

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



**Fitzroy Lee**  
Acting Chief Financial Officer

January 24, 2022

The Honorable Muriel Bowser  
Mayor of the District of Columbia  
1350 Pennsylvania Avenue, NW  
Washington, DC 20004

Dear Mayor Bowser:

I am proud to present the District of Columbia's Annual Comprehensive Financial Report (ACFR) for the fiscal year (FY) ended September 30, 2021. I am pleased to report that the city's financial health remained strong despite the impacts of the ongoing global pandemic. Through the hard work and efforts of many across the District, we were able to successfully close the city's books, timely complete the financial audit, and produce a top-quality ACFR.

A team of independent certified public accountants from the firm, McConnell & Jones, LLP, audited the FY 2021 ACFR, with the assistance of Regis & Associates, PC, UHY LLP, and the WERS Group. This was the second year in which this team conducted the city's financial audit. Based on the results of their audit procedures, the auditors issued an unmodified (clean) opinion on the District's FY 2021 financial statements. This opinion indicates that no material misstatements or errors were identified during the audit. This marks the 25th consecutive year in which the District has received such an opinion on its annual financial statements. In addition, for the seventh consecutive year, no material weaknesses or significant deficiencies in the District's internal controls were reported by the auditors. Receiving an unmodified opinion with no material weaknesses or significant deficiencies, while continuing to address challenges associated with the pandemic, is a significant accomplishment. As a result of this achievement, District residents and other stakeholders can be confident in knowing that the city's financial management and accounting practices are sound, and the financial information presented in the ACFR is accurate and in compliance with required standards.

As the FY 2021 ACFR indicates, the city was able to successfully navigate the persistent economic uncertainty that characterized FY 2021. The District's economy received a significant boost from federal relief payments and economic stimulus provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA) of 2021, as well as the monetary policies implemented by the Federal Reserve. These programs provided much-needed support to businesses and individuals and helped the local economy by lessening the impact of unemployment and increasing District income tax receipts. This infusion of federal resources, coupled with the District's prudent fiscal management practices, including the appropriate use of reserves, allowed the District to make needed services and programs available to District residents and businesses.

The District's economy showed signs of improvement by the end of the year after certain capacity restrictions were lifted and the city began "re-opening". Key economic data indicate that over the next year, the District's economy will continue to recover at a pace that is slightly below the national average. It will likely take until FY 2023 for employment to return to pre-pandemic levels. However, the District's unemployment rate as of September 2021 was 6.6%, down 2.1 percentage points from the revised seasonally adjusted rate of 8.7% reported a year earlier. Although the decline in unemployment indicates economic improvement, employment in the leisure and hospitality sector continued to be well below pre-pandemic levels in FY 2021. As such, the negative impact of the pandemic on business activity persists, primarily in the hospitality sector (hotels, restaurants, entertainment, and other retail sales). The rate of population growth in the District has slowed in recent years, and this trend was exacerbated by the Covid pandemic in FY 2021.

The District's bond ratings provide insight into the city's financial health. Bond ratings in FY 2021 remained high and were unchanged from the previous year. The District's *General Obligation (GO) Bond* ratings were as follows: Fitch Ratings, AA+; Moody's Investors Service, Aaa; and S & P Global Ratings, AA+; and *Income Tax Secured (ITS) Revenue Bonds* maintained the following ratings: Fitch Ratings, AA+; Moody's Investors Service, Aa1; and S & P Global Ratings, AAA. High credit ratings allow the District to access the markets and issue bonds at very low interest rates, maximizing the impact of its available resources to support critical investments in infrastructure, economic development, and other capital projects.

The amount held in the District's reserves may also be used as a gauge of the city's financial health and its ability to successfully meet current and future needs. As of September 30, 2021, the District's liquidity funds (federally and locally mandated reserves) totaled \$1.530 billion. This level of reserves equates to 60 days of operating cash that can be used to meet the District's on-going obligations and operations during a crisis or unforeseen emergency.

The District remained financially strong in FY 2021 through the continued partnership of its elected leadership and the Office of the Chief Financial Officer. As the city continues to recover from the economic, social, and public health impacts of COVID-19, we must continue to use sound and proven financial management practices to sustain operations and promote financial resilience. I am confident that we all remain firmly committed to successfully achieving this goal.

I would like to express my sincere gratitude to all District personnel, both program and financial, as well as other partners who worked collaboratively to manage and account for the District's financial resources. Without their commitment, the District would not have achieved the positive financial results of FY 2021. Working together, we were able to operate within budgetary constraints, successfully close the District's books, complete the annual financial audit, and prepare and issue the FY 2021 ACFR on time with an unmodified (clean) audit opinion. These are results of which we should all be very proud. They are proof that the District is and will remain financially strong!

Sincerely,



Fitzroy Lee  
Acting Chief Financial Officer