

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER



Jeffrey S. DeWitt
Chief Financial Officer

January 28, 2015

The Honorable Muriel Bowser
Mayor of the District of Columbia
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Bowser:

I am pleased to present the District of Columbia's Comprehensive Annual Financial Report (CAFR) for the fiscal year (FY) ended September 30, 2014. As required by law, the District's FY 2014 financial statements were examined by independent auditors. Based on the outcome of the audit performed, KPMG, LLP issued an unqualified (clean) opinion on the District's FY 2014 financial statements. This is the 18th consecutive year in which the District received a clean audit opinion on its annual financial statements.

The District maintained its strong financial position during FY 2014, although the year was not without challenges. FY 2014 began with a federal government shutdown, which affected economic activity in the District. As a result, we used our federal and locally mandated reserves to keep the government open and fully operational to serve the needs of residents during the shutdown period. These reserves were fully replenished once the federal government resumed operations and the District's FY 2014 budget was authorized.

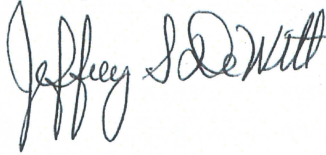
As of September 30, 2014, the District's "rainy day" funds increased to over \$863 million and our cumulative General Fund balance was \$1.87 billion, up from \$1.75 billion in FY 2013. The District's healthy financial position in FY 2014 was also evidenced by its strong bond ratings. Our Income Tax Secured (ITS) bonds were rated AA+ (Fitch Ratings), Aa1 (Moody's Investors Service) and AAA (Standard & Poor's Rating Service). Our General Obligation (GO) bonds ratings were AA (Fitch Ratings), Aa2 (Moody's Investors Service), and AA (Standard & Poor's Rating Service), reflecting upgrades from both Fitch and Standard & Poor's from AA-. Because of these strong ratings, the District was able to access the credit markets and issue \$819.7 million in GO bonds and \$252.8 million in ITS bonds at record low interest rates, making more funding available to support needed programs and services for residents. The proceeds of these bond sales were used to finance economic development initiatives, infrastructure enhancements, and other capital projects.

Looking to the future, the District's ability to enjoy healthy finances will require that we continue to utilize sound financial management practices and maintain fiscal discipline. To that end, the Office of the Chief Financial Officer (OCFO) will continue to develop sound quarterly revenue estimates and structurally balanced budgets to ensure that the District continues on the path of financial success. We will continue to be diligent in our efforts to prudently manage the District's financial resources. The

OCFO will continue to utilize sound business practices that incorporate strong and effective internal controls. We will produce accurate and reliable financial information, provide quality service to District residents and our government partners, and comply with applicable laws and regulations while striving to maximize operational efficiency.

The District's financial success is due to the dedication and hard work of many across the city, beginning with the leadership of our elected officials. I also wish to recognize the hard work of agency program and financial staff who contributed to the successful management and accounting of the District's financial resources in the past year. Through our collaborative efforts, the District was able to operate within budgetary constraints and timely issue its FY 2014 CAFR, resulting in a clean audit opinion.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey S. DeWitt". The signature is written in a cursive style with a large initial "J".

Jeffrey S. DeWitt