

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



Glen Lee
Chief Financial Officer

January 24, 2023

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

Dear Mayor Bowser:

I am pleased to present the District of Columbia's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2022 (FY 2022). Due to economic declines associated with the pandemic and ongoing uncertainty about their impact, the District continued to face challenges in FY 2022. I am happy to report, however, that the District's financial position remained strong. This was due to sound financial management practices, timely and effective decision-making, and the collaboration, cooperation, and hard work of many across the District government.

McConnell & Jones, LLP, a team of independent certified public accountants, audited the FY 2022 ACFR, with the assistance of Regis & Associates, PC and the WERS Group. This was the third year in which this team audited the District's ACFR. Based on the results of the audit procedures performed, the auditors issued an unmodified (clean) opinion on the District's FY 2022 financial statements.

The auditors, however, were unable to issue an opinion on the financial statements of the Washington Convention and Sports Authority (Events DC), a financial component unit of the District. During the fiscal year, Events DC was the subject of a ransom ware attack which resulted in the encryption and loss of a significant amount of detailed financial data from FY 2022. The auditors determined that without access to these data, they could not verify the accuracy of Events DC financial statements. This determination only applies to Events DC financial statements since financial data for the District and its other component units are stored in different information systems.

The unmodified opinion by the auditor on the District's financial statements indicates that the auditors found no material misstatements or errors in the statements of the primary government. Consequently, District residents and other stakeholders can be assured that the primary government's accounting and financial management practices are soundly based, and the information presented in the ACFR is reliable.

As the FY 2022 ACFR indicates, the District's finances remained strong due to several factors. The District continued to use prudent business and financial management practices throughout the year. Such practices along with the availability of healthy reserves and federal relief payments helped to sustain the local economy and District government operations. As a result, the District was able to appropriately address unforeseen needs and make needed services and programs available to District residents and businesses.

Key economic data indicate that the District's economic outlook has weakened. The District's population declined in 2022 by 18,328 or 2.7%, and we anticipate only modest population growth over the next five years without significant unforeseen demographic or economic developments. Employment within the District is not expected to reach 2019 (pre-pandemic) levels in the next five years due to slower growth in the hospitality sector and weak growth in federal, professional, and technical jobs. However, the District's unemployment rate improved in 2022. As of September 2022, the District's unemployment rate was 4.7 percent, down 1.8 percent from the revised seasonally adjusted rate of 6.5 percent reported a year earlier. Although this decline in unemployment is positive, tourism remained below pre-pandemic levels in FY 2022. Consequently, business activity in the hospitality sector (hotels, restaurants, entertainment, and other retail sales), continued to be negatively impacted.

Because the District's financial health is strong, the city is better equipped to address these economic challenges and other potential issues which may arise. The District's bond ratings in FY 2022 were high and remained 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+. Its *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 with low interest rates, maximizing resources available for programs and services as well as much-needed investments in infrastructure, economic development, and other capital projects.

The District's reserve levels is also an indicator of the city's financial strength. As of September 30, 2022, the District's liquidity funds (federally and locally mandated reserves) totaled \$1.679 billion. At this level, the District has the necessary resources to meet obligations and continue operations for a period of two months during times of emergency or to respond to unexpected events.

I would like to express my gratitude to all program and financial staff across the District, as well as other partners and stakeholders who worked closely with us to manage and account for the District's financial resources. As a result of the collective hard work, we were able to operate within budgetary constraints, close the primary government's books, complete the annual financial audit, and prepare and issue the FY 2022 ACFR on time with an unmodified (clean) audit opinion. I am confident that District leaders will remain vigilant in using sound and proven financial management practices to promote financial strength and stability in the coming years.

Sincerely,



Glen Lee
Chief Financial Officer