



PRESENTATION TO
METROPOLITAN WASHINGTON COUNCIL
OF GOVERNMENTS

BOARD OF DIRECTORS MEETING

NOVEMBER 12, 2008

Bert Smith & Co
Certified Public Accountants and Management Consultants

1090 Vermont Avenue Suite 920
Washington, D.C. 20005

SUMMARY OF AUDIT RESULTS

Financial Statements	Findings	OMB Circular A-133
<p>Unqualified Opinion</p>	<p>Current Year Control Deficiencies</p> <ul style="list-style-type: none"> <input type="checkbox"/> Updating and Closing Budgets <input type="checkbox"/> Adjusting Entry Supporting Documentation and Approvals <p>Prior Year Corrected Findings</p> <ul style="list-style-type: none"> <input type="checkbox"/> Costpoint Access Restrictions <input type="checkbox"/> Processing and Recording Payroll Transactions 	<p>Unqualified Opinion on Compliance</p> <p>No instances of noncompliance or control deficiencies identified with Major Programs</p>

Comparative Financial Data-Statement of Net Assets

	June 30 2008	June 30 2007	Variance	% Change
Assets				
Current Assets	\$ 17,535,675	\$ 15,438,418	\$ 2,097,257	13.58%
Capital Assets	69,708	178,487	(108,779)	-60.95%
Total Assets	<u>17,605,383</u>	<u>15,616,905</u>	<u>1,988,478</u>	<u>12.73%</u>
Current Liabilities	\$ 4,541,396	\$ 5,415,690	\$ (874,294)	-16.14%
Long Term Liabilities	492,570	-	492,570	0.00%
Total Liabilities	<u>5,033,966</u>	<u>5,415,690</u>	<u>(381,724)</u>	<u>-7.05%</u>
Net Assets				
Invested in Capital Assets	69,708	178,487	(108,779)	-60.95%
Resticted Project Fund	3,986,531	2,271,964	1,714,567	75.47%
Unrestricted	8,515,178	7,750,764	764,414	9.86%
Total Net Assets	<u>\$ 12,571,417</u>	<u>\$ 10,201,215</u>	<u>\$ 2,370,202</u>	<u>23.23%</u>

Comparative Financial Data-Statement of Activities

	June 30 2008	June 30 2007	Variance	% Change
Revenues				
Federal Revenue	\$ 16,675,926	\$ 17,662,132	\$ (986,206)	-5.58%
State and Local Revenue	7,961,196	7,685,267	275,929	3.59%
Member Contributions	3,125,916	2,974,203	151,713	5.10%
Other	3,261,866	1,787,647	1,474,219	82.47%
	<u>31,024,904</u>	<u>30,109,249</u>	<u>915,655</u>	<u>3.04%</u>
Expenses				
Personnel	\$ 11,596,547	\$ 11,008,853	\$ 587,694	5.34%
Professional Fees	11,255,420	12,318,695	(1,063,275)	-8.63%
Other Direct Costs	2,138,469	3,146,872	(1,008,403)	-32.04%
Indirect Costs	3,664,266	3,899,029	(234,763)	-6.02%
	<u>28,654,702</u>	<u>30,373,449</u>	<u>(1,718,747)</u>	<u>-5.66%</u>
Change in Net Assets	2,370,202	(264,200)	2,634,402	997.12%
Net Assets-beginning	10,201,215	10,465,415	(264,200)	-2.52%
Net Assets-ending	<u>\$ 12,571,417</u>	<u>\$ 10,201,215</u>	<u>\$ 2,370,202</u>	<u>23.23%</u>



SUMMARY OF KEY FINANCIAL DATA

- Current assets increased by \$2,097,257 due to an increase in receivables for the Transportation program and the purchase of more investments. Federal funding increased for the Transportation program.
- Liabilities overall decreased due to the net effect of recognition of prior year deferred revenue as revenue in Fiscal Year 2008 as a result of COG meeting the project's program requirements.
- Revenues increased overall by 3.04% or \$915,655 mainly due to increased funding from U.S. Department of Transportation for the Transportation program, a new project for the Freddie Mac Foreclosure program, and increased building income from the new Real Estate Investment Trust.
- Expenses decreased overall by 5.66% or \$1,718,747 as a result of number of Urban Areas Security Initiative (USAI) projects and the EPA Early Warning Monitoring project being completed during the fiscal year.
- Indirect expenses decreased overall by 6.02% or 234,763 due to reduced spending for office supplies, printing, and data processing.
- Overall net assets increased primarily by \$2,370,202 because COG had a number of projects that received advanced funds but had no significant expenses. These funds are reflected as restricted project funds. Additionally, COG's federal fund operations provided a positive charge to its fund balance.



REQUIRED COMMUNICATIONS

ITEMS TO BE COMMUNICATED

AUDITORS' RESPONSE

The Auditor's Responsibility Under Generally Accepted Auditing Standards: The auditor should communicate the level of responsibility assumed for the internal control structure, illegal acts, and other matters under generally accepted auditing standards.

Communicated to management in our engagement letter and in opinion on the financial statements

Consultations with other Independent Accountants: When the auditor is aware that management has consulted with other accountants about significant accounting or auditing matters, the auditors' views about the subject of the consultation should be communicated to the Board of Directors.

To our knowledge, no consultations were made by management with other accountants with respect to audit issues.

Disagreements or Major Issues Discussed with Management: Any disagreements or major issues that were discussed with management should be disclosed to the Board.

There were no major disagreements.

Significant Audit Adjustments: All significant adjustments and uncorrected misstatements arising from the audit should be communicated to the Board of Directors.

There were no significant audit adjustments. All other audit adjustments were communicated to COG management.

Management Judgments and Accounting Estimates: The Board should be informed about the process used by management in forming particularly sensitive accounting estimates and about the basis for the auditors' conclusions regarding the reasonableness of those estimates.

We reviewed the estimates made by management and determined that the estimates were reasonable. The most significant estimates were related to depreciation expense and accrued salary and vacation expenses.



REQUIRED COMMUNICATIONS

ITEMS TO BE COMMUNICATED

AUDITORS' RESPONSE

Management Letter and Significant Deficiencies: Significant deficiencies, and other internal control weaknesses identified by the auditor should be brought to the attention of the Board.

Significant deficiencies identified and communicated to COG management and Audit Committee.

Significant Accounting Policies and Unusual Transactions: The auditor should determine that the Board is informed about the initial selection of and changes in significant accounting policies as well as the methods used to account for significant unusual transactions.

There were no changes in COG's significant accounting policies and there were no unusual transactions that occurred during the fiscal year.

Difficulties Encountered in Performing the Audit: Serious difficulties encountered in dealing with management that relate to the performance of the audit are required to be brought to the attention of the Board.

None encountered.

Fraud and Illegal Acts: The Board should be adequately informed of fraud and illegal acts coming to the auditors' attention during the course of the audit.

No fraud or illegal acts came to our attention during the audit.

Non-Audit Services: If such services are provided, the Board should be made aware of them.

There were no non-audit services that we performed during the year that would impair our independence.