

**METROPOLITAN WASHINGTON COUNCIL
OF GOVERNMENTS**

**FINANCIAL STATEMENTS AND
COMPLIANCE REPORTS**

YEAR ENDED JUNE 30, 2025

DRAFT

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COMPLIANCE SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Metropolitan Washington Council of Governments
Washington, DC

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Washington Council of Governments (MWCOG), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise MWCOG's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Washington Council of Governments, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of MWCOG and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt MWCOG's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MWCOG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MWCOG's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MWCOC's basic financial statements. The combining fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2025, on our consideration of MWCOC'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 MWCOC'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 MWCOC's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Baltimore, Maryland
January 9, 2025

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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, 2025 and 2024:

	2025	2024	Increase (Decrease)	% Change
Assets:				
Current and Other Assets	\$ 42,244,306	\$ 34,632,464	\$ 7,611,842	22.0
Capital Assets, Net	23,330,730	25,859,959	(2,529,229)	(9.8)
Total Assets	<u>65,575,036</u>	<u>60,492,423</u>	5,082,613	8.4
Deferred Outflows of Resources	6,206,038	5,334,755	871,283	16.3
Liabilities:				
Current and Other Liabilities	9,083,430	6,304,062	2,779,368	44.1
Long-Term Liabilities	<u>22,063,955</u>	<u>24,841,279</u>	<u>(2,777,324)</u>	(11.2)
Total Liabilities	31,147,385	31,145,341	2,044	0.0
Deferred Inflows of Resources	<u>7,220,606</u>	<u>3,752,197</u>	<u>3,468,409</u>	92.4
Net Position:				
Net Investment in Capital Assets	2,661,777	2,321,360	340,417	14.7
Restricted	14,108,009	11,852,556	2,255,453	19.0
Unrestricted	<u>16,643,297</u>	<u>16,755,724</u>	<u>(112,427)</u>	(0.7)
Total Net Position	<u><u>\$ 33,413,083</u></u>	<u><u>\$ 30,929,640</u></u>	<u><u>\$ 2,483,443</u></u>	8.0

Current and other assets increased by \$7.6 million due to a \$2.6 million increase in the net pension asset. In FY 2024 there was a pension asset of \$5.0 million that in FY 2025 increased to \$7.6 million. Investment returns in the pension plan were positive and higher than actuarial returns thus more funds were available for future payments. The remaining increase was due to an increase in amounts due from other governments. Net capital assets decreased by \$2.5 million due to \$3.2 million of amortization and depreciation partially offset by \$0.6 million of additional construction in process for building renovations.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Deferred outflows of resources increased by \$.9 million due to changes in the pension valuation. Current liabilities increase \$2.8 million due to \$1.4 million in accounts payable, \$.5 million in due to other governments, and \$0.9 million in accrued liabilities. Long term liabilities decreased \$2.8 million due to payments of liabilities associated with the right to use assets. The net result was an increase in total net position of \$2.5 million.

Statement of Activities

The following table presents a summary of the Statement of Activities for MWCOG for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Revenues:				
Federal, State, and Local Revenues	\$ 43,567,209	\$ 45,664,261	\$ (2,097,052)	(4.6)
Member Dues	5,302,880	5,082,391	220,489	4.3
Building Revenue	735,000	769,631	(34,631)	(4.5)
Miscellaneous	<u>5,078,982</u>	<u>4,085,597</u>	<u>993,385</u>	24.3
Total Revenues	54,684,071	55,601,880	(917,809)	(1.7)
Expenses:				
Personnel	18,851,205	18,896,701	(45,496)	(0.2)
Professional Fees	16,243,095	17,348,834	(1,105,739)	(6.4)
Professional Support and Subawards	577,147	2,120,351	(1,543,204)	(72.8)
Other Direct Expense	11,575,898	10,240,253	1,335,645	13.0
Pension Expense Adjustment	(42,478)	(670,009)	627,531	(93.7)
Nonpersonnel Support Service Costs	<u>4,995,761</u>	<u>4,711,061</u>	<u>284,700</u>	6.0
Total Expenses	52,200,628	52,647,191	(446,563)	(0.8)
Change in Net Position	2,483,443	2,954,689	(471,246)	(15.9)
Beginning Net Position	<u>30,929,640</u>	<u>27,974,951</u>	<u>2,954,689</u>	10.6
Ending Net Position	<u>\$ 33,413,083</u>	<u>\$ 30,929,640</u>	<u>\$ 2,483,443</u>	8.0

Total operating revenue in fiscal year 2025 was \$54.7 million. Of the total operating revenue, \$43.6 million (80%) was from federal, state, and local funds, of which \$.6 million was passed through to subrecipients. Federal, State and Local revenue and the related subrecipient pass through expense is primarily due to decreases of \$2.1M due to delays in spending on the Enhanced Mobility program vehicle purchases which were doubled up on FY24 to make up for COVID manufacturing delays. Professional Fees decreased \$1.1M primarily related to the winding down of the Public Safety Equipment purchases for the region. Member dues generated an additional \$5.3 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 2025, MWCOG recorded \$735,000 in revenue from the REIT.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Revenue decreased by \$.9 million, while expenses were stable in fiscal year 2025 compared to fiscal year 2024. Federal, state and local revenues were lower by \$2.1 million related to decreases in professional fees and subrecipients, \$1.1 million and \$1.5 million, respectively.

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, 2025, and assets available for current and future general expenditures (undesignated).

The increase in net position in fiscal year 2025 of \$2.5 million is primarily due to a \$1.0 million increase in the capital reserve and \$1.4 million increase in undesignated programs. The \$1.4 million increase in the capital reserve is a combination of a \$1.0 million transfer from undesignated funds to the reserve to fund future capital projects and depreciation from the current fiscal year. The board-designated operating reserve continue to be one hundred percent funded as per board policy.

Net Position by Category	2024	Net Activity	2025
Net Investment in Capital Assets	\$ 2,321,360	\$ 340,417	\$ 2,661,777
Restricted Program Funds	6,848,107	(384,151)	6,463,956
Restricted Net Pension Assets	5,004,449	2,639,604	7,644,053
Unrestricted:			
Capital Expenditure Reserve	6,301,253	984,820	7,286,073
Operating Reserve	5,243,878	-	5,243,878
Deferred Inflows and Outflows	1,582,558	(2,597,126)	(1,014,568)
Undesignated	3,628,035	1,499,879	5,127,914
Total Net Position	<u>\$ 30,929,640</u>	<u>\$ 2,483,443</u>	<u>\$ 33,413,083</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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 54% of program expenditure and is by far the largest segment of the organization. The Department of Homeland Security and Public Safety and Department of Environmental Programs account for 25% and 17% of expenses, respectively.

<u>Expenses by Program</u>	<u>2025</u>	<u>2024</u>
Transportation	\$ 27,984,692	\$ 29,206,612
Community Planning, Health, and Child Welfare	1,180,667	1,284,493
Homeland Security and Public Safety	12,988,212	12,605,022
Environmental	8,621,066	8,833,950
Executive, Governance, and Member Services	1,468,469	1,387,123
Pension Expense Adjustment	(42,478)	(670,009)
Total Operating Expenses	<u>\$ 52,200,628</u>	<u>\$ 52,647,191</u>

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Capital Assets

Capital assets are made up of right to use assets (\$29.8 million), furniture and equipment (\$1.9 million), computer hardware and networks (\$3.3 million), software (\$1.4 million), and leasehold improvements (\$1.1 million), recorded at cost. Constructions in progress (\$1.3 million) includes expenses associated with the future remodel of the office and meeting room space at 777 North Capitol Street NE in Washington office. Accumulated depreciation on June 30, 2025 was \$15.8 million, for a net book value of approximately \$23.3 million.

	<u>2024</u>	<u>Net Activity</u>	<u>2025</u>	<u>Useful Life (in Years)</u>
Construction in Progress	\$ 743,612	\$ 575,488	\$ 1,319,100	
Furniture and Equipment	1,887,514	-	1,887,514	10
Vehicles	41,624	-	41,624	5
Right to Use Assets	29,901,958	(72,242)	29,829,716	Agreement Term
Leasehold Improvements	1,060,231	-	1,060,231	10-17
Computer Hardware	3,212,689	47,492	3,260,181	3-5
Computer Software	1,350,535	89,543	1,440,078	5
Local Area Network	333,227	-	333,227	3
Total Capital Assets	<u>38,531,390</u>	<u>640,281</u>	<u>39,171,671</u>	
Less: Accumulated Depreciation and Amortization	<u>12,671,431</u>	<u>3,169,510</u>	<u>15,840,941</u>	
Capital Assets, Net	<u>\$ 25,859,959</u>	<u>\$ (2,529,229)</u>	<u>\$ 23,330,730</u>	

Future Changes and Trends

Nothing known, enacted, adopted, contracted, or agreed upon will impact MWCOG's future revenue, expenses, or assets.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

CONTACT FOR FURTHER INFORMATION

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Metropolitan Washington Council of Governments, Inc.
777 North Capitol Street NE, Suite 300
Washington, DC 20002

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**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2025**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,953,774
Due from Other Governments	20,141,347
Other Receivables	302,956
Prepaid Items and Other Assets	918,401
Investments	3,165,219
Total Current Assets	29,481,697
Noncurrent Assets:	
Investments	5,118,556
Net Pension Asset	7,644,053
Capital Assets, Net	23,330,730
Total Noncurrent Assets	36,093,339
Total Assets	65,575,036
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan	6,206,038
LIABILITIES	
Current Liabilities:	
Accounts Payable	6,323,499
Due to Other Governments	1,397,122
Accrued Liabilities	1,362,809
Total Liabilities	9,083,430
Noncurrent Liabilities:	
Due Within One Year	1,864,673
Due in More than One Year	20,199,282
Total Noncurrent Liabilities	22,063,955
Total Liabilities	31,147,385
DEFERRED INFLOWS OF RESOURCES	
Pension Plan	7,220,606
NET POSITION	
Net Investment in Capital Assets	2,661,777
Restricted - Net Pension Asset	7,644,053
Restricted - Program Funds	6,463,956
Unrestricted	16,643,297
Total Net Position	\$ 33,413,083

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See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues		Net Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES				
Planning and Administration	\$ 45,216,162	\$ 3,644,539	\$ 41,754,586	\$ 182,963
Planning and Administration - Indirect	6,407,319	-	6,407,319	-
Professional Support and Subawards	577,147	-	577,147	-
Total Governmental Activities	<u>\$ 52,200,628</u>	<u>\$ 3,644,539</u>	<u>\$ 48,739,052</u>	182,963
GENERAL REVENUES				
Use of Money and Property				1,643,390
Miscellaneous				657,090
Total General Revenues				<u>2,300,480</u>
CHANGE IN NET POSITION				
				2,483,443
				<u>30,929,640</u>
				NET POSITION - END OF YEAR
				<u>\$ 33,413,083</u>

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See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2025**

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 4,953,774
Due from Other Governments	20,141,347
Other Receivables	302,956
Prepaid Items and Other Assets	918,401
Investments	8,283,775
Total Assets	\$ 34,600,253
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 6,323,499
Due to Other Governments	1,397,122
Accrued Liabilities	1,362,809
Total Liabilities	9,083,430
FUND BALANCES	
Nonspendable	918,401
Restricted - Program Funds	6,463,956
Committed	12,529,950
Unassigned	5,604,516
Total Fund Balances	25,516,823
Total Liabilities and Fund Balances	\$ 34,600,253

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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, 2025**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 25,516,823

Amounts reported for governmental activities in the statement of net position are different because:

Net pension asset is a long-term liability and not a current financial obligation and, therefore, not reported in the governmental fund. 7,644,053

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

Capital Assets	\$ 39,171,671	
Less: Accumulated Depreciation and Amortization	<u>(15,840,941)</u>	23,330,730

Deferred outflows of resources represent a consumption of net assets that applies to a future period and, therefore, are not recognized as expenditures in the governmental fund until then. 6,206,038

Compensated absences, leases, and SBITAs are liabilities not due and payable in the current period and, therefore, are not reported in the governmental fund. (22,063,955)

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. (7,220,606)

Total Net Position - Governmental Activities \$ 33,413,083

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**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE OF THE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2025**

	<u>General Fund</u>
REVENUES	
Intergovernmental:	
Federal Grants and Contracts	\$ 14,041,821
State Grants and Contracts	23,763,161
Member Dues	5,302,880
Contributions and Local Match	5,631,190
Charges for Services	3,644,539
Use of Money and Property	1,643,390
Miscellaneous	657,090
Total Revenues	<u>54,684,071</u>
EXPENDITURES	
Planning and Administration	44,794,762
Planning and Administration - Indirect	6,407,319
Professional Support and Subawards	577,147
Capital Outlay	711,973
Total Expenditures	<u>52,491,201</u>
NET CHANGE IN FUND BALANCE	2,192,870
Fund Balance - Beginning of Year	<u>23,323,953</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 25,516,823</u></u>

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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, 2025**

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 2,192,870

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization.

Capital Outlays	\$ 711,973	
Capital Adjustment	550	
Depreciation and Amortization	<u>(3,241,752)</u>	(2,529,229)

Principal payments on lease and SBITA liability 2,869,646

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		(92,322)
Pension Adjustment		<u>42,478</u>

Change in Net Position of Governmental Activities

\$ 2,483,443

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**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025**

	<u>Pension Trust Funds (December 31, 2024)</u>	<u>Custodial Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 1,587,215
Due from Other Governments	-	1,645,606
Investments	<u>80,919,631</u>	<u>-</u>
Total Assets	80,919,631	3,232,821
LIABILITIES		
Accrued Liabilities	<u>-</u>	<u>-</u>
FIDUCIARY NET POSITION		
Restricted for:		
Other Governments	-	3,232,821
Pension Benefits	<u>80,919,631</u>	<u>-</u>
Total Fiduciary Net Position	<u>\$ 80,919,631</u>	<u>\$ 3,232,821</u>

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**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025**

	Pension Trust Funds (December 31, 2024)	Custodial Funds
ADDITIONS:		
Contributions	\$ 2,388,552	\$ 3,802,833
Sponsors and Donations	-	755,217
Sublet Income	-	-
Total Additions	2,388,552	4,558,050
INVESTMENT EARNINGS:		
Interest Earned on Investments	1,898,476	-
Net Increase in Fair Value of Investments	9,332,449	-
Total Loss for Investment Activities	11,230,925	-
DEDUCTIONS:		
Consultants	-	3,662,273
Benefit Payments	14,464,560	-
Administrative Fees	504,065	-
Miscellaneous	-	1,353,414
Total Deductions	14,968,625	5,015,687
CHANGE IN NET POSITION	(1,349,148)	(457,637)
Net Position - Beginning of Year	82,268,779	3,690,458
NET POSITION - END OF YEAR	\$ 80,919,631	\$ 3,232,821

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See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Metropolitan Washington Council of Governments (MWCOC) is an organization comprised of 24 local governments of the Washington Metropolitan area, plus area members of the Maryland and Virginia legislatures, the U.S. Senate, and the U.S. House of Representatives. MWCOC's mission is to enhance the quality of life and competitive advantages of the Washington Metropolitan region in the global economy by providing a forum for consensus building and policy making; implementing intergovernmental policies, plans, and programs; and supporting the region as an expert information resource.

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

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

Government-Wide and Fund Financial Statements

The MWCOC's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues, consisting of dues from participating jurisdictions and federal and state funds from the Commonwealth of Virginia, the state of Maryland, and the District of Columbia, are recognized when eligibility requirements are met.

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. MWCOC considers revenues to be available if they are collected within 180 days after year-end. In addition, reimbursement grants are considered to be available to the extent that expenditures have been incurred. Expenditures are recorded when a liability is incurred under the full accrual method of accounting. The individual Governmental Fund is:

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

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds (trust and custodial funds) account for assets held by MWCOG in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. MWCOG's fiduciary funds are the Pension Trust Funds which account for activities of MWCOG's pension benefits and one Custodial Fund which accounts for funds held on behalf of other governmental entities. The Pension Trust Fund has a calendar year end of December 31, 2024.

Cash and Cash Equivalents

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements using the consumption method.

Capital Assets

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

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

Assets	Years
Furniture and Equipment	5-10
Leasehold Improvements	Shorter of Useful Life or Life of Agreement
Vehicles	3
Right to Use Assets	Shorter of Useful Life or Life of Agreement
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, 2025**

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 10 sick and 2 wellness days a year. Upon termination or retirement, employees are entitled to receive compensation at their current base salary for all unused annual leave. Unused sick leave is cancelled upon termination of employment, with no compensation to the employee.

Unearned Revenue

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

Leases

MWCOG is a lessee for noncancellable leases of real estate. MWCOG recognizes a lease liability and an intangible right-to-use lease asset in the Statement of Net Position.

Subscription-Based Information Technology Arrangements

When the MWCOG enters subscription-based arrangement for software, it records a right-to-use asset and a corresponding liability for the duration of the agreement. This means that the Authority has the right to use the software for a specific period, and it is obligated to pay for it during that time. MWCOG recognizes these arrangements with an initial value of \$5,000 or more.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. MWCOG currently has four items that qualify for reporting in this category related to pension. Accordingly, employer contributions made subsequent to the measurement date, the difference between expected and actual experience, change in assumptions, and net difference between projected and actual earnings on investments 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 two items that qualifies for reporting in this category related to pension. Accordingly, the items related to pension is the net difference between projected and actual earnings on plan investments and changes in assumptions are reported as deferred inflows of resources.

Fund Equity

MWCOG reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance – Classification includes amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact (corpus of a permanent fund).

Restricted Fund Balance – Classification includes amounts constrained to specific purposes by their providers (higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – Classification includes amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance – Classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority.

Unassigned Fund Balance – Classification includes the residual balance of the General Fund that has not been restricted, committed or assigned to specific purposes within the General Fund.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

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.

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, 2025.

Indirect Cost Allocations

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:

Direct costs are program costs that can be identified with a specific project, and therefore are charged directly to a project. These costs include the portion of salaries and wages charged directly, allocated leave benefits, allocated fringe benefits, temporary agency staffing, and other program expenses such as consultants, promotion, telephone, copying and printing, and office supplies.

Indirect costs are central administrative service costs that cannot be readily and specifically identified with a specific project. These costs include the portion of salaries and wages charged to the indirect cost pool, allocated leave benefits, allocated fringe benefits, and other central administrative costs such as rent, depreciation, supplies, consultants, and information technology expenses.

The indirect costs, leave benefits, and fringe benefits rates for the fiscal year ended June 30, 2025 were as follows:

Indirect Costs	57.71%
Leave Benefits	18.70%
Fringe Benefits	22.39%

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 January 9, 2025, the date on which the financial statements were available to be issued.

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. As of June 30, 2025, accounts insured by FDIC were under the \$250,000 limits.

Investment Policy

General Fund

The Operating Reserve will be maintained as cash or cash equivalents, with a primary investment objective of capital preservation and liquidity.

Pension Fund

MWCOG adopted a formal investment policy in May 2021 for MWCOG's pension plan. The objective of the policy is to provide benefits as anticipated through a carefully planned and executed investment program, which achieves a reasonable long-term total return consistent with the level of risk assumed. MWCOG appointed a Pension Plan Administrative Committee to administer the investment policies and provide oversight for the management of the assets.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments

MWCOG's investments are stated at fair value as determined by quoted prices. As of June 30, 2025, 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)	\$ 5,622,015	\$ 2,242,772	\$ 1,714,865	\$ 1,478,113	\$ 186,265
Corporate Bonds (General Fund)	1,280,120	-	932,555	347,565	-
Government Bonds (General Fund)	479,946	20,753	238,948	220,245	-
Money Market Funds (General Fund)	901,694	901,694	-	-	-
Money Market Funds (Fiduciary Fund)	102,901	102,901	-	-	-
Mutual Funds (Fiduciary Fund)	63,005,767	63,005,767	-	-	-
Guaranteed Investment Contract (Fiduciary Fund)	17,810,963	17,810,963	-	-	-
Mutual Funds (Fiduciary Fund)	-	-	-	-	-
Total	\$ 89,203,406	\$ 84,084,850	\$ 2,886,368	\$ 2,045,923	\$ 186,265

MWCOG's investments are subject to certain risks; credit risk, concentration of credit risk, and interest rate risk. The investments for the fiduciary funds related to the pension trust are December 31, 2024 amounts.

Credit Risk

Credit Risk is the risk that an issuer of an investment will not fulfill its obligations. In addition, financial institutions must have a satisfactory or outstanding Community Reinvestment Act rating, total capitalization of at least \$10 million, and an FDIC Capital Classification of "Well Capitalized" or "Adequately Capitalized." As of June 30, 2025, MWCOG's bonds with the Federal National Mortgage Association had a AAA rating by Moody's Investments Ratings and AA+ by Standard and Poor's.

Concentration of Credit Risk

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There is no limit on the amount that may be invested in any one issuer. The limitations provided in the investment policy for the Pension Fund percentages of the portfolio for each category of investment are as follows:

Asset Class	Allowable Range	Target
Equities	50-70%	60%
Fixed Income	30-50%	40%
Cash Equivalents	0-5%	0%

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MWCOG mitigates the interest rate risk by investing in callable bonds and segmenting its investments with various maturity dates.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Bonds	\$ 1,280,120	\$ -	\$ -
Government Bonds	479,946	-	-
Mutual Funds	63,005,767	-	-
Guaranteed Investment Contract	-	17,810,963	-
Total Fair Value	<u>64,765,833</u>	<u>\$ 17,810,963</u>	<u>\$ -</u>
At Amortized Cost			
Certificates of Deposit	5,622,015		
Money Market Funds	1,004,595		
Total Amortized Cost	<u>6,626,610</u>		
Total	<u>\$ 71,392,443</u>		

NOTE 4 DUE TO / FROM GOVERNMENTS

Amounts due from other governments are as follows:

DC Government	\$ 8,084,714
State of Maryland	4,767,149
Commonwealth of Virginia	3,653,587
Federal Government	1,487,586
Others	2,148,311
Total	<u>\$ 20,141,347</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 4 DUE TO / FROM GOVERNMENTS (CONTINUED)

Amounts due to other governments are as follows:

University of Maryland	\$ 1,032,357
The ARC of Prince George's County	117,850
Montgomery County, Maryland	117,545
Other Governments	129,370
Total	<u>\$ 1,397,122</u>

NOTE 5 CAPITAL AND RIGHT-TO-USE ASSETS

Capital and right-to-use assets consisted of the following as of June 30, 2025:

	June 30, 2024	Additions	Reductions	June 30, 2025
Capital Assets not Being Depreciated or Amortized:				
Construction in Progress	\$ 743,612	\$ 575,488	\$ -	\$ 1,319,100
Capital Assets Being Depreciated or Amortized:				
Furniture and Equipment	1,887,514	-	-	1,887,514
Vehicles	41,624	-	-	41,624
Right-to-Use Assets - Leases	24,730,644	-	-	24,730,644
Right-to-Use Assets - SBITA	5,171,314	-	72,242	5,099,072
Leasehold Improvements	1,060,231	-	-	1,060,231
Computer Hardware	3,212,689	47,492	-	3,260,181
Computer Software	1,350,535	89,543	-	1,440,078
Local Area Network	333,227	-	-	333,227
Total Capital Assets Being Depreciated or Amortized	<u>37,787,778</u>	<u>137,035</u>	<u>72,242</u>	<u>37,852,571</u>
Less: Accumulated Depreciation or Amortization for:				
Furniture and Equipment	1,855,747	6,331	-	1,862,078
Vehicles	15,031	13,876	-	28,907
Right-to-Use Assets-Leases	3,604,466	1,201,489	-	4,805,955
Right-to-Use Assets-SBITA	2,762,959	1,640,997	72,242	4,331,714
Leasehold Improvements	878,855	61,314	-	940,169
Computer Hardware	2,050,063	252,578	-	2,302,641
Computer Software	1,177,977	63,832	-	1,241,809
Local Area Network	326,333	1,335	-	327,668
Total Accumulated Depreciation and Amortization	<u>12,671,431</u>	<u>3,241,752</u>	<u>72,242</u>	<u>15,840,941</u>
Total Capital Assets Being Depreciated or Amortized, Net	<u>25,116,347</u>	<u>(3,104,717)</u>	<u>-</u>	<u>22,011,630</u>
Total Capital Assets, Net	<u>\$ 25,859,959</u>	<u>\$ (2,529,229)</u>	<u>\$ -</u>	<u>\$ 23,330,730</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 CAPITAL AND RIGHT-TO-USE ASSETS (CONTINUED)

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, 2025 was \$3,241,752.

NOTE 6 NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the year ended June 30, 2025 were as follows:

	June 30, 2024	Additions	Reductions	June 30, 2025	Due in One Year
Compensated Absences	\$ 1,302,680	\$ 522,983	\$ 430,661	\$ 1,395,002	\$ 624,203
Lease Liability	21,451,075	-	1,110,035	20,341,040	1,122,531
SBITA Liability	2,087,524	-	1,759,611	327,913	117,939
Total Noncurrent Liabilities	<u>\$24,841,279</u>	<u>\$ 522,983</u>	<u>\$ 3,300,307</u>	<u>\$22,063,955</u>	<u>\$ 1,864,673</u>

NOTE 7 SHORT-TERM DEBT

MWCOG has a \$1,500,000 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, 2025 and there was no outstanding balance as of June 30, 2025.

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.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 PENSION PLAN (CONTINUED)

Plan Description (Continued)

Cost of living adjustments (COLA) of the lesser of 3% or one-half of the increase in the cost-of-living index as measured from May 31 of the preceding year to May 31 preceding the determination date are made each July 1. By action of the Board of Directors, 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, \$550,000 maximum) at the time of death.

Participants who terminate employment with MWCOG, other than by death or disability, before completing five years of vesting services, are entitled to receive, beginning after the normal retirement date, a benefit equal in value to the sum of the participant's contributions to the Plan, plus interest at 5% per year compounded annually (or the applicable federal rate for temporary employees), and the vested portion of the part of the accrued benefits that is not based on the contributions.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 PENSION PLAN (CONTINUED)

Plan Description (Continued)

Plan Membership

As of the January 1, 2025 actuarial valuation, the following members were covered by the benefit terms of the Plan:

	Number
Inactive Member or their Beneficiaries Currently Receiving Benefits	60
Inactive Members:	
Vested	29
Total Inactive Members	89
Active Members	123
Total	212

Contributions

MWCOG actuarially determined contribution rate for the years ended December 31, 2024 and 2023 was 19.25% and 18.41%, respectively, of covered employee compensation, based on an actuarial valuation as of January 1, 2025 and 2024, 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, 2025 and 2024 were \$2,392,598 and \$2,382,416, respectively.

Net Pension Liability (Asset)

MWCOG's net pension liability (asset) was measured as of December 31, 2024. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation.

Actuarial Assumptions

Valuation Date:	January 1, 2025
Actuarial Cost Method:	Entry Age Normal
Asset Valuation:	Close period of 20 years level dollar, which began January 1, 2017
Amortization Method:	Expected value at valuation date plus 25% of the difference between market value and expected value
Discount Rate:	6.00%
Price Inflation:	2.50%
Salary Increases:	Starting at 5.5% and decreasing to 2.5% based on years of service
Mortality:	2010 Public Plan General Headcount-Weighted Employee Mortality Table generationally projected using scale MP-2020

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 PENSION PLAN (CONTINUED)

Net Pension Liability (Asset) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by MWCOG after considering input from MWCOG's investment consultant(s) and actuary(s), for each major asset class that is included in MWCOG's target asset allocation as of December 31, 2024, 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 %	7.67 %	3.84 %
International Equity	10.00	8.99	0.90
Core Fixed Income	40.00	5.19	2.05
Cash	-	3.60	-
Total	100.00		6.79
Inflation		2.39	

For the year ended December 31, 2024, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 15.07%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Discount Rate

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

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Asset)

The changes in the net pension liability (asset) as of December 31, 2024 were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2023	\$ 76,837,899	\$ 81,842,348	\$ (5,004,449)
Changes for the Year:			
Service Cost	2,919,217	-	2,919,217
Interest (Includes Interest on Service Cost)	4,367,231	-	4,367,231
Difference Between Expected and Actual Experience	3,297,148	-	3,297,148
Changes of Assumptions	-	-	-
Contributions - Employer	-	1,328,622	(1,328,622)
Contributions - Employee	-	1,033,356	(1,033,356)
Net Investment Income	-	11,004,064	(11,004,064)
Benefit Payments, Including Refunds of Member Contributions	(14,145,917)	(14,145,917)	-
Administrative Expenses	-	(142,842)	142,842
Net Changes	<u>(3,562,321)</u>	<u>(922,717)</u>	<u>(2,639,604)</u>
Balances at December 31, 2024	<u>\$ 73,275,578</u>	<u>\$ 80,919,631</u>	<u>\$ (7,644,053)</u>

Sensitivity of the Net Pension Asset

The following presents the net pension asset of MWCOG as of December 31, 2024, calculated using the discount rate of 6.00%, as well as what MWCOG's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net Pension Liability (Asset)	<u>\$ (2,663,130)</u>	<u>\$ (7,644,053)</u>	<u>\$ (12,175,816)</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2025, MWCOG recognized a pension expense of \$1,354,289. 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	\$ -	\$ 4,551,206
Difference Between Expected and Actual Experience	3,758,831	159,502
Changes in Assumptions	1,750,824	2,509,898
Employer Contributions Made Subsequent to the Measurement Date	696,383	-
Total	\$ 6,206,038	\$ 7,220,606

The \$696,383 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2026	\$ (416,905)
2027	1,453,726
2028	(1,807,238)
2029	(940,534)
2030	-
Total	\$ (1,710,951)

NOTE 9 SUPPLEMENTARY RETIREMENT PLANS

Defined Contribution Plan

MWCOG sponsors a defined contribution 403(b) and 457 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.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 SUPPLEMENTARY RETIREMENT PLANS (CONTINUED)

Supplemental Executive Retirement Plan

Effective November 14, 2012, MWCOG provides a noncontributory supplemental executive retirement plan (the SERP plan) for a certain retired 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. MWCOG is no longer contributing to this plan and the plan was transferred to the individual.

NOTE 10 RELATED PARTY TRANSACTIONS

MWCOG owns one-third of the common stock of the Center for Public Administration and Services, Inc. (CPAS), which owns and operates the office building housing MWCOG's offices. There is no agreement between the owners for sharing in the profits or losses of the CPAS and, therefore, MWCOG has not recorded an equity interest for their one-third ownership. The remainder of the CPAS stock is held equally by the MissionSquare (formerly ICMA-RC) and the International City Management Association (ICMA). The owners occupy and/or sublease the majority of the building's rentable space. CPAS is a real estate investment trust (REIT) and must distribute most of its earnings to its owners each year. During the year ended June 30, 2025, CPAS distributed \$735,000 of income to MWCOG.

CPAS's summarized financial information as of and for the year ended December 31, 2024, was as follows:

Total Assets	\$ 27,089,644
Total Liabilities	37,995,701
Total Stockholders' Deficit	<u>\$ (10,906,057)</u>
Revenue	\$ 11,015,369
Expenses	9,168,918
Net Income	<u>\$ 1,846,451</u>

As of December 31, 2024, CPAS's assets included net rental property of \$11,376,293. 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, 2025**

NOTE 11 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Leases-Lessee

MWCOG is obligated under a 10 year lease agreement with 777 North Capitol Corporation. The lease expires on December 31, 2026. MWCOG has renewal options that would expire through 2042. It is reasonably certain the renewal options were being exercised. The lease includes basic rent, a share of real estate taxes and operating expenses, and annual rental escalations based on the Consumer Price Index (CPI).

Total future minimum lease payments under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,122,531	\$ 222,069	\$ 1,344,600
2027	1,135,168	209,432	1,344,600
2028	1,147,947	196,653	1,344,600
2029	1,160,871	183,729	1,344,600
2030	1,173,939	170,661	1,344,600
2031-2035	6,070,936	652,065	6,723,001
2036-2040	6,420,439	302,561	6,723,000
2041-2042	2,109,209	19,741	2,128,950
Total	<u>\$ 20,341,040</u>	<u>\$ 1,956,910</u>	<u>\$ 22,297,950</u>

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

Building	\$ 24,730,644
Less: Accumulated Amortization	<u>(4,805,955)</u>
Total	<u>\$ 19,924,689</u>

Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

Subscription-Based Information Technology Arrangements (Continued)

MWCOG entered into 9 agreements to utilize software, the agreements range from 17 to 60 months. As of June 30, 2025, the value of the subscription liability is \$327,913. MWCOG is required to make annual fixed payments. The subscriptions have interest rates ranging between 2.054% and 4.76%. The value of the right to use assets as of June 30, 2025 is \$5,099,072 with accumulated amortization of \$4,331,715.

Principal and interest requirements to maturity are as follow:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 117,939	\$ 12,710	\$ 130,649
2027	109,072	8,389	117,461
2028	93,623	4,051	97,674
2029	7,279	221	7,500
Total	<u>\$ 327,913</u>	<u>\$ 25,371</u>	<u>\$ 353,284</u>

NOTE 12 PENDING GASB STATEMENTS

The Governmental Accounting Standards Board (GASB) issued statements not yet implemented by MWCOG. The statements which might impact MWCOG are as follows:

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness in providing information that is essential for decision making and assessing a government’s accountability. GASB Statement No. 103 is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The MWCOG has not adopted GASB Statement No. 103 as of June 30, 2025.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This will result in increased disclosure requirements related to capital assets. GASB Statement No. 104 is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The MWCOG has not adopted GASB Statement No. 104 as of June 30, 2025.

**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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability:										
Service Cost	\$ 1,895,939	\$ 2,211,619	\$ 2,221,553	\$ 2,436,327	\$ 2,632,703	\$ 2,398,764	\$ 2,539,561	\$ 2,952,490	\$ 3,124,644	\$ 2,919,217
Interest (Includes Interest on Service Cost)	3,292,604	3,464,954	3,711,023	3,965,673	3,827,439	4,194,448	4,361,369	4,053,853	4,041,341	4,367,231
Difference Between Expected and Actual Experience	203,660	(401,382)	(394,776)	472,664	(648,148)	93,850	(200,732)	532,779	1,241,866	3,297,148
Changes of Assumptions	-	-	-	3,053,404	(3,073,225)	-	770,994	2,987,655	(3,106,300)	-
Benefit Payments, Including Refunds of Member Contribution	(2,056,068)	(3,548,319)	(592,887)	(5,958,871)	(3,275,611)	(6,216,378)	(2,609,164)	(2,635,443)	(2,265,241)	(14,145,917)
Net Change in Total Pension Liability	3,336,135	1,746,872	4,944,913	3,969,197	(536,842)	470,684	4,862,028	7,891,334	3,036,310	(3,562,321)
Total Pension Liability - Beginning	47,117,268	50,453,403	52,200,275	57,145,188	61,114,385	60,577,543	61,048,227	65,910,255	73,801,589	76,837,899
Total Pension Liability - Ending (a)	\$ 50,453,403	\$ 52,200,275	\$ 57,145,188	\$ 61,114,385	\$ 60,577,543	\$ 61,048,227	\$ 65,910,255	\$ 73,801,589	\$ 76,837,899	\$ 73,275,578
Plan Fiduciary Net Position:										
Contributions - Employer	\$ 1,221,904	\$ 1,210,322	\$ 1,268,964	\$ 1,297,517	\$ 1,162,984	\$ 1,200,765	\$ 1,241,737	\$ 1,277,203	\$ 1,333,812	\$ 1,328,622
Contributions - Employee	977,358	968,242	1,015,076	995,735	904,524	933,930	965,781	993,363	1,037,393	1,033,356
Net Investment Income	1,129,768	3,829,746	7,532,245	(992,732)	11,399,215	7,643,418	11,836,299	(11,107,781)	11,491,238	11,004,064
Benefit Payments, Including Refunds of Member Contributions	(2,056,068)	(3,548,319)	(692,887)	(5,958,871)	(3,275,611)	(6,216,378)	(2,609,164)	(2,635,443)	(2,265,241)	(14,145,917)
Administrative Expense	(83,192)	(76,138)	(113,556)	(135,107)	(144,648)	(144,449)	(151,927)	(188,934)	(203,605)	(142,842)
Net Change in Plan Fiduciary Net Position	1,189,770	2,363,853	9,109,742	(4,783,454)	10,046,484	3,417,306	11,282,726	(11,661,592)	11,393,597	(922,717)
Plan Fiduciary Net Position - Beginning	49,473,905	50,663,676	53,047,629	62,157,271	57,363,817	67,410,311	70,827,617	82,110,343	70,448,751	81,842,348
Plan Fiduciary Net Position - Ending (b)	\$ 50,663,676	\$ 53,047,629	\$ 62,157,271	\$ 57,363,817	\$ 67,410,311	\$ 70,827,617	\$ 82,110,343	\$ 70,448,751	\$ 81,842,348	\$ 80,919,631
Net Pension Liability (Asset) - Ending (a) - (b)	\$ (210,273)	\$ (847,254)	\$ (5,012,063)	\$ 3,750,568	\$ (6,832,768)	\$ (9,779,390)	\$ (16,200,088)	\$ 3,352,838	\$ (5,004,449)	\$ (7,644,053)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.42 %	101.62 %	108.77 %	93.86 %	111.28 %	116.02 %	124.58 %	95.46 %	106.51 %	110.43 %
Covered Payroll	\$ 10,615,561	\$ 12,279,948	\$ 12,219,765	\$ 13,284,225	\$ 12,981,772	\$ 13,100,839	\$ 13,841,961	\$ 14,553,534	\$ 15,032,013	\$ 15,198,192
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(1.98)%	(6.90)%	(41.02)%	28.23 %	(52.63)%	(74.65)%	(117.04)%	23.04 %	(33.29)%	(50.30)%

See accompanying Notes to Required Supplementary Information.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS –
LAST TEN FISCAL YEARS**

	Year Ended December 31,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially Determined Contribution	\$ 2,106,242	\$ 2,403,087	\$ 2,367,541	\$ 2,464,185	\$ 2,489,100	\$ 2,342,561	\$ 2,221,858	\$ 2,621,487	\$ 2,767,394	\$ 2,925,652
Actual Contribution	2,199,262	2,178,564	2,283,940	2,293,250	2,067,528	2,134,715	2,207,518	2,333,927	2,371,205	2,388,552
Contribution Deficiency (Excess)	\$ (93,020)	\$ 224,523	\$ 83,601	\$ 170,935	\$ 421,572	\$ 207,846	\$ 14,340	\$ 287,560	\$ 396,189	\$ 537,100
Covered Payroll	\$ 10,615,561	\$ 12,279,948	\$ 12,219,765	\$ 13,284,225	\$ 12,981,772	\$ 13,100,839	\$ 13,841,961	\$ 14,553,534	\$ 15,032,013	\$ 15,198,192
Actual Contribution as a Percent of Covered Payroll	20.72%	17.74%	18.69%	17.26%	15.93%	16.29%	15.95%	16.04%	15.77%	15.72%

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**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

NOTE 1 CHANGES IN BENEFIT TERMS

There have been no material actuarial changes to the Plan benefit provisions since the prior actuarial valuation.

NOTE 2 CHANGES IN ASSUMPTIONS

There have been no material actuarial 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, 2024
Actuarial Cost Method:	Entry Age Normal
Asset Valuation:	Close period of 20 years level dollar, which began January 1, 2017
Amortization Method:	Expected value at valuation date plus 25% of the difference between market value and expected value
Discount Rate:	6.00%
Price Inflation:	2.50%
Salary Increases:	Starting at 5.5% and decreasing to 2.5% based on years of service
Mortality:	2010 Public Plan General Headcount-Weighted Employee Mortality Table generationally projected using scale MP-2020

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
 SUPPLEMENTARY INFORMATION
 COMBINING PENSION TRUST FUND
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2025**

	<u>Pension Fund (December 31, 2024)</u>	<u>Supplemental Executive Retirement Plan</u>	<u>Total</u>
ASSETS			
Investments Held in Trust at Fair Value	\$ 80,919,631	\$ -	\$ 80,919,631
Total Assets	<u>80,919,631</u>	<u>-</u>	<u>80,919,631</u>
LIABILITIES			
Accrued Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FIDUCIARY NET POSITION			
Restricted for:			
Pension Benefits	<u>80,919,631</u>	<u>-</u>	<u>80,919,631</u>
Total Net Position	<u><u>\$ 80,919,631</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 80,919,631</u></u>

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**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
SUPPLEMENTARY INFORMATION
COMBINING PENSION TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025**

	Pension Fund (December 31, 2024)	Supplemental Executive Retirement Plan	Total
ADDITIONS:			
Contributions	\$ 2,388,552	\$ -	\$ 2,388,552
INVESTMENT EARNINGS:			
Interest Earned on Investments	1,898,476	-	1,898,476
Net Increase in Fair Value of Investments	9,332,449	-	9,332,449
Total Loss for Investment Activities	11,230,925	-	11,230,925
DEDUCTIONS:			
Benefit Payments	14,038,129	426,431	14,464,560
Administrative Fees	504,065	-	504,065
Total Deductions	14,542,194	426,431	14,968,625
CHANGE IN NET POSITION	(922,717)	(426,431)	(1,349,148)
Net Position - Beginning of Year	81,842,348	426,431	82,268,779
NET POSITION - END OF YEAR	<u>\$ 80,919,631</u>	<u>\$ -</u>	<u>\$ 80,919,631</u>

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Metropolitan Washington Council of Governments
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Metropolitan Washington Council of Governments (MWCOC) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the MWCOC's basic financial statements, and have issued our report thereon dated January 9, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on 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
January 9, 2025

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

Board of Directors
Metropolitan Washington Council of Governments
Washington, DC

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Metropolitan Washington Council of Governments' (MWCOG) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of MWCOG's major federal programs for the year ended June 30, 2025. MWCOG's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, MWCOG complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of MWCOG and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of MWCOG's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to MWCOG's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MWCOG's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MWCOG's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MWCOG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MWCOG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of MWCOG's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

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

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

CliftonLarsonAllen LLP

Baltimore, Maryland
January 9, 2025

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**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Urban and Community Forestry Program	10.675		\$ -	\$ 15,611
Total U.S. Department of Agriculture			-	15,611
U.S. Department of Commerce				
Collaboratively Addressing Derelict Vessels and Large Debris in the Anacostia River	11.999		-	258,855
Science, Technology, Business and/or Education Outreach	11.620		-	84,166
Total U.S. Department of Commerce			-	343,021
U.S. Department of Transportation				
Airport Improvement Program	20.106		-	361,320
Highway Planning and Construction	20.205		-	10,493
<i>Transit Services Programs Cluster:</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		2,193,252	3,163,964
Public Transportation Innovation Program	20.530		-	75,792
Total U.S. Department of Transportation			2,193,252	3,611,569
U.S. Department of Homeland Security				
Homeland Security Grant Program	97.067			
Passed Through D.C. Office of Deputy Mayor for Public Safety and Justice				
NCR HS Program Staff Support		24UASI117-01		1,092,132
NCR HS Program Staff Support		23UASI117-01		485,937
Bomb Squad Training Sub		21UASI117-05		159,730
Rapid Database Sustainment		22UASI117-02		4,307
NCR Radio Interoperability		22UASI117-03		309,503
PMARS Replacement		22UASI117-04		53,060
NCRnet Router Refresh		22UASI117-05		934,946
Radio Cache Tow Vehicles		22UASI117-06		12,738
Bomb Squad Training		22UASI117-07		22,140
Bomb Squad Protect Equipment		22UASI117-08		415,949
District Inaugural Preparedness		22UASI117-09		605,186
CBRNE Detection		23UASI117-02		583,408
911 Call Center Co-Locati		23UASI117-03		21,200
911 Call Ctr Technology S		23UASI117-04		43
Aircraft Water Rescue Inc		23UASI117-05		44,987
Regional Leadership Devel		23UASI117-06		172
CBRNE Detection		24UASI117-02		893,753
Total Homeland Security Grant Program			-	5,639,191

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See accompanying Notes to Schedule of Expenditures of Federal Awards.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/ Grant Name	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Homeland Security (Continued)				
Homeland Security Grant Program (Continued)				
Passed Through District of Columbia Homeland Security and Emergency Management Agency				
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	19RCPG117-01	\$ -	\$ 1,277,806
Securing the Cities Program				
STC Program Continuation	97.106	20STC117-01	-	2,452,339
Total Securing the Cities Program			-	2,452,339
Total U.S. Department of Homeland Security			-	9,369,336
<i>Research and Development Cluster:</i>				
U.S. Department of Transportation				
Highway Research and Development Program	20.200		-	457,335
Total U.S. Department of Transportation			-	457,335
U.S. Department of Defense				
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation				
Total U.S. Department of Defense	12.003		-	375,989
Total U.S. Department of Defense			-	375,989
<i>Total Research and Development Cluster</i>			-	833,324
Total Expenditures of Federal Awards			\$ 2,193,252	\$ 14,172,861

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See accompanying Notes to Schedule of Expenditures of Federal Awards.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025**

NOTE 1 SINGLE AUDIT REPORTING ENTITY

The Metropolitan Washington Council of Governments (MWCOG) is an independent, nonprofit association with a membership of elected officials from 24 local governments, the Maryland and Virginia state legislatures, and U.S. Congress. It serves as a hub for regional partnership, sharing information and developing solutions to the region's major challenges.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Metropolitan Washington Council of Governments (MWCOG) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MWCOG, it is not intended to and does not present the financial position or changes in financial position of MWCOG.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, or other assistance.

Direct Payments – Assistance received directly from the federal government is classified as direct payments on the Schedule.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the federal government is classified as pass-through payments on the Schedule.

Major Programs – The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for MWCOG were determined using a risk-based approach in accordance with Uniform Guidance.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available and applicable.

NOTE 4 INDIRECT COST RATE

MWCOG's indirect cost rates as allowed under the *Uniform Guidance* are disclosed in Note 1, *Fringe Benefit and Indirect Cost Allocations* in the notes to financial statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
JUNE 30, 2025**

**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.

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**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2025**

Section I – Summary of Auditors’ Results

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

Name of Federal Program or Cluster

20.513 / 20.530
97.111

Transit Service Programs Cluster
Regional Catastrophic Preparedness Grant
Program
Research and Development Cluster

20.200 / 12.003

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

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2025

Section II – Financial Statement Findings

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

Section III – Findings and Questioned Costs for Federal Grant Awards

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

Section IV – Prior Year Findings

No prior year findings.

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