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

Jeffrey S. DeWitt
Chief Financial Officer

January 25, 2017

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

Dear Mayor Bowser:

It is my pleasure to present the District of Columbia's Comprehensive Annual Financial Report (CAFR) for the fiscal year (FY) ended September 30, 2016. Consistent with District law (D.C. Code §47-119), the city's FY 2016 financial statements have been examined by a team of independent accountants. I am happy to report that the independent accountants, SB & Company, LLC, issued an unmodified (clean) opinion on the District's FY 2016 financial statements. A clean opinion indicates that, as a result of their examination, the independent accountants found no material misstatements in the financial statements. An unmodified (or clean) audit opinion gives the Mayor, Council, District residents and other stakeholders assurance that the financial statements are accurate, reliable, and prepared in accordance with required standards. This marks the 20th consecutive year in which the District has received an unmodified (clean) opinion as a result of its annual financial audit.

As the CAFR for the year ended September 30, 2016 demonstrates, the District's financial position and economic condition remained strong during FY 2016. Job growth continued to be on the rise as the population and number of households within the District grew. In addition, during FY 2016, the District's unemployment rate decreased from 7.2% (revised seasonally adjusted) to 6.1%.

Due to the District's strong financial position, the city was able to further fortify its financial reserves. As of September 30, 2016, the District's federally and locally mandated reserves (the District's liquidity funds) increased by $180.3 million, an increase from 49 days of operating cash to 56.2 days, slightly below our target of 60 days. In addition, due to the District's demonstrated ability to sustain financial strength and stability, the District's bond ratings also remained strong in FY 2016. The FY 2016 ratings were as follows: *General Obligation (GO) Bonds*: Fitch Ratings, AA; Moody's Investors Service, Aa1; and Standard and Poor's, AA and *Income Tax Secured (ITS) Revenue Bonds*: Fitch Ratings, AA+; Moody's Investors Service, Aa1; and Standard and Poor's, AAA.

Having strong bond ratings allowed the District to access the credit markets and issue $431.8 million in GO Bonds and $95.6 million in ITS Revenue Bonds at very low interest rates in FY 2016. As a result, more funding was available for needed programs and services for District residents. The proceeds of these bonds were used to finance economic development initiatives, infrastructure improvements, and other capital projects.

Due to the District's sound financial management practices and sustained financial strength, in FY 2016, the city was also able to rely less heavily on short-term financing for seasonal operating needs. During

FY 2016, the District issued $250 million in Tax Revenue Anticipation Notes (TRANs), which was a reduction of $150 million from FY 2015 and significantly less than amounts issued in FY 2013 ($675 million) and FY 2014 ($405 million). Because the District is positioned extremely well financially, the city was able to build reserves to fund seasonal cash flow needs for FY 2017 without issuing TRANs, eliminating the costs associated with short-term borrowing.

The ability to maintain a "healthy financial outlook" will require that the District continue to utilize sound and proven financial management practices. The OCFO will continue to focus its efforts on achieving balanced budgets and clean audit opinions each year and maintaining the District's ability to access quality credit markets. In addition, we are committed to improving our financial operations by: improving the quality of service provided to residents and other stakeholders; improving the transparency and quality of financial information produced by the OCFO; effectively managing risk to prevent fraud; implementing quality financial systems; developing, recruiting, and retaining highly qualified employees; and managing fair and equitable systems and processes for collecting District revenues.

As the District's Chief Financial Officer, I would like to recognize the efforts of the city's elected officials and their staffs. Without their leadership, dedication and commitment, the District would not have achieved its current level of financial success. I also want to express my sincere gratitude to the financial staff working in the agencies, the central OCFO offices, as well as others across the city who have supported our efforts to successfully manage and account for the District's financial resources during the past year. Working together, collaboratively, we were able to operate within established budgetary constraints and issue the District's FY 2016 CAFR on time with a clean audit opinion. Congratulations to all and thank you for a job well done.

Sincerely,

Jeffrey S. DeWitt

Jeffrey S. DeWitt
Chief Financial Officer