

**METROPOLITAN WASHINGTON COUNCIL  
OF GOVERNMENTS**

**FINANCIAL STATEMENTS AND  
COMPLIANCE REPORTS**

**YEAR ENDED JUNE 30, 2024**



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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, 2024, 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, 2024, 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 MWCOC'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 MWCOC'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 MWCOC'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 December 31, 2024, 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  
December 31, 2024

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

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, 2024 and 2023:

	2024	2023	Increase (Decrease)	% Change
<b>Assets:</b>				
Current and Other Assets	\$34,632,464	\$27,207,681	\$ 7,424,783	27.3%
Capital Assets, Net	25,859,959	27,945,843	(2,085,884)	-7.5%
Total Assets	<u>60,492,423</u>	<u>55,153,524</u>	<u>5,338,899</u>	<u>9.7%</u>
<b>Deferred Outflows of Resources</b>	5,334,755	11,054,924	(5,720,169)	-51.7%
<b>Liabilities:</b>				
Current and Other Liabilities	6,304,062	6,064,883	239,179	3.9%
Long-Term Liabilities	24,841,279	30,383,526	(5,542,247)	-18.2%
Total Liabilities	<u>31,145,341</u>	<u>36,448,409</u>	<u>(5,303,068)</u>	<u>-14.5%</u>
<b>Deferred Inflows of Resources</b>	<u>3,752,197</u>	<u>1,785,088</u>	<u>1,967,109</u>	<u>110.2%</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	2,321,360	2,280,308	41,052	1.8%
Restricted	11,852,556	7,730,716	4,121,840	53.3%
Unrestricted	16,755,724	17,963,927	(1,208,203)	-6.7%
Total Net Position	<u><u>\$30,929,640</u></u>	<u><u>\$27,974,951</u></u>	<u><u>\$ 2,954,689</u></u>	<u><u>10.6%</u></u>

Current and other assets increased by \$7.4 million due to a \$5.0 million increase in the pension asset. In FY 2023 there was a pension liability of \$3.4 million that in FY 2024 became a \$5.0 million asset. Investment returns for the pension plan were positive and thus more funds were available for future payments reversing the prior liability and creating an asset. The remaining increase was due to an increase in cash and investments due to higher returns on investments and higher receivables driven by increased revenue. Net capital assets decreased by \$2.4 million due to \$3.1 million of amortization and depreciation partially offset by \$0.7 million of additions mostly in related to right to use assets.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

Deferred outflows of resources decreased by \$5.7 million due to changes in the pension valuation. Long term liabilities decreased \$5.6 million driven by the reversal of the prior year pension liability of \$3.4 million to a \$5.0 million asset and the remaining decrease was due to amortization of right to use assets. The net result was an increase in total net position of \$2.7 million. The restricted increase of \$4.1 million was a result of the \$5.0 million pension asset, partially offset by a \$0.9 million decrease in project funds balances. The \$1.3 million decrease in unrestricted was primarily driven by a \$1.0 million transfer to the restricted capital project fund for future capital investments and a decrease in deferred inflows and outflows related to the pension liability partially offset by an increase in undesignated fund balance.

**Statement of Activities**

The following table presents a summary of the Statement of Activities for MWCOG for the years ended June 30, 2024 and 2023:

	2024	2023	Increase (Decrease)	% Change
<b>Revenues:</b>				
Federal, State, and Local Revenues	\$ 45,664,261	\$ 42,849,506	\$ 2,814,755	6.6%
Member Dues	5,082,391	4,884,781	197,610	4.0%
Building Revenue	769,631	607,710	161,921	26.6%
Miscellaneous	4,085,597	2,841,714	1,243,883	43.8%
Total Revenues	<u>55,601,880</u>	<u>51,183,711</u>	<u>4,418,169</u>	8.6%
<b>Expenses:</b>				
Personnel	18,896,701	17,961,251	935,450	5.2%
Professional Fees	17,348,834	13,090,685	4,258,149	32.5%
Professional Support and Subawards	2,120,351	2,081,810	38,541	1.9%
Other Direct Expense	10,240,253	8,736,836	1,503,417	17.2%
Pension Expense Adjustment	(670,009)	1,533,898	(2,203,907)	-143.7%
Nonpersonnel Support Service Costs	4,711,061	4,731,451	(20,390)	-0.4%
Total Expenses	<u>52,647,191</u>	<u>48,135,931</u>	<u>4,511,260</u>	9.4%
<b>Change in Net Position</b>	2,954,689	3,047,780	(93,091)	-3.1%
Beginning Net Position	<u>27,974,951</u>	<u>24,927,171</u>	<u>3,047,780</u>	12.2%
<b>Ending Net Position</b>	<u>\$ 30,929,640</u>	<u>\$ 27,974,951</u>	<u>\$ 2,954,689</u>	10.6%

Total operating revenue in fiscal year 2024 was \$55.6 million. Of the total operating revenue, \$45.7 million (82%) was from federal, state, and local funds, of which \$2.1 million was passed through to subrecipients. Member dues generated an additional \$5.1 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 2024, MWCOG recorded \$769,631 in revenue from the REIT and from the sublease of a portion of its office space.



**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

Revenue increased by \$4.4 million, and expenses increased by \$4.8 million in fiscal year 2024 compared to fiscal year 2023. Higher federal, state and local revenues were driven by \$3.0 million for new program funds in public safety and transportation programs. Most of the \$4.8 million increase in expenses was driven by professional fees of \$4.3 million related to increased transportation of \$1.1million, increased climate energy initiatives of \$.6 million and \$2.0 million in public safety initiatives which were largely offset by the lower pension expense of \$2.2 million.

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, 2024, and assets available for current and future general expenditures (undesignated).

Net Position by Category	2023	Net Activity	2024
Net Investment in Capital Assets	\$ 2,280,308	\$ 41,052	\$ 2,321,360
Restricted Program Funds	7,730,716	(882,609)	6,848,107
Restricted Net Pension Assets	-	5,004,449	5,004,449
Unrestricted:			
Capital Expenditure Reserve	4,913,808	1,387,445	6,301,253
Operating Reserve	5,243,878	-	5,243,878
Deferred Inflows and Outflows	9,269,836	(7,687,278)	1,582,558
Undesignated	(1,463,595)	5,091,630	3,628,035
Total Net Position	<u>\$ 27,974,951</u>	<u>\$ 2,954,689</u>	<u>\$ 30,929,640</u>

The increase in net position in fiscal year 2024 of \$2.7 million is primarily due to a \$5.0 million increase in unrestricted undesignated funds and a \$1.4 million increase in the capital reserve. These increases are offset by a net decrease in pension and deferred inflows and outflows of \$2.7 million and restricted program fund expenditures of \$0.9 million (mostly in the enhanced mobility and engine repower projects). The \$5.0 million increase undesignated is driven by higher investment and unrealized capital gains and underspend in transportation 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 is one hundred percent funded as per board policy.

The pension liability is now an asset and is reflected in the \$5.0 million increase in restricted pension asset and \$7.7 million decrease in deferred inflows and outflows. The restricted pension asset of \$5.0 million is the actuarial value of liabilities in excess of assets in MWCOG's pension plan assets as of January 1, 2024 including deferred inflows and outflows the net impact on the state of net position due to changes in actuarial valuation is a decrease of \$2.7 million. Net pension liability is not available for use in operations.

### **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.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

**Uses of Funds**

The Department of Transportation Planning accounts for 56% 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 22% and 17% of expenses, respectively.

Expenses by Program	2024	2023
Transportation	\$ 29,206,612	\$ 26,819,124
Community Planning, Health, and Child Welfare	1,284,493	1,173,251
Homeland Security and Public Safety	12,605,022	10,089,240
Environmental	8,833,950	7,055,321
Executive, Governance, and Member Services	1,387,123	1,570,000
Pension Expense Adjustment	(670,009)	1,428,995
Total Operating Expenses	\$ 52,647,191	\$ 48,135,931

**Capital Assets**

Capital assets are made up of right to use assets (\$29.9 million), furniture and equipment (\$1.9 million), computer hardware and networks (\$3.2 million), software (\$1.4 million), and leasehold improvements (\$1.1 million), recorded at cost. Constructions in progress (\$.7 million) includes expenses associated with the future remodel of the office and meeting room space at 777 North Capitol St. N.E. in Washington office. Accumulated depreciation on June 30, 2024 was \$12.6 million, for a net book value of approximately \$26.0 million.

	2023	Net Activity	2024	Useful Life (in Years)
Construction in Progress	\$ 709,112	\$ 34,500	\$ 743,612	
Furniture and Equipment	1,859,556	27,958	1,887,514	10
Vehicles	41,624	-	41,624	5
Right to Use Assets	29,301,601	600,357	29,901,958	Agreement Term
Leasehold Improvements	1,040,380	19,851	1,060,231	10-17
Computer Hardware	3,135,805	76,884	3,212,689	3-5
Computer Software	1,295,757	54,778	1,350,535	5
Local Area Network	333,227	-	333,227	3
Total Capital Assets	37,717,062	814,328	38,531,390	
Less: Accumulated Depreciation and Amortization	9,771,219	2,900,212	12,671,431	
Capital Assets, Net	\$ 27,945,843	\$ (2,085,884)	\$ 25,859,959	

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

**Future Changes and Trends**

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

**CONTACT FOR FURTHER INFORMATION**

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to: Metropolitan Washington Council of Governments, Inc., 777 North Capitol Street N.E., Suite 300, Washington, D.C. 20002.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 2,406,911
Due from Other Governments	14,930,567
Other Receivables	1,284,000
Prepaid Items and Other Assets	433,209
Investments	<u>2,744,693</u>
Total Current Assets	21,799,380
Noncurrent Assets:	
Investments	7,828,635
Net Pension Asset	5,004,449
Capital Assets, Net	<u>25,859,959</u>
Total Noncurrent Assets	<u>38,693,043</u>
Total Assets	60,492,423
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Plan	5,334,755
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	4,901,476
Due to Other Governments	858,214
Accrued Liabilities	<u>544,372</u>
Total Liabilities	6,304,062
Noncurrent Liabilities:	
Due Within One Year	3,453,610
Due in More than One Year	<u>21,387,669</u>
Total Noncurrent Liabilities	<u>24,841,279</u>
Total Liabilities	31,145,341
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Plan	<u>3,752,197</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,321,360
Restricted - Net Pension Asset	5,004,449
Restricted - Program Funds	6,848,107
Unrestricted	<u>16,755,724</u>
Total Net Position	<u><u>\$ 30,929,640</u></u>

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues		Net Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Planning and Administration	\$ 44,357,271	\$ 4,758,862	\$ 40,717,314	\$ 1,118,905
Planning and Administration - Indirect	6,169,569	-	6,169,569	-
Professional Support and Subawards	2,120,351	-	2,120,351	-
Total Governmental Activities	<u>\$ 52,647,191</u>	<u>\$ 4,758,862</u>	<u>\$ 49,007,234</u>	1,118,905
	<b>GENERAL REVENUES</b>			
	Use of Money and Property			1,716,697
	Miscellaneous			119,087
	Total General Revenues			<u>1,835,784</u>
	<b>CHANGE IN NET POSITION</b>			2,954,689
	Net Position - Beginning of Year			<u>27,974,951</u>
	<b>NET POSITION - END OF YEAR</b>			<u>\$ 30,929,640</u>

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2024**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,406,911
Due from Other Governments	14,930,567
Other Receivables	1,284,000
Prepaid Items and Other Assets	433,209
Investments	<u>10,573,328</u>
Total Assets	<u><u>\$ 29,628,015</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 4,901,476
Due to Other Governments	858,214
Accrued Liabilities	<u>544,372</u>
Total Liabilities	6,304,062
<b>FUND BALANCES</b>	
Nonspendable	433,209
Restricted - Program Funds	6,848,107
Committed	11,545,131
Unassigned	<u>4,497,506</u>
Total Fund Balances	<u><u>23,323,953</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 29,628,015</u></u>

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, 2024**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 23,323,953**

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. 5,004,449

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

Capital Assets	\$ 38,531,390	
Less: Accumulated Depreciation and Amortization	<u>(12,671,431)</u>	25,859,959

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. 5,334,755

Compensated absences, leases, and SBITAs are liabilities not due and payable in the current period and, therefore, are not reported in the governmental fund. (24,841,279)

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. (3,752,197)

Total Net Position - Governmental Activities \$ 30,929,640

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE OF THE  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2024**

	General Fund
<b>REVENUES</b>	
Intergovernmental:	
Federal Grants and Contracts	\$ 16,245,101
State Grants and Contracts	23,659,153
Member Dues	5,082,391
Contributions and Local Match	4,020,589
Charges for Services	4,758,862
Use of Money and Property	1,716,697
Miscellaneous	119,087
Total Revenues	<u>55,601,880</u>
<b>EXPENDITURES</b>	
Planning and Administration	44,916,834
Planning and Administration - Indirect	6,169,569
Professional Support and Subawards	2,120,351
Capital Outlay	742,747
Total Expenditures	<u>53,949,501</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	1,652,379
<b>OTHER FINANCING SOURCE</b>	
Proceeds from SBITA	<u>528,776</u>
<b>NET CHANGE IN FUND BALANCE</b>	2,181,155
Fund Balance - Beginning of Year	<u>21,142,798</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 23,323,953</u></u>

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, 2024**

<b>TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND</b>	<b>\$ 2,181,155</b>
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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	\$	213,971	
Capital Adjustment		158,602	
Subscription-based Information Technology Arrangements		528,776	
Depreciation and Amortization		<u>(2,987,233)</u>	(2,085,884)

Principal payments on lease and SBITA liability	2,655,712
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Proceeds from SBITA	(528,776)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Compensated Absences		62,473	
Pension Adjustment		<u>670,009</u>	

Change in Net Position of Governmental Activities	<u><u>\$ 2,954,689</u></u>
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See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2024**

	<u>Pension Trust Funds (12/31/23)</u>	<u>Custodial Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 1,762,443
Due from Other Governments	-	1,928,015
Investments	<u>82,268,779</u>	<u>-</u>
Total Assets	82,268,779	3,690,458
<b>LIABILITIES</b>		
Accrued Liabilities	<u>-</u>	<u>-</u>
<b>FIDUCIARY NET POSITION</b>		
Restricted for:		
Other Governments	-	3,690,458
Pension Benefits	<u>82,268,779</u>	<u>-</u>
Total Fiduciary Net Position	<u>\$ 82,268,779</u>	<u>\$ 3,690,458</u>

*See accompanying Notes to Financial Statements.*

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2024**

	Pension Trust Funds (12/31/23)	Custodial Funds
<b>ADDITIONS:</b>		
Contributions	\$ 2,371,205	\$ 3,826,418
Sponsors and Donations	-	2,372,565
Sublet Income	-	3,364
Total Additions	<u>2,371,205</u>	<u>6,202,347</u>
<b>INVESTMENT EARNINGS:</b>		
Interest Earned on Investments	2,829,838	-
Net Increase in Fair Value of Investments	<u>9,674,417</u>	<u>-</u>
Total Loss for Investment Activities	12,504,255	-
<b>DEDUCTIONS:</b>		
Consultants	-	4,613,714
Benefit Payments	3,203,321	-
Administrative Fees	224,949	-
Miscellaneous	-	47,992
Total Deductions	<u>3,428,270</u>	<u>4,661,706</u>
<b>CHANGE IN NET POSITION</b>	11,447,190	1,540,641
Net Position - Beginning of Year	<u>70,821,589</u>	<u>2,149,817</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 82,268,779</u></u>	<u><u>\$ 3,690,458</u></u>

See accompanying Notes to Financial Statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**Government-Wide and Fund Financial Statements**

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

***Government-Wide Financial Statements***

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

***Fund Financial Statements***

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. MWCOC considers revenues to be available if they are collected within 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, 2024**

**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, 2023.

**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, 2024**

**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, 2024**

**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, 2024**

**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, 2024.

**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, 2024 were as follows:

Indirect Costs	60.90%
Leave Benefits	18.41%
Fringe Benefits	22.86%



**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**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 December 31, 2024, 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, 2024, 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.

**Investment Policy (Continued)**

*Pension Fund*

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

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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

**Investments**

MWCOG's investments are stated at fair value as determined by quoted prices. As of June 30, 2024, 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)	\$ 8,189,298	\$ 2,018,079	\$ 4,178,671	\$ 1,816,690	\$ 175,858
Corporate Bonds (General Fund)	1,207,059	-	427,692	779,367	-
Government Bonds (General Fund)	450,357	-	242,929	207,428	-
Money Market Funds (General Fund)	726,614	726,614	-	-	-
Money Market Funds (Fiduciary Fund)	16,464	16,464	-	-	-
Mutual Funds (Fiduciary Fund)	58,408,356	58,408,356	-	-	-
Guaranteed Investment Contract (Fiduciary Fund)	23,417,528	23,417,528	-	-	-
Mutual Funds (Fiduciary Fund)	426,431	426,431	-	-	-
Total	<u>\$ 92,842,107</u>	<u>\$ 85,013,472</u>	<u>\$ 4,849,292</u>	<u>\$ 2,803,485</u>	<u>\$ 175,858</u>

MWCOG's investments are subject to certain risks; credit risk, concentration of credit risk, and interest rate risk. The investments for the fiduciary funds related to the pension trust are December 31, 2023 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, 2024, 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%

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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

**Interest Rate Risk**

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

**NOTE 3 FAIR VALUE MEASUREMENT**

MWCOG categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described below.

*Level 1* – Valuation based on quoted prices in active markets for identical assets or liabilities.

*Level 2* – Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.

*Level 3* – Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

	Level 1	Level 2	Level 3
Corporate Bonds	\$ 1,207,059	\$ -	\$ -
Government Bonds	450,357	-	-
Mutual Funds	58,834,787	-	-
Guaranteed Investment Contract	-	23,417,528	-
Total Fair Value	<u>\$ 60,492,203</u>	<u>\$ 23,417,528</u>	<u>\$ -</u>
At Amortized Cost			
Certificates of Deposit	8,189,298		
Money Market Funds	743,078		
Total Amortized Cost	<u>8,932,376</u>		
Total	<u>\$ 69,424,579</u>		

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 4 DUE TO / FROM GOVERNMENTS**

Amounts due from other governments are as follows:

DC Government	\$ 4,788,517
State of Maryland	3,350,062
Commonwealth of Virginia	3,500,227
Federal Government	1,703,823
Local Governments	970,837
Others	617,101
Total	<u>\$ 14,930,567</u>

Amounts due to other governments are as follows:

DC Government	\$ 472,315
Federal Government	31,319
Local Government	288,176
Other Governments	66,404
Total	<u>\$ 858,214</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 5 CAPITAL AND RIGHT-TO-USE ASSETS**

Capital and right-to-use assets consisted of the following as of June 30, 2024:

	June 30, 2023	Additions	Reductions	June 30, 2024
Capital Assets not Being Depreciated or Amortized:				
Construction in Progress	\$ 709,112	\$ 34,500	\$ -	\$ 743,612
Capital Assets Being Depreciated or Amortized:				
Furniture and Equipment	1,859,556	27,958	-	1,887,514
Vehicles	41,624	-	-	41,624
Right-to-Use Assets - Leases	24,730,644	-	-	24,730,644
Right-to-Use Assets - SBITA	4,570,957	687,378	87,021	5,171,314
Leasehold Improvements	1,040,380	19,851	-	1,060,231
Computer Hardware	3,135,805	76,884	-	3,212,689
Computer Software	1,295,757	54,778	-	1,350,535
Local Area Network	333,227	-	-	333,227
Total Capital Assets Being Depreciated or Amortized	37,007,950	866,849	87,021	37,787,778
Less: Accumulated Depreciation or Amortization for:				
Furniture and Equipment	1,853,604	2,143	-	1,855,747
Vehicles	1,156	13,875	-	15,031
Right-to-Use Assets-Leases	2,306,191	1,298,275	-	3,604,466
Right-to-Use Assets-SBITA	1,543,059	1,306,921	87,021	2,762,959
Leasehold Improvements	820,388	58,467	-	878,855
Computer Hardware	1,792,358	257,705	-	2,050,063
Computer Software	1,129,466	48,511	-	1,177,977
Local Area Network	324,997	1,336	-	326,333
Total Accumulated Depreciation and Amortization	9,771,219	2,987,233	87,021	12,671,431
Total Capital Assets Being Depreciated or Amortized, Net	27,236,731	(2,120,384)	-	25,116,347
Total Capital Assets, Net	<u>\$ 27,945,843</u>	<u>\$ (2,085,884)</u>	<u>\$ -</u>	<u>\$ 25,859,959</u>

MWCOG calculates depreciation and amortization expense each year based on its capital assets estimated useful lives. The depreciation and amortization expense is then allocated to each of MWCOG's projects through its indirect cost rate. Depreciation and amortization expense for the year ended June 30, 2024 was \$2,987,233.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 6 NONCURRENT LIABILITIES**

Changes in noncurrent liabilities for the year ended June 30, 2024 were as follows:

	June 30, 2023	Additions	Reductions	June 30, 2024	Due in One Year
Compensated Absences	\$ 1,365,153	\$ -	\$ 62,473	\$ 1,302,680	\$ 583,963
Lease Liability	22,548,752	-	1,097,677	21,451,075	1,110,035
SBITA Liability	3,116,783	528,776	1,558,035	2,087,524	1,759,612
Total Noncurrent Liabilities	<u>\$ 27,030,688</u>	<u>\$ 528,776</u>	<u>\$ 2,718,185</u>	<u>\$ 24,841,279</u>	<u>\$ 3,453,610</u>

**NOTE 7 SHORT-TERM DEBT**

MWCOG has a \$3,000,000 revolving line of credit that can be used for operations or to finance certain grant-funded projects prior to the receipt of reimbursements from the granting agencies. The revolving line of credit was not used during the year ended June 30, 2024.

**NOTE 8 PENSION PLAN**

**Plan Description**

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

As a tax-exempt entity comprised of local governments, state legislatures, and federal legislatures, MWCOG discontinued its participation in Social Security. Contributions, which would normally have gone to the Social Security Administration, are now added to MWCOG's Plan, which provides retirement, disability, and death benefits to participants and beneficiaries.

Cost of living adjustments (COLA) of the lesser of 3% or one-half of the increase in the cost-of-living index as measured from May 31 of the preceding year to May 31 preceding the determination date are made each July 1. By action of the Board of Directors, MWCOG may, at any time, amend, in any respect, or terminate the Plan, except that no amendment may reduce the accrued benefits of any participant or beneficiary. Participants are entitled to receive a summary of the Plan's financial reports upon written request to the Director of Human Resource Management.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 8 PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

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.

***Plan Membership***

As of the January 1, 2024 actuarial valuation, the following members were covered by the benefit terms of the Plan:

	<u>Number</u>
Inactive Member or Their Beneficiaries Currently Receiving Benefits	52
Inactive Members:	
Vested	<u>28</u>
Total Inactive Members	<u>80</u>
Active Members	<u>126</u>
Total	<u><u>206</u></u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 8 PENSION PLAN (CONTINUED)**

*Contributions*

MWCOG actuarially determined contribution rate for the years ended December 31, 2023 and 2022 was 18.41% and 18.16%, respectively, of covered employee compensation, based on an actuarial valuation as of January 1, 2024 and 2023, 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, 2024 and 2023 were \$1,914,712 and \$2,386,513, respectively.

**Net Pension Liability (Asset)**

MWCOG's net pension liability (asset) was measured as of December 31, 2023. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation.

*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**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 8 PENSION PLAN (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, 2023, these best estimates are summarized in the following table.

<u>Asset Class (Strategy)</u>	<u>Target Weight</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	50.00%	6.96%	3.48%
International Equity	10.00%	7.74%	0.77%
Core Fixed Income	40.00%	4.88%	1.95%
Cash	0.00%	3.43%	0.00%
	<u>100.00%</u>		<u>6.20%</u>
Inflation		2.44%	

For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 16.3%. 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, 2024**

**NOTE 8 PENSION PLAN (CONTINUED)**

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

The changes in the net pension liability (asset) as of December 31, 2023 were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2022	\$ 73,801,589	\$ 70,448,751	\$ 3,352,838
Changes for the Year:			
Service Cost	3,124,644	-	3,124,644
Interest (Includes Interest on Service Cost)	4,041,341	-	4,041,341
Difference Between Expected and Actual Experience	1,241,866	-	1,241,866
Changes of Assumptions	(3,106,300)	-	(3,106,300)
Contributions - Employer	-	1,333,812	(1,333,812)
Contributions - Employee	-	1,037,393	(1,037,393)
Net Investment Income	-	11,491,238	(11,491,238)
Benefit Payments, Including Refunds of Member Contributions	(2,265,241)	(2,265,241)	-
Administrative Expenses	-	(203,605)	203,605
Net Changes	<u>3,036,310</u>	<u>11,393,597</u>	<u>(8,357,287)</u>
Balances at December 31, 2023	<u>\$ 76,837,899</u>	<u>\$ 81,842,348</u>	<u>\$ (5,004,449)</u>

***Sensitivity of the Net Pension Asset***

The following presents the net pension asset of MWCOG as of December 31, 2023, 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>\$ (292,887)</u>	<u>\$ (5,004,449)</u>	<u>\$ (9,322,966)</u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**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, 2024, MWCOG recognized a pension expense of \$668,290. 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	\$ 351,722	\$ -
Difference Between Expected and Actual Experience	1,497,821	285,550
Changes in Assumptions	2,813,467	3,466,647
Employer Contributions Made Subsequent to the Measurement Date	671,745	-
Total	<u>\$ 5,334,755</u>	<u>\$ 3,752,197</u>

The \$671,745 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 102,590
2026	212,888
2027	2,083,519
2028	(1,177,445)
2029	(310,739)
Total	<u>\$ 910,813</u>

**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, 2024**

**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. As of June 30, 2024, MWCOG held \$426,431 of noncontributory compensation in a trust that is administered by MWCOG, which has been recorded as a Fiduciary Pension Trust Fund. MWCOG is no longer contributing to this plan.

**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, 2024, CPAS distributed \$750,000 of income to MWCOG.

CPAS's summarized financial information as of and for the year ended December 31, 2023, was as follows:

Total Assets	\$ 27,962,171
Total Liabilities	38,494,054
Total Stockholders' Deficit	<u>\$ (10,531,883)</u>
Revenue	\$ 10,762,128
Expenses	8,819,184
Net Income	<u>\$ 1,942,944</u>

As of December 31, 2023, CPAS's assets included net rental property of \$12,437,680. 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, 2024**

**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 be exercised. The lease includes basic rent, a share of real estate taxes and operating expenses, and annual rental escalations based on the Consumer Price Index (CPI).

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,110,035	\$ 234,565	\$ 1,344,600
2026	1,122,531	222,069	1,344,600
2027	1,135,168	209,432	1,344,600
2028	1,147,947	196,653	1,344,600
2029	1,160,871	183,729	1,344,600
2030-2034	6,003,351	719,649	6,723,000
2035-2039	6,348,965	374,035	6,723,000
2040-2042	3,422,207	51,343	3,473,550
Total	<u>\$ 21,451,075</u>	<u>\$ 2,191,475</u>	<u>\$ 23,642,550</u>

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

Building	\$ 24,730,644
Less: Accumulated amortization	(3,604,466)
Total	<u>\$ 21,126,178</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, 2024**

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

*Subscription-Based Information Technology Arrangements (Continued)*

MWCOG entered into 12 agreements to utilize software, the agreements range from 17 to 60 months. As of June 30, 2024, the value of the subscription liability is \$2,087,524. MWCOG is required to make annual fixed payments. The subscriptions have interest rate ranging between 1.85% and 4.18%. The value of the right to use assets as of June 30, 2024 is \$5,171,314 with accumulated amortization of \$2,762,959.

Principal and interest requirements to maturity are as follow:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,759,612	\$ 56,105	\$ 1,815,717
2026	117,939	12,710	130,649
2027	109,072	8,389	117,461
2028	93,623	4,051	97,674
2029	7,278	221	7,499
Total	<u>\$ 2,087,524</u>	<u>\$ 81,476</u>	<u>\$ 2,169,000</u>

**NOTE 12 PENDING GASB STATEMENTS**

At June 30, 2024, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by MWCOG. The statements which might impact MWCOG are as follows:

GASB Statement No. 101, *Compensated Absences*, is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management has not determined the effects these new Statements may have on prospective financial statements.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN EMPLOYER NET PENSION LIABILITY (ASSET) –  
LAST TEN FISCAL YEARS**

	Year Ended December 31,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability:										
Service Cost	\$ 1,771,873	\$ 1,895,939	\$ 2,211,619	\$ 2,221,553	\$ 2,436,327	\$ 2,632,703	\$ 2,398,764	\$ 2,539,561	\$ 2,952,490	\$ 3,124,644
Interest (Includes Interest on Service Cost)	3,157,400	3,292,604	3,484,954	3,711,023	3,965,673	3,827,439	4,194,448	4,361,369	4,053,853	4,041,341
Difference Between Expected and Actual Experience	60,147	203,660	(401,382)	(394,776)	472,664	(648,148)	93,850	(200,732)	532,779	1,241,866
Changes of Assumptions	-	-	-	-	3,053,404	(3,073,225)	-	770,994	2,987,655	(3,106,300)
Benefit Payments, Including Refunds of Member Contributions	(4,183,854)	(2,056,068)	(3,548,319)	(592,887)	(5,958,871)	(3,275,611)	(6,216,378)	(2,609,164)	(2,635,443)	(2,265,241)
<b>Net Change in Total Pension Liability</b>	<b>805,566</b>	<b>3,336,135</b>	<b>1,746,872</b>	<b>4,944,913</b>	<b>3,969,197</b>	<b>(536,842)</b>	<b>470,684</b>	<b>4,862,028</b>	<b>7,891,334</b>	<b>3,036,310</b>
Total Pension Liability - Beginning	46,311,702	47,117,268	50,453,403	52,200,275	57,145,188	61,114,385	60,577,543	61,048,227	65,910,255	73,801,589
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 47,117,268</b>	<b>\$ 50,453,403</b>	<b>\$ 52,200,275</b>	<b>\$ 57,145,188</b>	<b>\$ 61,114,385</b>	<b>\$ 60,577,543</b>	<b>\$ 61,048,227</b>	<b>\$ 65,910,255</b>	<b>\$ 73,801,589</b>	<b>\$ 76,837,899</b>
Plan Fiduciary Net Position:										
Contributions - Employer	\$ 1,083,695	\$ 1,221,904	\$ 1,210,322	\$ 1,268,864	\$ 1,297,517	\$ 1,162,994	\$ 1,200,785	\$ 1,241,737	\$ 1,277,203	\$ 1,333,812
Contributions - Employee	826,530	977,358	968,242	1,015,076	995,733	904,534	933,930	965,781	993,363	1,037,393
Net Investment Income	4,021,918	1,129,768	3,829,746	7,532,245	(992,732)	11,399,215	7,643,418	11,836,299	(11,107,781)	11,491,238
Benefit Payments, Including Refunds of Member Contributions	(4,183,854)	(2,056,068)	(3,548,319)	(592,887)	(5,958,871)	(3,275,611)	(6,216,378)	(2,609,164)	(2,635,443)	(2,265,241)
Administrative Expense	(195,512)	(83,192)	(76,138)	(113,556)	(135,101)	(144,638)	(144,449)	(151,927)	(188,934)	(203,605)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,552,777</b>	<b>1,189,770</b>	<b>2,383,853</b>	<b>9,109,742</b>	<b>(4,793,454)</b>	<b>10,046,494</b>	<b>3,417,306</b>	<b>11,282,726</b>	<b>(11,661,592)</b>	<b>11,393,597</b>
Plan Fiduciary Net Position - Beginning	47,921,129	49,473,906	50,663,676	53,047,529	62,157,271	57,363,817	67,410,311	70,827,617	82,110,343	70,448,751
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 49,473,906</b>	<b>\$ 50,663,676</b>	<b>\$ 53,047,529</b>	<b>\$ 62,157,271</b>	<b>\$ 57,363,817</b>	<b>\$ 67,410,311</b>	<b>\$ 70,827,617</b>	<b>\$ 82,110,343</b>	<b>\$ 70,448,751</b>	<b>\$ 81,842,348</b>
Net Pension Liability (Asset) - Ending (a) - (b)	\$ (2,356,638)	\$ (210,273)	\$ (847,254)	\$ (5,012,083)	\$ 3,750,568	\$ (6,832,768)	\$ (9,779,390)	\$ (16,200,088)	\$ 3,352,838	\$ (5,004,449)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	105.00%	100.42%	101.62%	108.77%	93.86%	111.28%	116.02%	124.58%	95.46%	106.51%
Covered Payroll	\$ 10,331,622	\$ 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
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-22.81%	-1.98%	-6.90%	-41.02%	28.23%	-52.63%	-74.65%	-117.04%	23.04%	-33.29%

See accompanying Notes to Required Supplementary Information.

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

	Year Ended December 31,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution	\$ 2,086,941	\$ 2,106,242	\$ 2,403,087	\$ 2,367,541	\$ 2,464,185	\$ 2,489,100	\$ 2,342,561	\$ 2,221,858	\$ 2,621,487	\$ 2,767,394
Actual Contribution	1,910,225	2,199,262	2,178,564	2,283,940	2,293,250	2,067,528	2,134,715	2,207,518	2,333,927	2,371,205
Contribution Deficiency (Excess)	<u>\$ 176,716</u>	<u>\$ (93,020)</u>	<u>\$ 224,523</u>	<u>\$ 83,601</u>	<u>\$ 170,935</u>	<u>\$ 421,572</u>	<u>\$ 207,846</u>	<u>\$ 14,340</u>	<u>\$ 287,560</u>	<u>\$ 396,189</u>
Covered Payroll	\$ 10,331,622	\$ 10,615,561	\$ 12,279,948	\$ 12,219,765	\$ 13,284,225	\$ 12,981,772	\$ 13,100,839	\$ 13,841,961	\$ 14,553,534	\$ 15,032,013
Actual Contribution as a Percent of Covered Payroll	18.49%	20.72%	17.74%	18.69%	17.26%	15.93%	16.29%	15.95%	16.04%	15.77%

*See accompanying Notes to Required Supplementary Information.*



**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2024**

**NOTE 1 CHANGES IN BENEFIT TERMS**

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

**NOTE 2 CHANGES IN ASSUMPTIONS**

There have been no actuarially material changes to the Plan assumptions since the prior actuarial valuation, except for a change in the discount rate from 5.33% to 6.00%.

**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*

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 POSTION  
JUNE 30, 2024**

	Pension Fund (12/31/23)	Supplemental Executive Retirement Plan	Total
<b>ASSETS</b>			
Investments Held in Trust at Fair Value	\$ 81,842,348	\$ 426,431	\$ 82,268,779
Total Assets	<u>81,842,348</u>	<u>426,431</u>	<u>82,268,779</u>
<b>LIABILITIES</b>			
Accrued Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>FIDUCIARY NET POSITION</b>			
Restricted for:			
Pension Benefits	81,842,348	426,431	82,268,779
Total Net Position	<u><u>\$ 81,842,348</u></u>	<u><u>\$ 426,431</u></u>	<u><u>\$ 82,268,779</u></u>

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
SUPPLEMENTARY INFORMATION  
COMBINING PENSION TRUST FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSTION  
YEAR ENDED JUNE 30, 2024**

	Pension Fund (12/31/23)	Supplemental Executive Retirement Plan	Total
<b>ADDITIONS:</b>			
Contributions	\$ 2,371,205	\$ -	\$ 2,371,205
<b>INVESTMENT EARNINGS:</b>			
Interest Earned on Investments	2,829,838	-	2,829,838
Net Increase in Fair Value of Investments	9,607,704	66,713	9,674,417
Total Loss for Investment Activities	12,437,542	66,713	12,504,255
<b>DEDUCTIONS:</b>			
Benefit Payments	3,203,321	-	3,203,321
Administrative Fees	224,949	-	224,949
Total Deductions	3,428,270	-	3,428,270
<b>CHANGE IN NET POSTION</b>	11,380,477	66,713	11,447,190
Net Position - Beginning of Year	70,461,871	359,718	70,821,589
<b>NET POSTION - END OF YEAR</b>	<u>\$ 81,842,348</u>	<u>\$ 426,431</u>	<u>\$ 82,268,779</u>



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

Board of Directors  
Metropolitan Washington Council of Governments  
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, 2024, and the related notes to the financial statements, which collectively comprise the MWCOC's basic financial statements, and have issued our report thereon dated December 31, 2024.

**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.

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

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 31, 2024



**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, 2024. 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, 2024.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 31, 2024



**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2024**

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
<b>U.S. Department of Agriculture</b>				
Urban and Community Forestry Program	10.675		\$ -	\$ 97,044
Total U.S. Department of Agriculture			-	97,044
<b>U.S. Department of Transportation</b>				
Airport Improvement Program	20.106		-	350,801
<i>Transit Services Programs Cluster:</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		2,064,122	4,452,985
with Disabilities			-	19,551
COVID-19 - Enhanced Mobility of Seniors and Individuals			-	9,228
with Disabilities			2,064,122	4,481,764
Public Transportation Innovation Program	20.530		-	114,470
Total U.S. Department of Transportation			2,064,122	4,947,035
<b>U.S. Department of Homeland Security</b>				
Homeland Security Grant Program	97.067			
Safety and Justice				
NCR HS Program Staff Support		22UASI117-01	-	339,108
NCR HS Program Staff Support		23UASI117-01	-	1,046,119
Situational Awareness Software		20UASI117-04	-	49,383
Metro Rail Response Kits		20UASI117-05	-	5,136
NCRnet Router Refresh		20UASI117-08	-	542,715
Bomb Squad Protect Equipm		20UASI117-09	-	674,868
Regional Comm Study Cont		20UASI117-11	-	50,103
RAPID Database Sustainmen		21UASI117-03	-	194,888
Metro Rail Response Kits		21UASI117-04	-	209,813
Bomb Squad Training Sub		21UASI117-05	-	106,475
Situational Awar Software		21UASI117-06	-	149,443
Rapid Database Sustainmen		22UASI117-02	-	778,971
NCR Radio Interoperabilit		22UASI117-03	-	1,602,423
PMARS Replacement		22UASI117-04	-	378
CBRNE Detection		23UASI117-02	-	463,204
Total Homeland Security Grant Program			-	6,213,027

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, 2024**

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
<b>U.S. Department of Homeland Security (Continued)</b>				
Emergency Management Agency				
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	19RCPG117-01	\$ -	\$ 733,191
Securing the Cities Program	97.106			
STC Program Continuation		I7STC117-02	-	1,581,788
STC Program Continuation		20STC117-01	-	1,458,400
Total Securing the Cities Program			-	3,040,188
Total U.S. Department of Homeland Security			-	9,986,406
<i>Research and Development Cluster:</i>				
<b>U.S. Department of Transportation</b>				
Highway Research and Development Program	20.200		56,229	412,823
Total U.S. Department of Transportation			56,229	412,823
<b>U.S. Department of Defense</b>				
Community Economic Adjustment Assistance for Responding to	12.003		-	69,456
Total U.S. Department of Defense			-	69,456
Total Research and Development Cluster			56,229	482,279
Total Expenditures of Federal Awards			\$ 2,120,351	\$ 15,512,764

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, 2024**

**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, 2024. 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, 2024**

**NOTE 5    CONTRACTS WITH STATE AND LOCAL GOVERNMENTS CONTAINING FEDERAL FUNDS**

Under § 200.331, *Subrecipient and Contractor Determinations* of 2 CFR Part 200, Uniform Guidance explains that MWCOG may concurrently receive federal awards as a recipient, a subrecipient, and a contractor on the substance of its agreements with federal awarding agencies and pass-through entities. Therefore, a case-by-case determination of whether each agreement casts MWCOG's role as a subrecipient or a contractor is required to ensure the completeness of the Schedule. MWCOG enters into several agreements where the relationship has been determined, based on § 200.331(b), to be a contractor to provide services to federal programs where state and local governments are responsible for compliance with the federal program requirements. Those programs are excluded from the Schedule. These agreements do not have the characteristics of subrecipients, based on § 200.331(a) and appropriate notification under § 200.211, *Information Contained in a Federal Award* was not made.

**METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2024**

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

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
  - Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        x   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

***Federal Awards***

1. Internal control over major federal programs:
  - Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        x   none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes        x   no

***Identification of Major Federal Programs***

**Assistance Listing Number(s)**

97.067

**Name of Federal Program or Cluster**

Homeland Security Grant Program

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, 2024**

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

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

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

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

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

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**2023-001 – Securing the Cities Program**

**Suspension and Debarment**

**Significant Deficiency in Internal Control Over Compliance**

**Condition:** MWCOG did not determine the suspension and debarment status of vendors with expenditures exceeding \$25,000 as required by federal regulations.

**Status:** Corrective action was taken.



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