

**METROPOLITAN WASHINGTON COUNCIL  
OF GOVERNMENTS**

**FINANCIAL STATEMENTS AND  
COMPLIANCE REPORTS**

**YEAR ENDED JUNE 30, 2021**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors of the  
Metropolitan Washington Council of Governments  
Washington, DC

### **Report on the Financial Statements**

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, 2021, and the related notes to the financial statements, which collectively comprise the MWCOG's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

**Opinion**

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 MWCOG as of June 30, 2021, 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information, as listed in the table of contents on pages 33-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

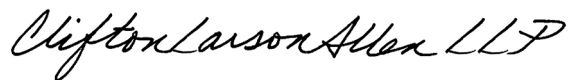
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MWCOG's basic financial statements. The combining 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.

The combining financial statements and schedule of expenditures of federal awards are 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 combining financial statements and schedule of expenditures of federal awards are 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 29, 2021, 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 29, 2021

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

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, 2021 and 2020:

	2021	2020	Increase (Decrease)	% Change
<b>Assets:</b>				
Current and other assets	\$ 34,017,063	\$ 25,777,132	\$ 8,239,931	32.0%
Capital assets, net	2,223,070	2,231,145	(8,075)	-0.4%
Total assets	<u>36,240,133</u>	<u>28,008,277</u>	<u>8,231,856</u>	29.4%
Deferred outflows of resources	<u>2,739,106</u>	<u>3,183,769</u>	<u>(444,663)</u>	-14.0%
<b>Liabilities:</b>				
Current and other liabilities	8,023,309	5,724,620	2,298,689	40.2%
Long-term liabilities	1,353,929	634,553	719,376	113.4%
Total liabilities	<u>9,377,238</u>	<u>6,359,173</u>	<u>3,018,065</u>	47.5%
Deferred inflows of resources	<u>8,523,995</u>	<u>7,976,271</u>	<u>547,724</u>	6.9%
<b>Net Position:</b>				
Net investment in capital assets	2,223,070	2,231,145	(8,075)	-0.4%
Restricted	3,682,628	1,900,471	1,782,157	93.8%
Unrestricted	15,172,308	12,724,986	2,447,322	19.2%
Total net position	<u>\$ 21,078,006</u>	<u>\$ 16,856,602</u>	<u>\$ 4,221,404</u>	25.0%

Current and other assets increased by \$8.2 million due to a \$4.4 million increase in receivables due to billing for Urban Area Security Initiative program, additional Metropolitan Area Transportation Operations Coordination and Enhanced Mobility funds, and a \$2.9 million increase in the pension asset because actual performance exceeded actuarial assumptions, a \$1.5 million increase in cash due to timing of credit card payments, partially offset by a \$0.5 million decrease in prepaids and \$0.3 million decrease in cash and investments. Deferred outflows of resources decreased by \$0.4 million and deferred inflows of resources increased by \$0.5 million due to changes in the pension valuation. Current and other liabilities increased by \$2.3 million, primarily due to a timing in credit card payments, and due to an increase in the annual leave liability due to a reduction in annual

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

leave taken by employees due to COVID restrictions. Long term liabilities increased \$0.7 million driven by the difference in estimated and actual indirect costs. This liability is trued up over time through adjustments in future indirect cost rates. The net result was an increase in total net position of \$4.2 million primarily driven by a \$1.8 million increase in project funds received in current year for future expenses plus \$2.4 million increase in unrestricted funds of which \$1.9 million was due to changes in the pension valuation and the remaining \$0.5 million was an increase in undesignated funds driven by positive budget to actual variances from cost savings measures taken throughout the year.

**Statement of Activities**

The following table presents a summary of the Statement of Activities for MWCOG for the years ended June 30, 2021 and 2020:

	2021	2020	Increase (Decrease)	% Change
<b>Revenue:</b>				
Federal, state and local revenues	\$ 30,623,193	\$ 33,253,518	\$ (2,630,325)	-7.9%
Member dues	4,550,607	4,385,993	164,614	3.8%
Building revenue	375,325	517,755	(142,430)	-27.5%
Miscellaneous	2,456,042	2,386,709	69,333	2.9%
Total Revenues	<u>38,005,167</u>	<u>40,543,975</u>	<u>(2,538,808)</u>	-6.3%
<b>Expenses:</b>				
Personnel	16,916,590	16,657,109	259,481	1.6%
Professional fees	7,954,408	9,950,828	(1,996,420)	-20.1%
Professional support and subawards	4,550,607	4,647,400	(96,793)	-2.1%
Other direct expense	2,109,591	5,070,909	(2,961,318)	-58.4%
Pension expense adjustment	(1,954,235)	(359,564)	(1,594,671)	443.5%
Non-personnel support service costs	4,206,802	4,807,242	(600,440)	-12.5%
Total Expenses	<u>33,783,763</u>	<u>40,773,924</u>	<u>(6,990,161)</u>	-17.1%
Change in net position	<u>4,221,404</u>	<u>(229,949)</u>	<u>4,451,353</u>	-1935.8%
Beginning net position	<u>16,856,602</u>	<u>17,086,551</u>	<u>(229,949)</u>	-1.3%
Ending net position	<u>\$ 21,078,006</u>	<u>\$ 16,856,602</u>	<u>\$ 4,221,404</u>	25.0%

Total operating revenue in fiscal year 2021 was \$38.0 million. Of the total operating revenue, \$30.6 million (81%) was from federal, state, and local funds, of which \$4.6 million was professional support and subawards. Member dues generated an additional \$4.6 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 2021, MWCOG recorded \$375,325 in revenue from the REIT and from the sublease of a portion of its office space.



**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

Revenue decreased by \$2.5 million, and expenses decreased by \$7.0 million in fiscal year 2021 compared to fiscal year 2020. The decrease in revenue is due in part to a \$1.6 million reduction in the Commuter Connections program. Due to COVID restrictions there were significant decreases in other direct expense related to promotional expense and for professional fees for public transportation which in turn reduced the revenue reimbursement. Additionally, part of the decrease was due to the completion of two repower environmental projects that were approximately \$1.4 million in revenue and \$2.0 million in professional fee expense and other direct expense in the prior fiscal year. The remaining expense reduction year over year was a result of reduced pension expense of \$1.6 million and \$0.6 million of savings in non-personnel support services related to IT maintenance agreements, legal fees, and a reduction in meeting costs due to COVID restrictions.

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, 2021, and assets available for current and future general expenditures (undesignated).

Net Position by Category	2020	Increase	Decrease	2021
Net investment in capital assets	\$ 2,231,145	\$ 237,197	\$ 245,272	\$ 2,223,070
Restricted program funds	1,900,471	2,078,380	296,223	3,682,628
Unrestricted				
Capital expenditure reserve	5,176,007	245,272	237,197	5,184,082
Operating reserve	5,243,878	-	-	5,243,878
Net pension asset (includes deferred inflows and outflows)	2,040,266	2,501,959	547,724	3,994,501
Undesignated	264,835	485,012	-	749,847
Total net position	<u>\$ 16,856,602</u>	<u>\$ 5,547,820</u>	<u>\$ 1,326,416</u>	<u>\$ 21,078,006</u>

The increase in net position in fiscal year 2021 of \$4.2 million is due to a \$1.8 million increase in restricted program funds which are funds received in the current year reserved for expenditures in future fiscal years, plus a \$1.9 million increase in the net pension asset and a \$0.5 million increase in undesignated funds. Undesignated net assets were increased by \$0.5 million primarily due to conscious cost cutting efforts.

Investment (increase) in capital assets of \$237,197 included the completion of a data center, back up and storage upgrade, completion of the new telework platform, technology upgrades for meeting rooms and IT equipment purchases to assist with continued remote work during COVID 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 \$3,994,501 is the actuarial value of assets in excess of liabilities in MWCOG's pension plan as of January 1, 2021 and includes deferred inflows and outflows. Net pension assets are not available for use in operations. There are \$1.5 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, 2021**

**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 18% and 16% of expenses, respectively.

<u>Expenses by Program</u>	<u>2021</u>	<u>2020</u>
Transportation	\$ 21,159,991	\$ 23,673,563
Community planning, health, and child welfare	916,215	868,597
Homeland security and public safety	5,790,655	6,189,320
Environmental	6,541,412	8,699,886
Executive, governance, and member services	1,329,725	1,702,122
Pension expense adjustment	(1,954,235)	(359,564)
Total operating expenses	<u>\$ 33,783,763</u>	<u>\$ 40,773,924</u>

**Capital Assets**

Capital assets are made up of furniture and equipment (\$1.9 million), computer hardware and networks (\$2.4 million), software (\$1.2 million), and leasehold improvements (\$1.0 million), recorded at cost. Constructions in progress (\$.8 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 on June 30, 2021 was \$5.4 million, for a net book value of approximately \$2.2 million.

	<u>2020</u>	<u>Net Activity</u>	<u>2021</u>	<u>Useful Life (in Years)</u>
Construction in progress	\$ 709,110	\$ 46,434	\$ 755,544	
Furniture and equipment	1,885,514	-	1,885,514	10
Leasehold improvements	1,040,380	-	1,040,380	10-17
Computer hardware	2,232,330	190,763	2,423,093	3-5
Computer software	1,202,666	-	1,202,666	5
Local area network	333,227	-	333,227	3
Total capital assets	<u>7,403,227</u>	<u>237,197</u>	<u>7,640,424</u>	
Less: accumulated depreciation and amortization	<u>5,172,082</u>	<u>245,272</u>	<u>5,417,354</u>	
Capital assets, net	<u>\$ 2,231,145</u>	<u>\$ (8,075)</u>	<u>\$ 2,223,070</u>	

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**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, 2021**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,215,108
Due from Other Governments	12,816,369
Other Receivables	917,369
Prepaid Items and Other Assets	251,246
Investments	879,313
Total Current Assets	<u>18,079,405</u>
Noncurrent Assets:	
Investments	6,158,268
Net Pension Asset	9,779,390
Capital Assets, Net	2,223,070
Total Noncurrent Assets	<u>18,160,728</u>
Total Assets	36,240,133
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Plan	2,739,106
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	4,841,620
Due to Other Governments	1,159,590
Accrued Liabilities	482,935
Unearned Revenue	1,539,164
Total Liabilities	<u>8,023,309</u>
Noncurrent Liabilities:	
Due Within One Year	541,572
Due in More than One Year	812,357
Total Noncurrent Liabilities	<u>1,353,929</u>
Total Liabilities	9,377,238
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Plan	<u>8,523,995</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,223,070
Restricted - Program Funds	3,682,628
Unrestricted	15,172,308
Total Net Position	<u>\$ 21,078,006</u>

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

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	\$ 23,461,169	\$ 2,465,547	\$ 24,856,614	\$ 3,860,992
Planning and Administration - Indirect	5,771,987	-	5,771,987	-
Professional Support and Subawards	4,550,607	-	4,550,607	-
Total Governmental Activities	<u>\$ 33,783,763</u>	<u>\$ 2,465,547</u>	<u>\$ 35,179,208</u>	3,860,992
<b>GENERAL REVENUES</b>				
Use of Money and Property				254,686
Miscellaneous				105,726
Total General Revenues				<u>360,412</u>
<b>CHANGE IN NET POSITION</b>				4,221,404
Net Position Beginning of Year				<u>16,856,602</u>
<b>NET POSITION - END OF YEAR</b>				<u>\$ 21,078,006</u>

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2021**

	General Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 3,215,108
Due from Other Governments	12,816,369
Other Receivables	917,369
Prepaid Items and Other Assets	251,246
Investments	7,037,581
Total Assets	\$ 24,237,673
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 4,841,620
Due to Other Governments	1,159,590
Accrued Liabilities	482,935
Unearned Revenue	1,539,164
Total Liabilities	8,023,309
<b>FUND BALANCE</b>	
Nonspendable	251,246
Restricted - Program Funds	3,682,628
Committed	10,427,961
Unassigned	1,852,529
Total Fund Balances	16,214,364
Total Liabilities and Fund Balances	\$ 24,237,673

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, 2021**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 16,214,364

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. 9,779,390

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

Capital Assets	\$ 7,640,425	
Less: Accumulated Depreciation and Amortization	<u>(5,417,355)</u>	2,223,070

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. 2,739,106

Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental fund. (1,353,929)

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. (8,523,995)

Total Net Position - Governmental Activities \$ 21,078,006

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE OF THE  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2021**

	General Fund
<b>REVENUES</b>	
Intergovernmental:	
Federal Grants and Contracts	\$ 18,559,755
State Grants and Contracts	7,319,736
Member Dues	4,556,015
Contributions and Local Match	4,743,702
Charges for Services	2,465,547
Use of Money and Property	254,686
Miscellaneous	105,726
Total Revenues	38,005,167
<b>EXPENDITURES</b>	
Planning and Administration	24,873,792
Planning and Administration - Indirect	5,771,987
Professional Support and Subawards	4,550,607
Capital Outlay	237,197
Total Expenditures	35,433,583
<b>NET CHANGE IN FUND BALANCE</b>	2,571,584
Fund Balance - Beginning of Year	13,642,780
<b>FUND BALANCE - END OF YEAR</b>	\$ 16,214,364

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, 2021**

**TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND** \$ 2,571,584

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.

Capital Outlays	\$ 237,197	
Depreciation and Amortization	<u>(245,272)</u>	(8,075)

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>1,954,235</u>

Change in Net Position of Governmental Activities \$ 4,221,404

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2021**

	Pension Trust Funds	Custodial Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 929,412
Due from Other Governments	-	357,500
Investments	<u>77,306,229</u>	<u>-</u>
Total Assets	<u>77,306,229</u>	<u>1,286,912</u>
<b>LIABILITIES</b>		
Accrued Liabilities	<u>-</u>	<u>-</u>
<b>FIDUCIARY NET POSITION</b>		
Restricted for:		
Other Governments	-	1,286,912
Pension Benefits	<u>77,306,229</u>	<u>-</u>
Total Fiduciary Net Position	<u><u>\$ 77,306,229</u></u>	<u><u>\$ 1,286,912</u></u>

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2021**

	Pension Trust Funds	Custodial Funds
<b>ADDITIONS</b>		
Contributions	\$ 2,189,459	\$ 3,241,725
<b>INVESTMENT EARNINGS</b>		
Interest Earned on Investments	5,275,738	-
Net Increase in Fair Value of Investments	12,152,363	-
Total Income for Investment Activities	17,428,101	-
<b>DEDUCTIONS</b>		
Consultants	-	2,704,361
Benefit Payments	3,407,080	-
Administrative Fees	157,295	-
Miscellaneous	-	26,129
Total Deductions	3,564,375	2,730,490
<b>CHANGE IN FIDUCIARY NET POSITION</b>	16,053,185	511,235
Fiduciary Net Position - Beginning of Year	61,253,044	775,677
<b>NET FIDUCIARY NET POSITION - END OF YEAR</b>	\$ 77,306,229	\$ 1,286,912

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Metropolitan Washington Council of Governments (MWCOG) 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. MWCOG's mission is to enhance the quality of life and competitive advantages of the Washington Metropolitan region in the global economy by providing a forum for consensus building and policy making; implementing intergovernmental policies, plans, and programs; and supporting the region as an expert information resource.

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

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

**Government-Wide and Fund Financial Statements**

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

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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, other governmental units, or other funds. These funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. MWCOG's 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.

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

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

Assets	Years
Furniture and Equipment	5-10
Leasehold Improvements	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, 2021**

**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.

**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.

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.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**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).

**Fund Equity (Continued)**

*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.

**Net Position**

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

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

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**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, 2021.

**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, 2021 were as follows:

Indirect Costs .....	59.60%
Leave Benefits .....	20.39%
Fringe Benefits .....	25.29%

**Use of Estimates**

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

**Subsequent Events**

MWCOG has evaluated subsequent events through December 29, 2021, the date on which the financial statements were available to be issued.



**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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.

**Investment Policy (Continued)**

*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.

**Investments**

MWCOG’s investments are stated at fair value as determined by quoted prices. As of June 30, 2021, 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)	\$ 6,786,476	\$ 879,313	\$ 2,238,768	\$ 2,987,817	\$ 680,578
Corporate Bonds (General Fund)	251,105	-	-	251,105	-
Money Market Funds (Fiduciary Fund)	39,209	39,209	-	-	-
Mutual Funds (Fiduciary Fund)	55,791,219	55,791,219	-	-	-
Guaranteed Investment Contract (Fiduciary Fund)	21,144,132	21,144,132	-	-	-
Mutual Funds (Fiduciary Fund)	331,668	331,668	-	-	-
Total	<u>\$ 84,343,809</u>	<u>\$ 78,185,541</u>	<u>\$ 2,238,768</u>	<u>\$ 3,238,922</u>	<u>\$ 680,578</u>

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

**Credit Risk**

Credit Risk is the risk that an issuer 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, 2021, MWCOG’s bonds with the Federal National Mortgage Association had a AAA rating by Moody’s Investments Ratings and AA+ by Standard and Poor’s.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Concentration of Credit Risk**

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

**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	\$ 6,786,476	\$ -	\$ -
Corporate Bonds	251,105	-	-
Money Market Funds	39,209	-	-
Mutual Funds	56,122,887	-	-
Guaranteed Investment Contract	-	21,144,132	-

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 4 DUE TO / FROM GOVERNMENTS**

Amounts due from other governments are as follows:

DC Government	\$ 3,199,618
Maryland Department of Transportation	2,639,198
DC Department of Public Works	1,795,724
Virginia Department of Health	932,014
United States Army Corps of Engineers	678,822
Virginia Department of Transportation	466,551
District Department of Transportation	450,112
Federal Transit Administration	400,141
Nevada Department of Transportation	398,409
Virginia Department of Rail & Public Transportation	370,129
Maryland State Highway Administration	250,000
DC Department of Energy	150,749
Metropolitan Washington Airports Authority	88,383
Office of Local Defense Community Cooperation	59,863
Appraisal Subcommittee	50,486
United Nations Medical Directors	42,973
Other governments	843,195
	<u>\$ 12,816,369</u>

Amounts due to other governments are as follows:

University of Maryland	\$ 722,144
County of Montgomery, MD	226,889
County of Prince George, MD	100,016
Fairfax County, VA	83,729
Other Governments	26,812
	<u>\$ 1,159,590</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 5 CAPITAL ASSETS**

Capital assets consisted of the following as of June 30, 2021:

	June 30, 2020	Additions	Reductions	June 30, 2021
Capital Assets not Being Depreciated or Amortized:				
Construction in Progress	709,110	46,434	-	755,544
Capital Assets Being Depreciated or Amortized:				
Furniture and Equipment	1,885,514	-	-	1,885,514
Leasehold Improvements	1,040,380	-	-	1,040,380
Computer Hardware	2,232,330	190,763	-	2,423,093
Computer Software	1,202,666	-	-	1,202,666
Local Area Network	333,227	-	-	333,227
Total Capital Assets Being Depreciated or Amortized	6,694,117	190,763	-	6,884,880
Less Accumulated Depreciation or Amortization for:				
Furniture and Equipment	1,834,391	28,119	-	1,862,510
Leasehold Improvements	636,461	61,309	-	697,770
Computer Hardware	1,353,959	121,446	-	1,475,405
Computer Software	1,032,564	29,094	-	1,061,658
Local Area Network	314,707	5,304	-	320,011
Total Accumulated Depreciation and Amortization	5,172,082	245,272	-	5,417,354
Total Capital Assets Being Depreciated or Amortized, Net	1,522,035	(54,509)	-	1,467,526
Total Capital Assets, Net	\$ 2,231,145	\$ (8,075)	\$ -	\$ 2,223,070

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, 2021, was \$245,272.

**NOTE 6 NONCURRENT LIABILITIES**

Changes in noncurrent liabilities for the year ended June 30, 2021 were as follows:

	June 30, 2020	Additions	Reductions	June 30, 2021	Due in One Year
Compensated Absences	\$ 1,057,589	\$ 618,361	\$ 322,021	\$ 1,353,929	\$ 541,572

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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, 2021.

**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. 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.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

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, 2021 actuarial valuation, the following members were covered by the benefit terms of the Plan:

	Number
Inactive Member or Their Beneficiaries Currently Receiving Benefits	51
Inactive Members:	
Vested	23
Total Inactive Members	74
Active Members	128
Total	202

*Contributions*

MWCOG actuarially determined contribution rate for the years ended December 31, 2020 and 2019 was 16.87% and 17.88%, respectively, of covered employee compensation, based on an actuarial valuation as of January 1, 2021 and 2020, 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, 2021 and 2020 were \$2,163,459 and \$2,117,626, respectively.

**Net Pension Liability (Asset)**

MWCOG's net pension liability (asset) was measured as of December 31, 2020. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of January 1, 2021.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 PENSION PLAN (CONTINUED)**

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

*Actuarial Assumptions*

Valuation Date:	January 1, 2021
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
Discount Rate:	7.00%
Price Inflation:	4.00%
Salary Increases:	Starting at 6.5% and decreasing to 3.5% based on years of service
Mortality:	Sex Distinct RP-2000 Combined Mortality with Generation Projection Using Scale AA

*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, 2020, these best estimates are summarized in the following table.

<u>Asset Class (Strategy)</u>	<u>Target Weight</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	50.00%	7.96%	3.98%
International Equity	10.00%	9.39%	0.94%
Core Fixed Income	40.00%	3.38%	1.35%
Cash	0.00%	1.91%	0.00%
	<u>100.00%</u>		<u>6.27%</u>
Inflation		2.24%	

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 11.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 PENSION PLAN (CONTINUED)**

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

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. 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, 2020 were as follows:

	Total Pension	Plan Fiduciary	Net Pension
	<u>Liability</u>	<u>Net Position</u>	<u>Liability (Asset)</u>
Balances at December 31, 2019	\$ 60,577,543	\$ 67,410,311	\$ (6,832,768)
Changes for the Year:			
Service Cost	2,398,764	-	2,398,764
Interest (Includes Interest on Service Cost)	4,194,448	-	4,194,448
Difference Between Expected and Actual Experience	93,850	-	93,850
Changes of Assumptions	-	-	-
Contributions - Employer	-	1,200,785	(1,200,785)
Contributions - Employee	-	933,930	(933,930)
Net Investment Income	-	7,643,418	(7,643,418)
Benefit Payments, Including Refunds of Member Contributions	(6,216,378)	(6,216,378)	-
Administrative Expenses	-	(144,449)	144,449
Net Changes	<u>470,684</u>	<u>3,417,306</u>	<u>(2,946,622)</u>
Balances at December 31, 2020	<u>\$ 61,048,227</u>	<u>\$ 70,827,617</u>	<u>\$ (9,779,390)</u>



**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 PENSION PLAN (CONTINUED)**

*Sensitivity of the Net Pension Asset*

The following presents the net pension asset of MWCOG as of December 31, 2019, calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Asset	\$ (5,513,382)	\$ (9,779,390)	\$ (13,682,959)

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

For the year ended June 30, 2021, MWCOG recognized pension expense of \$831,465. 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	\$ -	\$ (8,523,995)
Difference Between Expected and Actual Experience Employer Contributions made Subsequent to the Measurement Date	2,124,434	-
	614,672	-
	\$ 2,739,106	\$ (8,523,995)

The \$614,572 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, 2022. 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>
2022	\$ (1,060,707)
2023	(1,325,954)
2024	(1,210,801)
2025	(640,509)
2026	(1,867,190)
2027	(294,400)
Total	\$ (6,399,561)

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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, 2021, MWCOG held \$331,668 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 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, 2021, CPAS distributed \$340,800 of income to MWCOG.

CPAS's summarized financial information as of and for the year ended December 31, 2020, was as follows:

Total Assets	\$ 28,309,291
Total Liabilities	37,946,295
Total Stockholders' Deficit	<u>\$ (9,637,004)</u>
Revenue	\$ 9,115,763
Expenses	8,097,158
Net Income	<u>\$ 1,018,605</u>

As of December 31, 2020, CPAS's assets included net rental property of \$15,448,993. 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, 2021**

**NOTE 11 LEASE COMMITMENTS**

MWCOG is obligated under a ten year operating lease agreement with 777 North Capitol Corporation. The lease expires on December 31, 2026. The lease includes basic rent, a share of real estate taxes and operating expenses, and annual rental escalations based on the Consumer Price Index (CPI).

The future minimum lease payments required under the various operating leases, excluding real estate taxes, operating expenditures and CPI adjustments, as of June 30, 2021 are below.

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 1,344,600
2023	1,344,600
2024	1,344,600
2025	1,344,600
2026	1,344,600
2027	672,300
Total	<u>\$ 7,395,300</u>

Rent expense for the fiscal year ended June 30, 2021 was \$2,521,101, which included real estate taxes, operating expenses, and CPI adjustments.

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. For the year ended June 30, 2021, total rental income for the leased portion of its office space was \$35,325.

**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. 87, *Leases*, will increase the usefulness of the financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after June 15, 2021.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

GASB Statement No. 92, *Omnibus 2020*, will improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, including intra-entity transfers, the effective date of No. 87, *Leases*, the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits, the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, terminology used to refer to derivative instruments. Statement No. 92 will be effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will address accounting and financial reporting implications that result from the replacement of an interbank offered rate—most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Portions of Statement No. 93 will be effective for fiscal years beginning after June 15, 2020, June 15, 2021, and December 31, 2021.

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.

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.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

GASB Statement No. 97, *Certain Component Unit Criteria*, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, will (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Statement No. 97 will be effective for fiscal years beginning after June 15, 2021.

Management has not determined the effects these new Statements may have on prospective financial statements.

**NOTE 13 RISKS AND UNCERTAINTIES**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the MWCOG operates.

**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
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
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
Difference Between Expected and Actual Experience	60,147	203,660	(401,382)	(394,776)	472,664	(648,148)	93,850
Changes of Assumptions	-	-	-	-	3,053,404	(3,073,225)	-
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)
<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>
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
<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>
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
Contributions - Employee	826,530	977,358	968,242	1,015,076	995,733	904,534	933,930
Net Investment Income	4,021,918	1,129,768	3,829,746	7,532,245	(992,732)	11,399,215	7,643,418
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)
Administrative Expense	(195,512)	(83,192)	(76,138)	(113,556)	(135,101)	(144,638)	(144,449)
<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>
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
<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>
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)
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%
Covered Payroll	\$ 10,331,622	\$ 10,615,561	\$ 12,279,948	\$ 12,219,765	\$ 13,284,225	\$ 12,981,772	\$ 13,100,839
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-22.81%	-1.98%	-6.90%	-41.02%	28.23%	-52.63%	-74.65%

**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**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS –**  
**LAST TEN FISCAL YEARS**

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

**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, 2021**

**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, 2021
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
Discount Rate:	7.00%
Price Inflation:	4.00%
Salary Increases:	Starting at 6.5% and decreasing to 3.5% based on years of service
Mortality:	Sex Distinct RP-2000 Combined Mortality with Generation Projection Using Scale AA



**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
SUPPLEMENTARY INFORMATION  
COMBINING PENSION TRUST FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2021**

	Pension Fund	Supplemental Executive Retirement Plan	Total
<b>ASSETS</b>			
Investments held in trust at fair value	\$ 76,974,561	\$ 331,668	\$ 77,306,229
Total Assets	<u>76,974,561</u>	<u>331,668</u>	<u>77,306,229</u>
<b>LIABILITIES</b>			
Accrued liabilities	-	-	-
<b>FIDUCIARY NET POSITION</b>			
Restricted for:			
Other governments	-	331,668	331,668
Pension benefits	76,974,561	-	76,974,561
Total net position	<u>\$ 76,974,561</u>	<u>\$ 331,668</u>	<u>\$ 77,306,229</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
SUPPLEMENTARY INFORMATION  
COMBINING PENSION TRUST FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSTION  
YEAR ENDED JUNE 30, 2021**

	Pension Fund	Supplemental Executive Retirement Plan	Total
<b>ADDITIONS</b>			
Contributions	\$ 2,163,459	\$ 26,000	\$ 2,189,459
<b>INVESTMENT EARNINGS</b>			
Interest earned on investments	5,275,738	-	5,275,738
Net increase in fair value of investments	12,070,929	81,434	12,152,363
Total income for investment activities	17,346,667	81,434	17,428,101
<b>DEDUCTIONS</b>			
Benefit payments	3,407,080	-	3,407,080
Administrative fees	157,295	-	157,295
Total deductions	3,564,375	-	3,564,375
<b>CHANGE IN FIDUCIARY NET POSTION</b>	15,945,751	107,434	16,053,185
Fiduciary Net Position - Beginning of Year	61,028,810	224,234	61,253,044
<b>NET FIDUCIARY NET POSTION - END OF YEAR</b>	<u>\$ 76,974,561</u>	<u>\$ 331,668</u>	<u>\$ 77,306,229</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 of the  
Metropolitan Washington Council of Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Metropolitan Washington Council of Governments (MWCOG) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the MWCOG's basic financial statements, and have issued our report thereon dated December 29, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the MWCOG's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MWCOG's internal control. Accordingly, we do not express an opinion on the effectiveness of the MWCOG's internal control.

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 29, 2021



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

Board of Directors of the  
Metropolitan Washington Council of Governments  
Washington, DC

**Report on Compliance for Each Major Federal Program**

We have audited Metropolitan Washington Council of Governments' (MWCOG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on MWCOG's major federal program for the year ended June 30, 2021. MWCOG's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for MWCOG's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require 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 the MWCOG'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 MWCOG's compliance.

***Opinion on Each Major Federal Program***

In our opinion, MWCOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

**Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance 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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 29, 2021

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

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		\$ -	\$ 133,696
Forest Stewardship Program	10.678		-	6,659
<b>Total U.S. Department of Agriculture</b>			-	140,355
<b>U.S. Department of Defense</b>				
Community Economic Adjustment Assistance for Responding to	12.003		-	59,863
<b>Total U.S. Department of Defense</b>			-	59,863
<b>U.S. Department of Transportation</b>				
Airport Improvement Program	20.106		-	349,304
Highway Research and Development Program	20.200		-	307,756
<i>Transit Services Programs Cluster:</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		1,304,936	1,503,735
Job Access and Reverse Commute Program	20.516		376	95,970
New Freedom Program	20.521		21,687	21,687
<i>Total Transit Services Programs Cluster</i>			1,326,999	1,621,392
Total U.S. Department of Transportation			1,326,999	2,278,452
<b>U.S Environmental Protection Agency</b>				
Diesel Emission Reduction Act (DERA) National Grants	66.039		-	20,132
Total U.S. Environmental Protection Agency			-	20,132
<b>U.S. Department of Homeland Security</b>				
Homeland Security Grant Program	97.067			
Passed Through D.C. Homeland Security and Emergency Agency:				
District Preparedness Strategy		18-UASI117-02	-	1,315,341
Water Supply Contaminant		19-UASI117-02	-	159,226
Situational Awareness Dashboard		19-UASI117-03	-	205,600
Metrorail Station Emergency		19-UASI117-04	-	117,888
Metrorail Station Emergency Training		19-UASI117-05	-	356,089
District Preparedness Strategy		19-UASI117-06	-	80,539
Bomb Squad Robotic Equipment		20UASI117-02	-	725,635
NCR Staff Support		19-UASI117-01	-	416,464
NCR Staff Support		20-UASI117-01	-	1,182,886
Total Homeland Security Grant Program			-	4,559,668
Regional Catastrophic Preparedness Program	97.111			
Passed Through D.C. Office of Deputy Mayor for Public Safety & Justice:				
Regional Food and Water Supply Planning		19RCPG117-01		85,358
Total Department of Homeland Security			-	4,645,026
Total Expenditures of Federal Awards			\$ 1,326,999	\$ 7,143,828

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2021**

**NOTE 1 SINGLE AUDIT REPORTING ENTITY**

The Metropolitan Washington Council of Governments (MWCOC) 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 (MWCOC) 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 MWCOC, it is not intended to and does not present the financial position or changes in financial position of MWCOC.

*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 MWCOC 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**

MWCOC'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 THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2021**

**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, 2021**

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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? \_\_\_\_\_ yes        x   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ 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)**

97.067

**Name of Federal Program or Cluster**

Homeland Security Grant

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

\$   750,000  

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes        x   no

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
JUNE 30, 2021**

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

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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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