital assets, net		1,005,059
Net pension asset		2,356,638
Total Assets		27,546,627
Deferred outflows of resources - related to pension		618,302
Total Assets and Deferred Outflows of Resources		28,164,929
LIABILITIES		
Current Liabilities		
Accounts payable		5,601,311
Accrued expenses		589,242
Accrued vacation		887,831
Unearned revenue		1,705,052
Total Current Liabilities		8,783,436
Non-Current Liabilities		
Noncontributory executive retirement plan		52,462
Total Liabilities		8,835,898
Deferred inflows of resources - related to pension		601,918
NET POSITION		
Net investment in capital assets		1,005,059
Unrestricted Board Designated:		
Project funds		1,252,900
Unrestricted		16,469,154
Total Net Position	$	18,727,113

The accompanying notes are an integral part of this financial statement.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

Operating Revenues		
Member contributions	$	3,711,182
Federal grants		33,218,060
State grants		3,469,934
Local grants		4,486,747
Foundation contributions		304,254
Other income		1,483,802
Total Operating Revenue		46,673,979
Operating Expenses		
Transportation		30,661,756
Community planning and services		989,840
Public safety and health		7,139,460
Environmental		7,874,050
Member services		624,304
Pension expense adjustment		(252,075)
Total Operating Expenses		47,037,335
Operating Loss		(363,356)
Non-Operating Revenue		
Unrealized gain on investments		40,023
Interest income		138,286
Investment income		530,000
Total Non-Operating Revenue		708,309
Change in net position		344,953
Net position, beginning of year, as restated		18,382,160
Net Position, End of Year	$	18,727,113

The accompanying notes are an integral part of this financial statement.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

Statement of Cash Flows
For the Year Ended June 30, 2015

Cash Flows from Operating Activities	
Revenue and other support	$ 48,326,003
Payments to employees	(13,830,587)
Payments to vendors	(35,863,119)
Net Cash Flows from Operating Activities	(1,367,703)
Cash Flows from Investing Activities	
Purchase of investments	(36,442)
Purchase of investments - noncontributory executive compensation plan	(26,211)
Interest income	138,286
Investment income	530,000
Net Cash Flows from Investing Activities	605,633
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(488,546)
Net decrease in cash	(1,250,616)
Cash, beginning of year	3,132,493
Cash, End of Year	$ 1,881,877
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	$ (363,356)
Adjustments to reconcile operating loss to cash from operating activities:	
Depreciation and amortization	327,762
Noncash change s in net pension asset	(252,075)
Effect of changes in non-cash operating assets and liabilities:	
Accounts receivable	1,652,360
Prepaid expenses and other current assets	(7,718)
Accounts payable	(2,972,802)
Accrued expenses	63,662
Accrued vacation	158,595
Noncontributory executive retirement plan	26,211
Unearned revenue	(342)
Net Cash Flows from Operating Activities	$ (1,367,703)

The accompanying notes are an integral part of this financial statement.

1. ORGANIZATION

The Metropolitan Washington Council of Governments, Inc. (COG), is an organization comprised of 22 local governments of the Washington Metropolitan area, plus area members of the Maryland and Virginia legislatures, the U.S. Senate, and the U.S. House of Representatives. COG'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 COG, individual counties and cities coordinate their efforts to maintain and improve the physical, economic, and social well being of the area. COG's funding is obtained from member jurisdictions' annual contributions and Federal, State, and other contracts for specified projects, which are designed to further COG's goals and objectives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting and financial reporting for the accompanying financial statements follow the enterprise fund reporting model as defined by the Government Accounting Standards Board (GASB), which uses the economic-resources measurement focus and the accrual basis of accounting. The enterprise basis of accounting was used as COG is an entity formed to benefit governments and its members are governmental entities. As such, COG believes the enterprise fund reporting model more properly reflects its reporting entity. Revenue is recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flow.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of year-end and the changes therein and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants Receivable

Grants receivable consist primarily of grants from federal, state, and local governments and are recorded at their estimated net realizable value. Management believes all receivables are fully collectible as of June 30, 2015.

Capital Assets

Capital assets in excess of $5,000, are recorded at cost. Capital assets are depreciated over their estimated useful lives on the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the life of the lease. Furniture, equipment, computer hardware, and software are depreciated over three years. Maintenance and repairs are expensed as incurred.

Deferred Outflows 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Compensated Absences

Employees are allowed to accumulate unused vacation leave up to certain maximum hours. COG employees earn thirteen to twenty-six vacation days in a year, depending on the length of their employment. All employees receive thirteen sick days a year. Upon termination or retirement, employees are entitled to receive compensation at their current base salary for all unused vacation leave. Unused sick leave is canceled upon termination of employment, with no compensation to the employee.

Unearned Revenue

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

Commitments and Contingencies

COG 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 COG. COG's management believes such disallowance, if any, would not be material to the financials as of June 30, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Fringe Benefit and Indirect Cost Allocations

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

- The management and administrative (M&A) personnel costs rate is the ratio of M&A salaries over direct and temporary salaries;
- The leave rate is the ratio of leave benefits over total salary costs;
- The fringe rate is the ratio of fringe benefit expense (excluding leave benefits) over total salary costs less temporary salaries and intern costs plus leave benefits; and
- The indirect non-personnel rate is the ratio of total indirect costs over total salaries and benefits costs and fringe benefit costs.

The M&A, leave, fringe benefit, and indirect costs rates for the fiscal year ended June 30, 2015, were as follows:

M&A personnel costs	26.21%
Leave	20.49%
Fringe benefits	25.15%
Indirect non-personnel costs	31.05%

Recent Accounting Pronouncements

COG adopted Governmental Accounting Standard Board (GASB) Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, Statement No. 69, entitled *Government Combinations and Disposals of Government Operations*, and Statement No. 71, entitled *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

Net position has been restated by $3,408,571, due to the implementation of GASB Statement No. 68 in recording the beginning net pension liability and the beginning deferred outflow of resources, and contributions made to the plan subsequent to the measurement date.

Net assets as of July 1,2014, as previously reported	$ 14,973,589
Change in accounting principle:	
To restate prior year net pension obligation	1,287,630
To account for change in accounting for contributions	511,514
To record net pension asset	1,609,427
Net Assets as of July 1, 2014, as Restated	**$ 18,382,160**

As of the year ended June 30, 2015, GASB issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 73, entitled *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74 entitled, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75 entitled, Accounting and *Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 76 entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. These statements may have a material effect on COG’s financial statements once implemented. COG will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

3. DEPOSITS

COG 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. As of June 30, 2015, COG’s bank balance was $2,154,489, and its book balance was $1,881,877.

4. INVESTMENTS

COG's investments are stated at fair value as determined by quoted market prices. As of June 30, 2015, the investment balance consisted of the following:

Certificate of deposits	$	**8,125,468**
Government backed securities		**928,168**
Money market funds		**276,666**
Mutual funds		**52,462**
Total	**$**	**9,382,764**

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

Credit Risk is the risk that an issuer to an investment will not fulfill its obligations. COG limits its exposure by ensuring deposits with a financial institution do not exceed the $250,000 FDIC insurance. 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, 2015, COG's bonds with the Federal National Mortgage Association, Federal Home Loan Bank, and Federal Farm Credit Bank had a AAA rating by Moody and AA+ by S&P.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There is no limit on the amount that may be invested in any one issuer.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. COG mitigates the interest rate risk by investing in callable bonds and segmenting its investments with various maturity dates. The segmented maturity of the Federal agency and corporate bonds are as follows:

One to five years	11%
Five to ten years	47%
Ten or more years	42%

5. CAPITAL ASSETS

Capital assets consisted of the following as of June 30, 2015:

	June 30, 2014	Additions	June 30, 2015
Furniture and equipment	$ 1,688,676	$ 99,501	**$ 1,788,177**
Leasehold improvements	434,134	84,548	**518,682**
Computer hardware	872,894	262,772	**1,135,666**
Computer software	869,996	41,725	**911,721**
Local area network	300,032	-	**300,032**
Total capital assets	4,165,732	488,546	**4,654,278**
Less: accumulated depreciation	3,321,457	327,762	**3,649,219**
Capital Assets, net	$ 844,275	$ 160,784	**$ 1,005,059**

COG calculates depreciation expense each year based on its capital assets' estimated useful lives. The depreciation expense is then allocated to each of COG's projects through its indirect cost rate. Depreciation expense for the year ended June 30, 2015, was $327,762.

6. NON-CURRENT LIABILITIES

Changes in non-current liabilities for the year ended June 30, 2015, were as follows:

Activity	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Due Within One Year
Noncontributory executive retirement plan	$ 26,251	$ 26,211	$ -	**$ 52,462**	$ -
Accrued vacation	729,236	887,831	729,236	**887,831**	887,831
	$ 755,487	$ 914,042	$ 729,236	**$ 940,293**	$ 887,831

7. PENSION PLAN

Plan Description

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

As a tax-exempt agent of general-purpose local governments, COG discontinued its participation in Social Security. Contributions, which would normally have gone to the Social Security Administration, are now added to COG's Plan, which provides retirement, disability, and death benefits to participants and beneficiaries.

7. PENSION PLAN (continued)

Plan Description (continued)

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, COG 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 COG during the three calendar years in which participants received the highest compensation, multiplied by the ratio of service. In addition, effective July 1, 2004, a monthly supplemental insurance benefit of $236 is payable to all retirees. The pension benefit is payable in monthly amounts from the normal retirement date until death, with at least 120 monthly payments guaranteed.

Participants who are disabled while working for COG 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 COG'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 COG, 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.

Funding Policy

The contribution requirements of the Plan participants are established and may be amended by COG's Board of Directors. Currently, participants are required to contribute 8% of their salary in bi-weekly installments to the Plan. The employer contribution is 10%. The employee's contributions to the Plan for the year ended June 30, 2015, was $893,017.

7. PENSION PLAN (continued)

Key Methods and Assumptions Used to Determine Contribution Rates

Valuation date	December 31, 2014
Actuarial cost method	Entry Age Normal
Asset valuation	4 year smoothed market
Amortization method	30 year open period, level dollar amortization
Discount rate	7.00%
Amortization growth rate	0.00%
Price inflation	4.00%
Salary increases	3.50% plus merit component based on employee's years of service
Mortality	Sex distinct RP-2000 Combined Mortality with generation projection using Scale AA

Investments

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 the Board after considering input from the COG's investment consultant(s) and actuary(s), for each major asset class that is included in the COG's target asset allocation as of December 31, 2014, these best estimates are summarized in the following table.

Expected Return Assumptions

Asset Class	Target Weight	Expected Real	Contribution to Real Return
U.S. Equities	60.00%	5.50%	3.30%
Core Fixed Income	40.00%	2.50%	1.00%
Cash	0.00%	2.00%	0.00%
Total	**100.00%**		**4.30%**
Inflation		2.00%	

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 6.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

7. PENSION PLAN (continued)

Discount Rate

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

Net Pension Asset

The components of the net pension asset of the participating employees at December 31, 2014, were as follows:

Total Pension Liability (TPL)	$	**47,117,268**
Fiduciary Net Position		**49,473,906**
Net Pension Asset	$	**(2,356,638)**
Ratio - Fiduciary Net Position/TPL		**105.0%**

7. PENSION PLAN (continued)

Changes in the Net Pension Asset

The changes in the net pension asset for the year ended December 31, 2014, were as follows:

Total Pension Liability	
Service cost	$ 1,771,873
Interest (includes interest on service cost)	3,157,400
Changes of benefit terms	-
Differences between expected and actual experience	60,147
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(4,183,854)
Net Change in Total Pension Liability	805,566
Total pension liability, beginning	46,311,702
Total Pension Liability, Ending (a)	$ 47,117,268
Plan Fiduciary Net Position	
Contributions - employer	$ 1,083,695
Contributions - member	826,530
Net investment income	4,021,918
Benefit payments, including refunds of member contributions	(4,183,854)
Administrative expenses	(195,512)
Net Change in Plan Fiduciary Net Position	1,552,777
Plan fiduciary net position, beginning	47,921,129
Plan Fiduciary Net Position, Ending (b)	$ 49,473,906

7. PENSION PLAN (continued)

Sensitivity of the Net Pension Asset

The following presents the net pension asset of MWCOG as of December 31, 2014, calculated using the discount rate of 7.00%, as well as what MWCOG's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total Pension Liability	$ 53,036,434	$ 47,117,268	$ 42,048,263
Plan Fiduciary Net Position	49,473,906	49,473,906	49,473,906
Net Pension Liability (Asset)	$ 3,562,528	$ (2,356,638)	$ (7,425,643)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.3%	105.0%	117.7%

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

For the year ended June 30, 2015, COG recognized pension expense of $864,395. As of June 30, 2015, COG reported deferred outflows of resources and deferred inflow of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of actuarial assumptions	$ 51,555	$ -
Net difference between projected and actual earnings on pension plan investments	-	601,918
Contributions made subsequent to the measurement date	566,747	-
Total	$ 618,302	$ 601,918

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Years Ending June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	$ 577,058	$ 120,384
2017	10,311	120,384
2018	10,311	120,384
2019	10,311	120,384
2020	10,311	120,382
Total	**$ 618,302**	**$ 601,918**

7. PENSION PLAN (continued)

A summary of the Plan's financial information as of and for the year ended December 31, 2014, was as follows:

Statement of Net Position Held in Trust for Pension Benefits

ASSETS:		
Investments, at fair value:		
Equity securities pool	$	**29,918,200**
Fixed income pool		**19,555,706**
Income receivable		**-**
Net Position Held in Trust for Pension Benefits	**$**	**49,473,906**

Statement of Changes in Net Position Held in Trust for Pension Benefits

ADDITIONS:			
Employer contributions		$	**1,083,695**
Employee contributions			**826,530**
Investement earnings:			
Interest income	**3,892,151**		
Net appreciation in fair value of investments	**129,767**		
Net investment earnings			**4,021,918**
Total Additions			**5,932,143**
DEDUCTIONS:			
Benefit payments			**4,183,854**
Administrative expenses			**195,512**
Total deductions			**4,379,366**
Change in net position			**1,552,777**
Net position held in trust for pension benefits, January 1, 2014			**47,921,129**
Net Position Held in Trust for Pension Benefits, December 31, 2014		**$**	**49,473,906**

8. RETIREMENT PLAN

Defined Contribution Plan

COG 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 COG. COG is not required, and has not made, discretionary or non-elective contributions to the defined contribution 403(b) plan.

Supplemental Executive Retirement Plan

Effective November 14, 2012, COG 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. COG'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, 2015, COG held $52,462, of noncontributory compensation in a trust that is administered by COG, which has been recorded as a non-current asset in the accompanying statement of net position.

9. RELATED PARTY TRANSACTIONS

COG 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 the COG's offices. The remainder of the CPAS stock is held equally by the International City Management Association Retirement Corporation (ICMA-RC) and the International City Management Association (ICMA). The owners occupy and/or sublease the majority of the building's rentable space. CPAS is a real estate investment trust (REIT) and must distribute most of its earnings to its owners each year. During the year ended June 30, 2015, CPAS distributed $530,000 of income to COG.

CPAS's summarized financial information as of and for the year ended December 31, 2014, was as follows:

Total assets	$ 19,362,333
Total liabilities	27,498,375
Total Stockholders' Deficit	$ (8,136,042)
Revenue	$ 8,762,059
Expenses	7,071,911
Net Income	$ 1,690,148

As of December 31, 2014, CPAS's assets included net rental property of $15,857,460.

10. LEASE COMMITMENTS

COG is obligated under a ten year operating lease agreement with 777 North Capitol Corporation. The lease expires on December 31, 2016. The lease includes basic rent, a share of real estate taxes and operating expenses, and annual rental escalations based on the CPI.

The future minimum lease payments for the next two years required under the various operating leases, excluding real estate taxes, operating expenditures and CPI adjustments as of June 30, 2015 are below.

For the Years Ending June 30,		
2016	$	1,064,475
2017		532,238
Total	**$**	**1,596,713**

Rent expense for the fiscal year ended June 30, 2015, was $2,421,084, which included real estate taxes, operating expenses, and CPI adjustments.

COG subleases a portion of its office space. For the year ended June 30, 2015, rental income from the tenant was $107,323. The future minimum rental payments for the next two years required to be paid by the sublessee as of June 30, 2015 are below.

For the Years Ending June 30,		
2016	$	94,458
2017		47,229
Total	**$**	**141,687**

REQUIRED SUPPLEMENTARY INFORMATION

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

Required Supplementary Information
June 30, 2015

Schedule of Changes in Employer Net Pension Asset

	December 31, 2014	December 31, 2013
Total Pension Liability		
Service cost	**$ 1,771,873**	$ 1,864,632
Interest (includes interest on service cost)	**3,157,400**	3,043,863
Charges of benefit terms	**-**	-
Differences between expected and actual experience	**60,147**	-
Changes of assumptions	**-**	-
Benefit payments, including refunds of member contributions	**(4,183,854)**	(3,292,256)
Net Change in Total Pension Liability	**805,566**	1,616,239
Total pension liability, beginning	**46,311,702**	44,197,572
Total Pension Liability, Ending (a)	**$ 47,117,268**	$ 45,813,811
Plan Fiduciary Net Position		
Contributions - employer	**$ 1,083,695**	$ 1,162,140
Contributions - member	**826,530**	805,306
Net investment income	**4,021,918**	6,722,843
Benefit payments, including refunds of member contributions	**(4,183,854)**	(3,292,256)
Administrative expenses	**(195,512)**	(161,135)
Net Change in Plan Fiduciary Net Position	**1,552,777**	5,236,898
Plan fiduciary net position, beginning	**47,921,129**	42,985,137
Plan Fiduciary Net Position, Ending (b)	**$ 49,473,906**	$ 48,222,035
Net Pension (Asset) - Ending (a) - (b)	**$ (2,356,638)**	$ (2,408,224)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**105.00%**	105.26%
Covered-employee Payroll	**$ 10,331,622**	$ 10,968,422
Net Position Liability as a Percentage of Covered-Employee Payroll	**-22.81%**	-21.96%

* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

Required Supplementary Information
June 30, 2015

Schedule of Employer Net Position Liability

	December 31, 2014	December 31, 2013
Total Pension Liability	**$ 47,117,268**	$ 45,813,811
Plan Fiduciary Net Position	**49,473,906**	48,222,035
Net Pension Liability	**$ (2,356,638)**	$ (2,408,224)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**105.0%**	105.3%

Schedule of Employer Contributions

	December 31, 2014	December 31, 2013
Actuarially determined contribution	**$ 2,086,941**	$ 1,243,238
Actual contribution	**1,083,695**	1,162,140
Contribution deficiency	**$ 1,003,246**	$ 81,098
Covered employee payroll	**$ 10,331,622**	$ 10,968,422
Actual contribution as a percent of covered payroll	**10.49%**	10.60%

Schedule of Investment Returns

Fiscal Year Ended December 31,	Annual money weighted rate of return, net of investment expenses
2014	**17.38%**
2015	**6.46%**

* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plan should present information for those years for which the information is available.

SINGLE AUDIT

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
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 of the
Metropolitan Washington Council of Governments, Inc.

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 business-type activities of Metropolitan Washington Council of Governments, Inc. (COG), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise COG's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered COG's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of COG's internal control. Accordingly, we do not express an opinion on the effectiveness of COG'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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether COG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Washington, DC
December 15, 2015

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors and Officers of the
Metropolitan Washington Council of Governments, Inc.

Report on Compliance for Each Major Federal Program

We have audited Metropolitan Washington Council of Governments, Inc. (COG)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of COG's major Federal programs for the year ended June 30, 2015. COG's major Federal programs are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of COG's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about COG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of COG's compliance.

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Opinion on Each Major Federal Program

In our opinion, COG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of COG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered COG's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of COG's internal control over compliance.

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

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Washington, DC
December 15, 2015

SB & Company, LLC

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency/Program Name	Pass-Through Identifying Number	CFDA Number	Expenditures
U.S. Department of Agriculture			
DC Watershed Forestry	N.A.	10.675	$ **33,081**
MWUrban TreeCanopyAnalys	N.A.	10.675	**42,011**
DC Urban Forest Health Matrix	N.A.	10.675	**14,401**
Maximizing iTree Canopy	N.A.	10.675	**13,872**
DDOT & COG Partnership	N.A.	10.675	**24,021**
Passed through D.C. Department of Transportation			
DC Marshalling Yard	09-DG-11420004-297/277	10.675	**13,026**
Total U.S. Department of Agriculture			**140,412**
U.S. Department of Transportation			
CA27-Continuous Airport System Planning PROG XXVII (CASP)	N.A.	20.106	**90,285**
CA28-Continuous Airport System Planning PROG XXVIII (CASP)	N.A.	20.106	**193,532**
CA29-Continuous Airport System Planning PROG XXIX (CASP)	N.A.	20.106	**19,382**
			303,199
FY12 TCSP - Transportation, Community	N.A.	20.205	**126,410**
FY13 Memorial Bridge	N.A.	20.205	**22,909**
			149,319
Passed through D.C. Department of Transportation			
Highway Planning and Construction	N.A.	20.205	**1,555,798**
Passed through Virginia Department of Transportation			
Highway Planning and Construction	N.A.	20.205	**2,249,566**
Passed through Maryland Department of Transportation			
Highway Planning and Construction	N.A.	20.205	**2,939,302**
			6,744,666
Passed through Virginia Department of Transportation			
MATOC FY 13 Work Program	N.A.	20.505	**399,238**
Passed through D.C. Department of Transportation			
Transportation Planning Grants	N.A.	20.505	**381,423**
Commuter Connections Program	N.A.	20.505	**369,544**
Passed through Virginia Department of Transportation			
Transportation Planning Grants	N.A.	20.505	**766,116**
Commuter Connections Program	N.A.	20.505	**1,389,339**
Passed through Maryland Department of Transportation			
Transportation Planning Grants	N.A.	20.505	**1,081,415**
Commuter Connections Program	N.A.	20.505	**1,862,970**
			5,850,807
New Freedom Program	N.A.	20.521	**69,812**
Job Access_Reverse Commute (JARC) Program	N.A.	20.516	**79,047**
Job Access_Reverse Commute (JARC) Program	N.A.	20.516	**90,411**
FY12 Job Access Reverse	N.A.	20.516	**243,902**
Job Access_Reverse Commute (JARC) Program	N.A.	20.516	**599,539**
Job Access_Reverse Commute (JARC) Program	N.A.	20.516	**209,924**
FY12 New Freedom	N.A.	20.521	**32,298**
FY13 New Freedom	N.A.	20.521	**419,487**
FY14 New Freedom	N.A.	20.521	**1,174**
Enhanced Mobility	N.A.	20.513	**48,771**
			1,794,365
Passed through D.C. Department of Transportation			
StreetSmart	N.A.	20.614	**150,000**
Passed through Virginia Highway & Safety Office			
StreetSmart	N.A.	20.614	**150,000**
Passed through Maryland Highway & Safety Office			
StreetSmart	N.A.	20.614	**81,096**
Priority Bus Transit - ARRA	N.A.	20.932	**9,092,368**
Total U.S. Department of Transportation			**24,715,058**

The accompanying notes are an integral part of this schedule.

Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2015

Federal Agency/Program Name	Pass-Through Identifying Number	CFDA Number	Expenditures
U.S. Department of Energy			
Passed through D.C. Mid-America Regional Council			
Dominion VA Power Solar	N.A.	81.087	$ **3,528**
Passed through Virginia Electic and Power Company			
MARC Solar	N.A.	81.117	**30,147**
Passed through Optony, Inc			
ASTI	N.A.	81.117	**13,381**
Total U.S. Department of Energy			**47,056**
U.S. Environmental Protection Agency			
Reducing Emissions Union Station	N.A.	66.039	**1,075,372**
U.S. Department of Homeland Security			
Passed through D.C. Office of Deputy Mayor for Public Safety & Justice			
CIKR Recovery Workshop 2014	13UASI117-07	97.067	**15,610**
Prolonged Energy Emergency	13UASI117-09	97.067	**99,882**
Cyber Security Exercise NCR	13UASI117-11	97.067	**70,019**
Top Priority NCR Critical	13UASI117-21	97.067	**330,550**
Regional Water System Threat	14UASI117-17	97.067	**80,195**
Regional Water System Response	14UASI117-18	97.067	**146,204**
Mobile Wide-Area Radiation & Nuclear Detection	12UASI117-07	97.067	**6,345**
ETOP Logistics & Support	12UASI117-09	97.067	**1,097**
Text Alert Notification	12UASI117-18	97.067	**81,518**
Regional Incident Coordination	13UASI117-01	97.067	**195,311**
Situational Awareness Dashboard Development (SADD)	13UASI117-03	97.067	**592,171**
Emergency Evacuation Transportation	13UASI117-04	97.067	**42,915**
Explosive Breacher Course	13UASI117-05	97.067	**53,001**
Senior Leaders Seminar 2014	13UASI117-08	97.067	**113,063**
LongTerm Recovery Seminar	13UASI117-10	97.067	**2,235**
District Emergency Response	13UASI117-13	97.067	**186,439**
Mass Fatality Workshop	13UASI117-14	97.067	**63,207**
WMATA Exercise Program	13UASI117-15	97.067	**300,105**
PMO & Secretariat Support	13UASI117-18	97.067	**333,014**
Personal Preparedness Incident	13UASI117-17	97.067	**249,986**
District Terrorism Exercise	13UASI117-19	97.067	**662,243**
Technical Rescue PPE	13UASI117-20	97.067	**684,815**
Metro Public Safety Radio	13UASI117-22	97.067	**245,755**
Regional Incident Coordin	14UASI117-01	97.067	**41,108**
PMO & Secretariat Support	14UASI117-02	97.067	**690,758**
Situational Awareness Dashboard Development (SADD)	14UASI117-03	97.067	**185,954**
Metro Station Emergency	14UASI117-05	97.067	**252,882**
ETOP RPWG Logistics & Support	14UASI117-07	97.067	**3,628**
District Emergency Response	14UASI117-08	97.067	**141,399**
District Recovery Plan	14UASI117-09	97.067	**39,255**
District Mitigation Plan	14UASI117-10	97.067	**1,599**
District Damage Assessment	14UASI117-11	97.067	**99,386**
District Mass Care Plans	14UASI117-12	97.067	**284,832**
District Prevention Protection	14UASI117-13	97.067	**18,668**
District Preparedness System	14UASI117-14	97.067	**90,650**
District EvacuationPlannin	14UASI117-15	97.067	**23,911**
Heavy Transportation Rescue	14UASI117-16	97.067	**2,444**
District-All Hazards Inc	14UASI117-19	97.067	**200,369**
Strategic Support for HSE	14UASI117-20	97.067	**84,355**
Washington Regional Threat	14UASI117-21	97.067	**6,458**
Programmatic Support STC	14STC117-01	97.067	**720**
District Crisis Communication	13SHSP117-02	97.067	**155,551**
District Damage Assessment B	13SHSP117-01	97.067	**153,506**
District Training Exercise	14SHSP117-01	97.067	**41,516**
Text Alert Notification	12SHSP117-01	97.067	**30,479**
District Ward Ambassador	13SHSP117-01	97.067	**50,126**
Total U.S. Department of Homeland Security			**7,155,234**
Total Expenditures of Federal Awards			**$ 33,133,132**

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Metropolitan Washington Council of Governments, Inc. (COG) are included in the scope of the *Office of Management and Budget (OMB) Circular A-133* audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133 (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. The programs on the schedule of expenditures of Federal awards represent all Federal award programs and other grants with fiscal year 2015 cash or non-cash expenditures activities. For our single audit testing, all Federal award programs with 2015 cash and non-cash expenditures in excess of $993,710 were considered a major program to evaluate for testing. We tested those major programs listed below which covered at least 25% of federally granted funds. Our actual coverage is 30%.

Major Programs	CFDA Numbers	Federal Expenditures
Priority Bus Transit - ARRA	20.932	$ **9,092,368**
CA27-Continuous Airport System Planning PROG XXVII (CASP)	20.106	**90,285**
CA28-Continuous Airport System Planning PROG XXVIII (CASP)	20.106	**193,532**
CA29-Continuous Airport System Planning PROG XXIX (CASP)	20.106	**19,382**
StreetSmart	20.614	**381,096**
Total Major Programs		**$ 9,776,663**

2. BASIS OF PRESENTATION

The schedule of expenditures of Federal awards has been accounted for on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

3. PASSED THROUGH TO SUBRECIPIENTS

For the year ended June 30, 2015, subrecipients received the following amounts for Federal programs from COG:

Program Title	CFDA #	Passed Through to Subrecipients
Priority Bus Transit	20.932	**$ 8,841,825**
New Freedom Program	20.521	**439,874**
Job Access Reverse Commute (JARC) Program	20.516	**1,001,889**
		$ 10,283,588

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

Schedule of Findings and Questioned Costs
June 30, 2015

Section I –Summary of Independent Public Accountants' Results

Financial Statements

Type of Independent Public Accountants' report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
• Noncompliance material to financial statements?	No

Federal Awards

Type of Independent Public Accountants' report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
• Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Identification of Major Program:

Major Programs	CFDA Numbers	Federal Expenditures
Priority Bus Transit - ARRA	20.932	**$ 9,092,368**
CA27-Continuous Airport System Planning PROG XXVII (CASP)	20.106	**90,285**
CA28-Continuous Airport System Planning PROG XXVIII (CASP)	20.106	**193,532**
CA29-Continuous Airport System Planning PROG XXIX (CASP)	20.106	**19,382**
StreetSmart	20.614	**381,096**
Total Major Programs		**$ 9,776,663**
Threshold for distinquishing between Type A and B programs		$ 993,994
Did COG qualify as low risk auditee?		Yes

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

Schedule of Findings and Questioned Costs
June 30, 2015

Section II – Financial Statement Findings

None Noted.

Section III - Federal Award Findings

None Noted.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, INC.

Schedule of Prior Year Findings and Questioned Costs
June 30, 2015

There were no audit findings that must be reported in accordance with OMB Circular A-133 for the year ended June 30, 2014.