

**PUBLIC BRIEFING
ON THE
COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)
FOR FISCAL YEAR 2013**

**Before the
Committee of the Whole
Council of the District of Columbia**

The Honorable Phil Mendelson, Chairman

**February 5, 2014, 9:30 a.m.
Council Chambers, Room 500**



**Testimony of
Jeff DeWitt
Chief Financial Officer
Government of the District of Columbia**

Introduction

Good morning, Chairman Mendelson and members of the Committee of the Whole. I am Jeff DeWitt, Chief Financial Officer of the District of Columbia. I am pleased to sit before you today to report and discuss the Fiscal Year 2013 Comprehensive Annual Financial Report (CAFR). Seated with me is Deputy Chief Financial Officer Bert Molina of the Office of Financial Operations and Systems, who will assist in answering questions.

I am very pleased to report that the District continued its strong financial performance during Fiscal Year 2013. The positive results reflected in CAFR are due to the city's continued financial discipline and sound financial management practices. The significant details of our FY 2013 performance are outlined on the following pages.



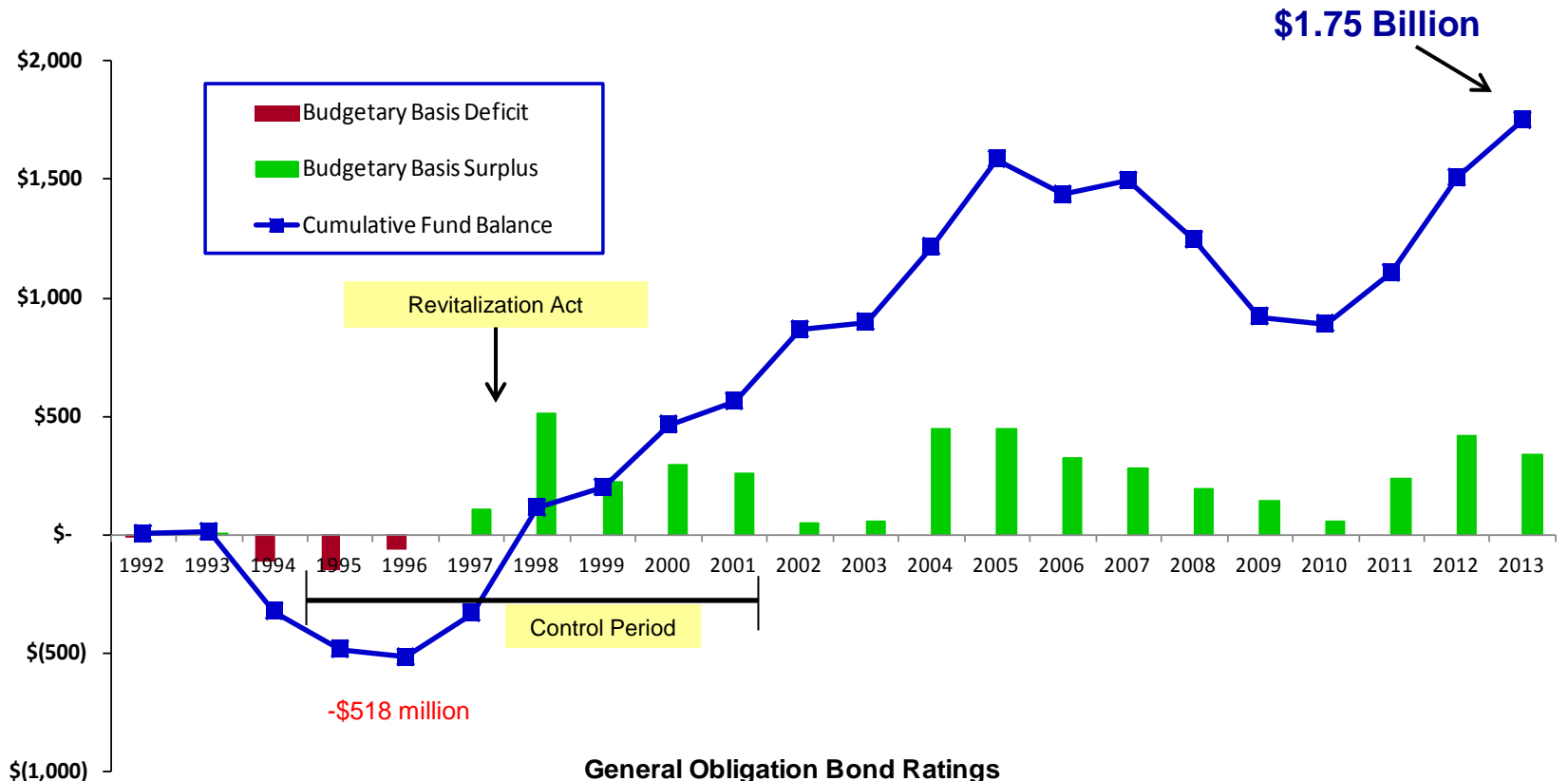
FY 2013 Comprehensive Annual Financial Report

January 2014



District of Columbia

District of Columbia Surplus and Bond Rating History



	General Obligation Bond Ratings																					
S&P:	A-	A-	A-	B	B	B	BB	BBB	BBB	BBB+	BBB+	A-	A-	A	A+	A+	A+	A+	A+	A+	AA-	
Moody's:	Baa	Baa	Baa	Ba	Ba	Ba2	Ba1	Baa3	Baa3	Baa1	Baa1	Baa1	Baa1	A2	A2	A2	A1	A1	A1	Aa2	Aa2	Aa2
Fitch:	A-	A-	BB	BB	BB	BB+	BBB	BBB	BBB+	BBB+	A-	A-	A	A	A+	A+	A+	AA-	AA-	AA-	AA-	

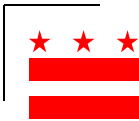
Income Tax Secured Revenue Bonds: S&P: AAA Moody's: Aa1 Fitch: AA+



FY 2013 CAFR Highlights

- **Clean Audit Opinion (17th Consecutive)**
- **General Fund revenues and sources exceeded expenditures by \$321 million on a budgetary basis**
 - *Revenues 2.7% or \$168 million above revised estimate*
 - *Expenditures 2.2% or \$153 million below revised budget*
- **\$1.75 Billion Cumulative General Fund Balance**
 - *Increase of \$242 million over FY 2012 fund balance (GAAP)**
 - *\$2.267 billion above lowest level of -\$518 million in FY 1996 during Control period*

* **General Fund Balance is required to be reported on the basis of Generally Accepted Accounting Principles, which require adjustments to the budgetary surplus.**



Explanation of the \$321 Million Surplus

Excess Revenue	Amount (\$ millions)
Property Taxes	\$76
Miscellaneous Revenue	66
Deed Taxes	63
Individual Income Taxes	62
O-type Surplus	36
Other Revenue	3
Business Taxes	(16)
Gross Receipts	(29)
Sales Taxes	(43)
Traffic Fines	(50)
Total	\$168
Underderspending	
Special Purpose (O-type)	\$82
Other Local Funds	46
Washington Metropolitan Area Transit Authority	7
Settlements and Judgments	5
Child and Family Services Agency	5
Repayment of Loans and Interest	4
Department of Human Services	4
Total	\$153
Grand Total, Surplus	\$321



Required Accounting Adjustments to Budget Surplus

	(\$ in Millions)
Budgetary Surplus	\$321.0
Less: New Accounting Standards for Loan Repayments (GASB 63 & 65)	(37.2)
Accounting Changes to Reclassifying Fund Balance to Capital (e.g. Tobacco Fund Interest)	(26.7)
Other Required Accounting Adjustments	<u>(14.6)</u>
GAAP Surplus	<u>\$242.0</u>

Note: Numbers may not add due to rounding



Composition of General Fund Balance

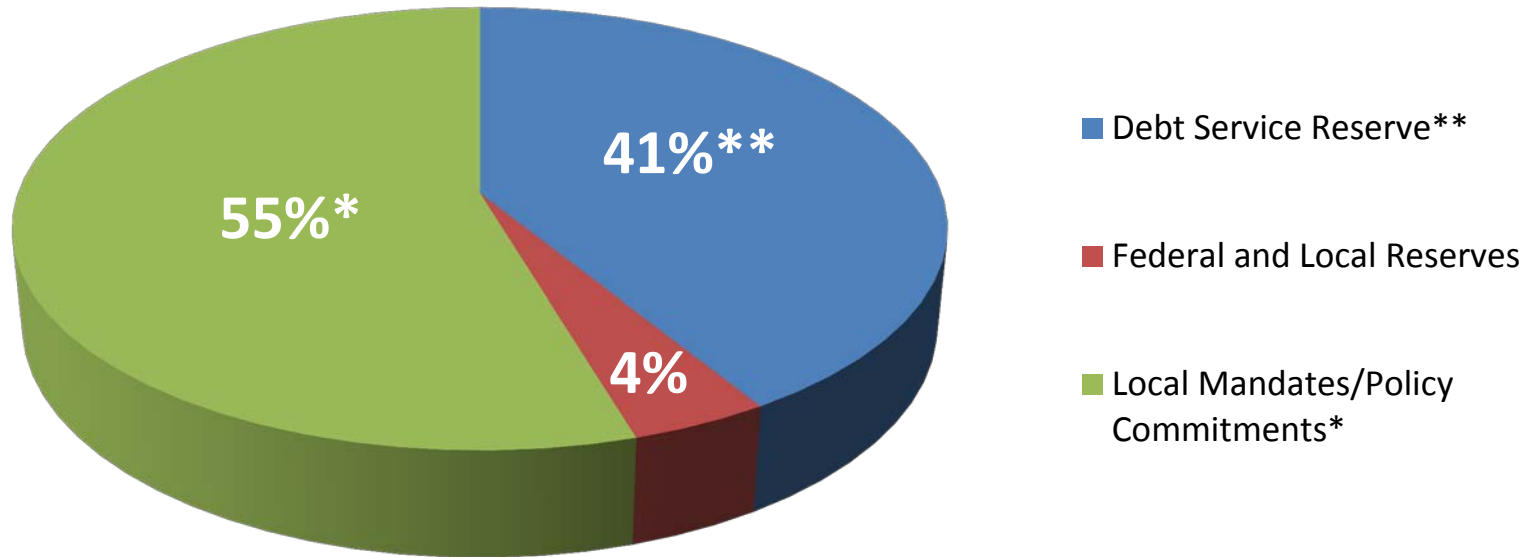
FY 2007 – FY 2013

(\$ in millions)





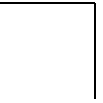
Where the Surplus Went



*Examples of Reserve Increases

- O-type Funds
- Fixed Cost Reserve (utilities, rent, etc.)
- WMATA
- Adult Training
- Workers' Compensation Fund
- Bike Sharing Fund
- Sustainable Transportation Fund
- Storm Water Fund
- Youth Jobs Fund
- Revenues Set Aside for Use in 2014

**Relates to Debt Service for financing Public Schools, Parks & Recreation, Transit and Economic Development.

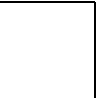


Discussion of Reserve Requirements



Locally and Congressionally Mandated Reserves

Reserves	% of Expenditure/ Budget	Amount (\$ in Millions)	Status
Emergency	2%	\$ 112.1	Full
Contingency	4%	227.4	Full
Fiscal Stabilization	2.34%	156.1	Full
Cash Flow	8.33%	295.4	52%
Total		\$791	



Other Indicators of the District's Financial Strength



Summary of the District's Financial Position

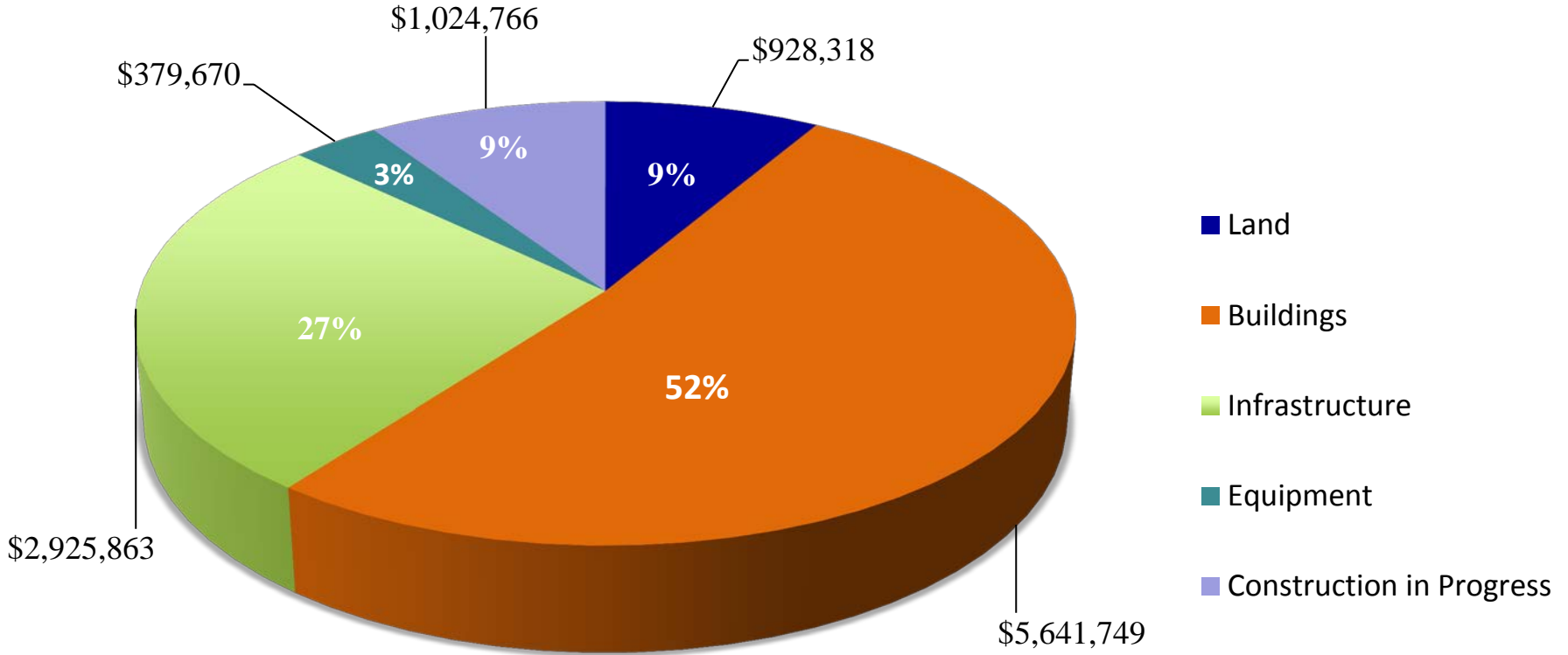
(\$ in Thousands)

Total Assets (cash, grants, capital assets, etc.)	\$16,085,205
Total Liabilities (short and long-term)	(12,357,235)
Total Net Position	\$3,727,970

Capital Assets

\$10,900,366

(\$ in Thousands)



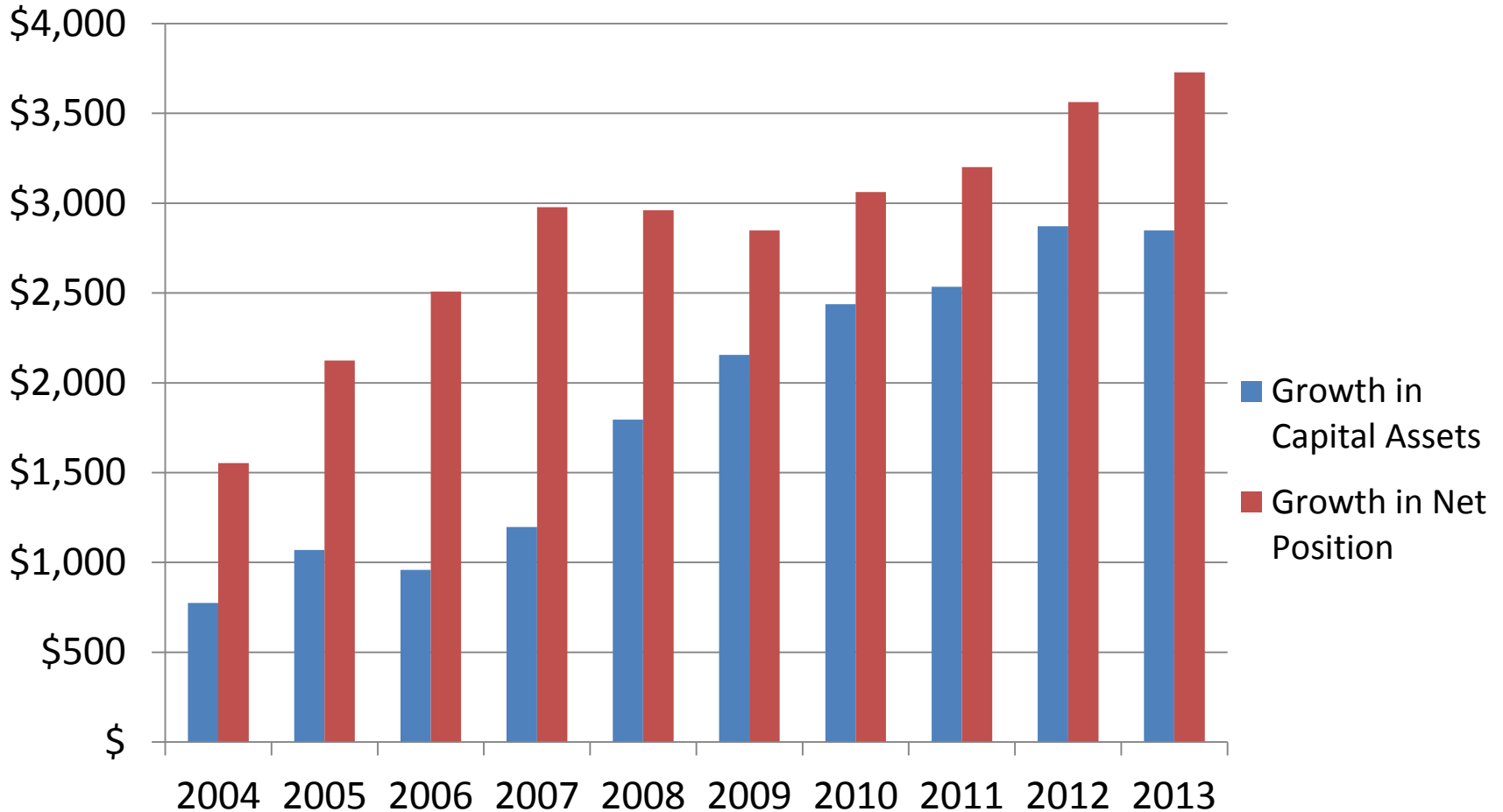


Summary of the District's Financial Position

Trend in Net Position and Capital Assets

2004-2013

\$ in Millions



Note: Continued upward trend in both Net Position and Capital Assets indicates a strong financial position.



Well-Funded Pensions and Other Post Employment Benefits

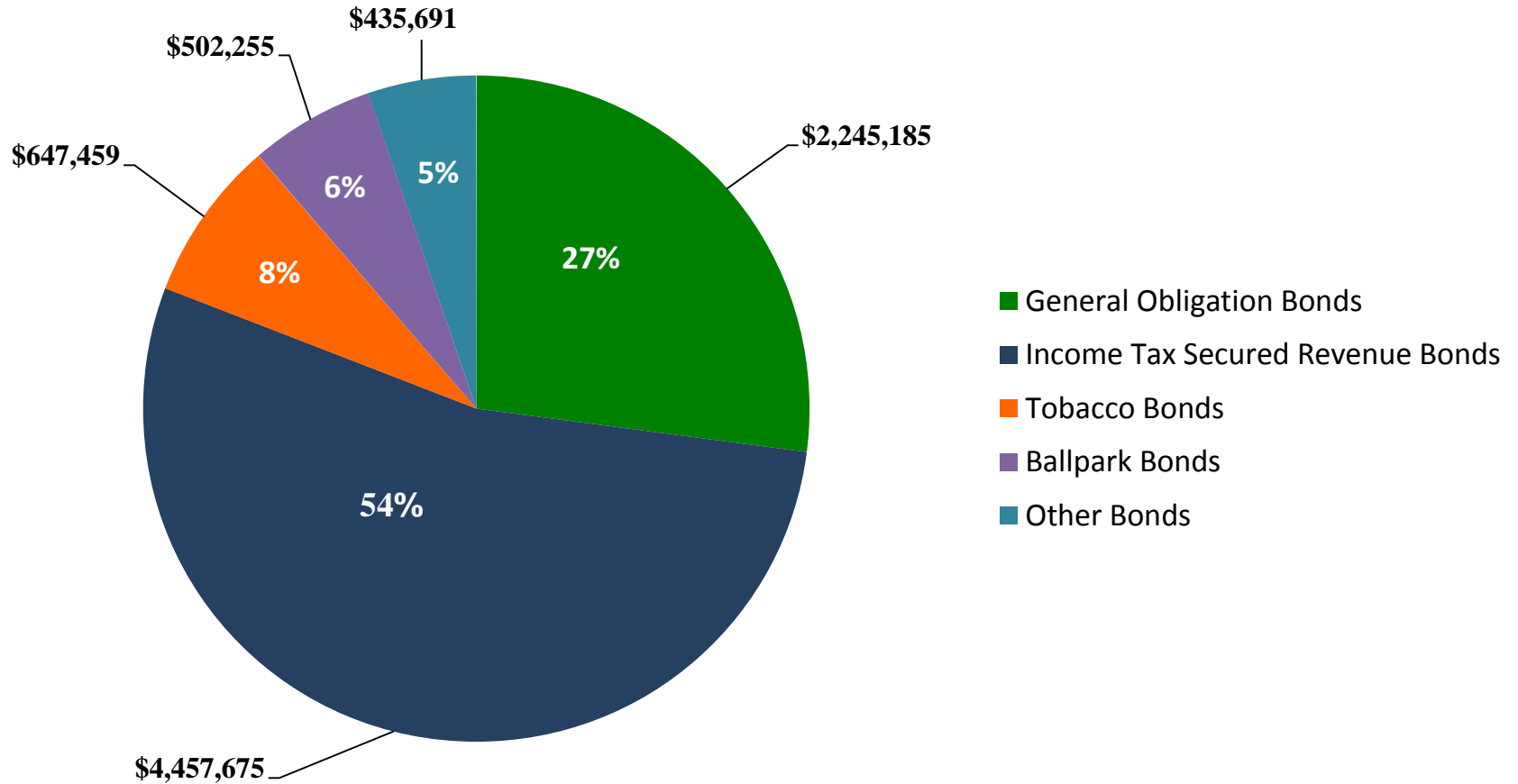
(\$ in Thousands)

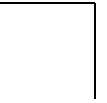
Trust Fund	Fiscal Year 2013	Fiscal Year 2012	Percentage Variance	Percentage Funded
Police, Fire and Teachers Pensions	\$5,790,832	\$5,185,340	9%	104.9%
Other Postemployment Benefits	897,815	693,344	29.5%	75%
Total Net Position	\$6,688,647	\$5,878,684	13.8%	



Outstanding Bond Debt

\$8,288,265
(\$ in Thousands)





Preliminary External Audit Review



Preliminary External Audit Review

- No Material Weaknesses
- Auditors have not finalized report
(report will be available the week of February 10th)
- Four potential significant deficiencies



Preliminary External Audit Review

Potential Significant Deficiencies

- Procurement
- Information Technology
- Capital Assets (Timely Booking of Assets from Work in Progress)
- Cash and Investments (Timely Reconciliation of Two Payments and Timely Closing of Dormant Bank Accounts)



Preliminary Yellow Book Findings

Plan of Action

Procurement and Information Technology

- Follow-up meetings scheduled with responsible agency to develop remediation plan

Capital Assets

- Implemented policies and procedures for closing out capital projects
- Currently hiring for vacant positions to ensure timely recording of assets

Cash and Investments Reconciliation

- Unreconciled items identified during audit have been reconciled
- Increased supervisory focus on timely reconciliation and dormant bank account closing
- Office of Integrity and Oversight (OIO) currently conducting an in-depth audit to verify that issues have been resolved and to provide recommendations to the CFO



Summary FY 2013 CAFR

District Maintains and Enhances Strong Financial Position

- Clean/Unqualified Audit Opinion
- Yellow Book Released the Week of February 10th
Comprehensive Follow-up will be Conducted
- General Fund Balance Increased to \$1.75 Billion
- Federal and Local Reserves Increased to \$791 Million
- Continued Strong and Enhanced Credit Ratings