January 25, 2012

Dear Residents of the District of Columbia,

I am pleased to present the District of Columbia's (District) Fiscal Year 2011 Comprehensive Annual Financial Report (CAFR). Despite the on-going nationwide economic downturn, the District's finances remain strong. We completed Fiscal Year 2011 with a budgetary surplus of $240 million, resulting in a General Fund balance of $1.105 billion as of September 30, 2011, and the audit opinion is unqualified for the fifteenth consecutive year.

As in previous years, the District was able to continue to invest in neighborhoods and commercial projects and continues to be an attractive destination for visitors from all over the world. Our population has grown remarkably by more than 16,000 residents in the past year. We currently enjoy an "AAA" rating from Standard & Poor's on our Income Tax secured revenue bonds, with ratings of "AA+" and "Aa1" from Fitch Ratings and Moody's Investors Service, respectively. All three rating agencies have "stable" outlooks on the District's income tax bonds. These strong bond ratings allow the District to finance public capital projects such as schools, recreation facilities, streets and bridges and other critical needs at lower interest rates, which permits us to continue to improve both infrastructure and service delivery.

Because of measures taken over the last few years, the District is faring better in this national recession than most state and local governments, but we continue to face challenges. Revenues in Fiscal Year 2012 are projected to increase 6.5 percent. However, because the District will likely feel the negative effects of significant reductions in federal spending that will occur through the federal sequestration process as a result of last summer’s debt-ceiling compromise between President Obama and the Congress, the forecast for growth in FY 2013 and beyond is considerably slower. This will require more creative approaches to managing the budget. Despite these challenges, as "One City", we will continue to build on the success of the past to ensure financial stability in the years to come. My administration is committed to strengthening the District's financial position and will continue to improve the safety, health, and education of all of our residents.

We will continue to do what is needed to improve opportunities for all Washingtonians. With your continued support, we will continue to lift communities in every Ward and provide our children with a proud legacy, and a much brighter future.

Sincerely,

Vincent C. Gray