

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**DISTRICT DEPARTMENT OF TRANSPORTATION**

**REPORT ON THE EXAMINATION  
OF THE DISTRICT OF COLUMBIA'S  
HIGHWAY TRUST FUND  
FORECAST STATEMENTS FOR  
FISCAL YEARS 2007 - 2011 WITH ACTUAL  
AUDITED FIGURES FOR FY 2006**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



May 31, 2007

Emeka C. Moneme  
Director  
District Department of Transportation  
2000 14<sup>th</sup> Street, N.W., 6<sup>th</sup> Floor  
Washington, D.C. 20009

Natwar M. Gandhi  
Chief Financial Officer  
Office of the Chief Financial Officer  
The John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Room 209  
Washington, D.C. 20004

Dear Mr. Moneme and Dr. Gandhi:

The Office of the Inspector General has completed an examination of the District of Columbia Highway Trust Fund's 5-year forecast of expenditure conditions and operations. The District Department of Transportation and the Office of the Chief Financial Officer administer the Highway Trust Fund (Fund) for the District of Columbia government and are responsible for preparing the forecast.

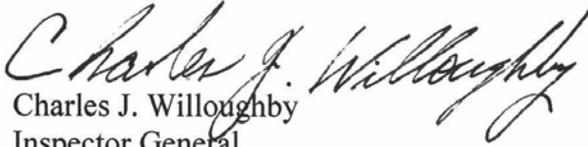
Our examination included a review of existing processes, policies, and controls for the purpose of expressing an opinion on the accompanying forecasted statements. Although we found no instances of noncompliance that would be reportable under generally accepted government auditing standards, the objective of our review was not to provide an opinion on overall compliance with such provisions.

In our opinion, the forecasted statements referred to above are presented in conformity with guidelines for presentation of forecasted information established by the American Institute of Certified Public Accountants. The underlying assumptions made and methodologies used to develop the statements provide a reasonable basis for the 5-year forecast.

Mr. Moneme and Dr. Gandhi  
Highway Trust Fund Forecast  
May 31, 2007  
Page 2 of 4

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have questions, please call William J. DiVello, Assistant Inspector General for Audits, or me at (202) 727-2540.

Sincerely,

  
Charles J. Willoughby  
Inspector General

CJW/js

Enclosure

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**REPORT ON THE EXAMINATION OF THE  
DISTRICT OF COLUMBIA’S HIGHWAY TRUST FUND  
FORECAST STATEMENTS FOR FISCAL YEARS 2007 – 2011  
WITH ACTUAL AUDITED FIGURES FOR FY 2006**

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



Auditor's Report on Forecast Statements

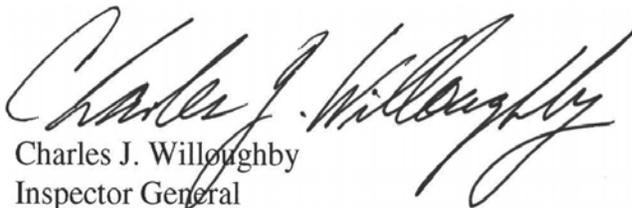
To the Director, Department of Transportation, Government of the District of Columbia; and  
Chief Financial Officer, Government of the District of Columbia:

In accordance with D. C. Code § 9-109.02(e), the Office of the Inspector General has completed an examination of the District of Columbia Highway Trust Fund's 5-year forecast of expenditure conditions and operations for the forecast period fiscal year 2007 through fiscal year 2011. The District Department of Transportation and the Office of the Chief Financial Officer are responsible for producing the forecast. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Highway Trust Fund's 5-year forecast of expenditure conditions and operations (HTF forecast) and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The HTF forecast projects deficits for the fiscal years 2009 through 2011. However, if actual funding is insufficient during those years, the District Department of Transportation plans to push back or delay approved projects to avoid deficit spending.

In our opinion, the accompanying HTF forecast is presented in conformity with the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

  
Charles J. Willoughby  
Inspector General  
May 31, 2007

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(\$000s)**

	D.C.			D.C.		
	Highway Trust Fund FY 2006	Federal Aid FY 2006	Total FY 2006	Highway Trust Fund FY 2007	Federal Aid FY 2007	Total FY 2007
<b>ESTIMATED FUNDING</b>						
Beginning Balance	\$ 20,731	\$414,120	\$ 434,851	\$ 7,201	\$ 416,550	\$ 423,751
Motor Fuel Tax Revenues	24,960		24,960	26,844		26,844
Parking Revenues	3,586		3,586	2,614		2,614
Public Space Rentals	918		918	6,114		6,114
Rights-of-Way Rental Fees	1,670		1,670	6,697		6,697
Operating Account Surplus				7,149		7,149
Interest Income	856		856	337		337
Federal Aid Apportionment	0	112,408	112,408		126,498	126,498
<b>Total Revenues</b>	<u>52,721</u>	<u>526,528</u>	<u>579,249</u>	<u>56,956</u>	<u>543,048</u>	<u>600,004</u>
<b>ESTIMATED USES</b>						
Project Management	2,505	12,032	14,537	7,363	33,474	40,837
Non-Participating Cost	26,260		26,260	2,992		2,992
Design, Site, Construction and Equipment Cost	<u>16,755</u>	<u>97,946</u>	<u>114,701</u>	<u>39,512</u>	<u>206,275</u>	<u>245,787</u>
<b>Total Expenditures</b>	<u>45,520</u>	<u>109,978</u>	<u>155,498</u>	<u>49,867</u>	<u>239,749</u>	<u>289,616</u>
<b>ENDING BALANCE</b>	<u>\$ 7,201</u>	<u>\$ 416,550</u>	<u>\$ 423,751</u>	<u>\$ 7,089</u>	<u>\$ 303,299</u>	<u>\$ 310,388</u>

The accompanying notes are an integral part of these financial statements.

**REPORT ON THE EXAMINATION OF THE  
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	D.C.			D.C.		
	Highway Trust Fund FY 2008	Federal Aid FY 2008	Total FY 2008	Highway Trust Fund FY 2009	Federal Aid FY 2009	Total FY 2009
<b>ESTIMATED FUNDING</b>						
Beginning Balance	\$ 7,089	\$ 303,299	\$ 310,388	\$ 8,754	\$240,573	\$249,327
Motor Fuel Tax Revenues	26,938		26,938	27,032		27,032
Parking Revenues	2,744		2,744	2,908		2,908
Public Space Rentals	3,430		3,430	3,502		3,502
Rights-of-Way Rental Fees	6,697		6,697	6,697		6,697
Operating Account Surplus						
Interest Earnings	378		378	75		75
Federal Aid Apportionment		122,059	122,059		123,856	123,856
<b>Total Revenues</b>	<u>47,276</u>	<u>425,358</u>	<u>472,634</u>	<u>48,968</u>	<u>364,429</u>	<u>413,397</u>
<b>ESTIMATED USES</b>						
Project Management	3,498	22,157	25,655	6,877	36,964	43,841
Non-Participating Cost	3,109		3,109	5,167		5,167
Design, Site, Construction and Equipment Cost	<u>31,915</u>	<u>162,628</u>	<u>194,543</u>	<u>48,066</u>	<u>240,517</u>	<u>288,583</u>
<b>Total Expenditures</b>	<u>38,522</u>	<u>184,785</u>	<u>223,307</u>	<u>60,110</u>	<u>277,481</u>	<u>337,591</u>
<b>ENDING BALANCE</b>	<u>\$ 8,754</u>	<u>\$ 240,573</u>	<u>\$ 249,327</u>	<u>\$ (11,142)</u>	<u>\$ 86,948</u>	<u>\$ 75,806</u>

The accompanying notes are an integral part of these financial statements.

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	<b>D.C. Highway Trust Fund FY 2010</b>	<b>Federal Aid FY 2010</b>	<b>Total FY 2010</b>	<b>D.C. Highway Trust Fund FY 2011</b>	<b>Federal Aid FY 2011</b>	<b>Total FY 2011</b>
<b>ESTIMATED FUNDING</b>						
Beginning Balance	\$ (11,142)	\$ 86,948	\$ 75,806	\$ (2,459)	\$56,101	\$53,642
Motor Fuel Tax Revenues	27,221		27,221	27,221		27,221
Parking Revenues	3,072		3,072	3,237		3,237
Public Space Rentals	3,575		3,575	3,727		3,727
Rights-of-Way Rental Fees	6,697		6,697	6,697		6,697
Operating Account Surplus						
Interest Income						
Federal Aid Apportionment		123,856	123,856		123,856	123,856
<b>Total Revenues</b>	<u>29,423</u>	<u>210,804</u>	<u>240,227</u>	<u>38,423</u>	<u>179,957</u>	<u>218,380</u>
<b>ESTIMATED USES</b>						
Project Management	3,145	21,862	25,007	4,032	16,211	20,243
Non-Participating Cost	2,596		2,596	3,134		3,134
Design, Site, Construction and Equipment Cost	26,141	132,841	158,982	34,533	93,594	128,127
<b>Total Expenditures</b>	<u>31,882</u>	<u>154,703</u>	<u>186,585</u>	<u>41,699</u>	<u>109,805</u>	<u>151,504</u>
<b>ENDING BALANCE</b>	<u>\$ (2,459)</u>	<u>\$ 56,101</u>	<u>\$ 53,642</u>	<u>\$ (3,276)</u>	<u>\$ 70,152</u>	<u>\$ 66,876</u>

The accompanying notes are an integral part of these financial statements.

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## **OVERVIEW**

This report summarizes the Office of the Inspector General's (OIG) review of the District of Columbia Highway Trust Fund's (Fund) 5-year forecast of expenditures, conditions, and operations (HTF forecast). The objective of our review was to evaluate the underlying assumptions made and methodologies used to develop the statements. These statements are used to provide a reasonable basis for the HTF forecast of the District's ability to meet future local matching requirements under the Federal Highway Administration Program for capital improvements to the District's transportation structure. We conducted our examination in accordance with the American Institute of Certified Public Accountants standards and *Government Auditing Standards* for attestation engagements and included such tests as we considered necessary under the circumstances. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

## **BACKGROUND**

D.C. Code § 9-109.02(e) (2001) requires the OIG to examine the statements of the Highway Trust Fund's expected conditions and operations for the next 5 years to determine the District's ability to meet future local matching requirements under the Federal Highway Administration Program for capital improvements to the District's transportation structure.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **BASIS OF PRESENTATION**

Government fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is a separate accounting classification with a self-balancing set of accounts.

The Fund is a governmental fund used to account for the monies from motor vehicle fuel taxes and other fees that are held in escrow by the District for the District's share of federal-aid highway projects. The District accounts for the construction of federal-aid highway projects, which are primarily financed by the U. S. Department of Transportation's Federal Highway Administration (FHWA) grants, in the Capital Projects Fund. The Capital Projects Fund is reimbursed from monies in the Fund to cover the District's share of the federal-aid highway projects.

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**BASIS OF ACCOUNTING**

The modified accrual basis of accounting is used to account for the Fund. Under the modified accrual basis of accounting, revenues are recognized when they become both “measurable” and “available.” Measurable means the amount of the transaction can be determined and available means monies are collectible within the current period, or soon thereafter, to be used to pay liabilities of the current period.

Those revenues susceptible to accrual include excise taxes and interest. Excise taxes are recognized when the sale and use take place. Interest is recognized as revenue through the passage of time.

**MANAGEMENT ASSUMPTIONS**

The District Department of Transportation (DDOT) annually prepares a 6-year forecast for the Highway Trust Fund (Fund), which is part of the Capital Improvement Plan of the District. Five years of this forecast are included in our examination. The current forecast reflects management’s judgment regarding the expected conditions, operations, and course of action for the Fund as of May 18, 2007. The assumptions disclosed herein are those that management believes are significant to the Fund forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently change due to the nature of the activities covered by the Fund (major design and construction), and those differences may be material.

The Fund forecasted statements are based on the following assumptions:

- The “D.C. Highway Trust Fund” columns represent dedicated local revenue estimates from motor fuel excise taxes, parking and storing vehicles sales and use tax in excess of \$30 million, incremental increases in public rights-of way rental fees, incremental increases in public rental fees on surface and subsurface fuel oil vaults, 80 percent of DDOT’s Operating Fund ending balance (surplus) from the previous fiscal year, and interest earnings.
- The “Federal Aid” columns represent the federal aid commitment balances and projection of matching grants for known highway projects.

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- The FY 2006 amounts are based on actual amounts included in the Fund's audited financial statements prepared by the OIG and issued February 1, 2007. The amounts include the beginning Highway Trust Fund balances for the local share and federal aid. The local share equals the audited fund balance as of September 30, 2005 (beginning October 1, 2005, balance), plus the FY 2006 collections and receivables as of September 30, 2006, less the FY 2006 payments and audited outstanding liabilities (payables and accruals) as of September 30, 2006.
- Interest earnings are estimated using a 4.75 percent annual interest rate on the monthly average Fund balance. Management does not calculate interest when the monthly Fund balance is negative.
- The estimated uses for project management, non-participating costs, design, site construction, and equipment costs are based on the actual estimated completion date for the phase of each federal-aid highway project. The project management and design, site, construction, and equipment costs that are eligible for matching federal aid are allocated based on the federal and local share of each individual project. The non-participating costs are those costs that are not eligible for federal aid match and include overhead construction engineering costs, and construction enhancements not covered by FHWA.

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**NOTES TO FORECAST STATEMENTS****ESTIMATED FUNDING**

Beginning Balance – The beginning balance for FY 2006 consists of the actual FY 2005 ending Fund balance carried forward for FY 2006. In each subsequent fiscal year, the beginning balance is the ending balance brought forward from the prior fiscal year.

Interest Earnings – Interest earnings consist of the estimated annual earnings, calculated at a rate of 4.75 percent, on the beginning balance plus annual revenues minus expenditures.

Revenues –Dedicated revenues are estimated excise tax earned on motor fuel sold in the District plus interest earnings. Additionally, estimates from new sources of dedicated revenue to the Fund are from:

- parking and storing vehicles sales and use tax in excess of \$30 million,
- incremental increases of public rights-of-way rental fees,
- incremental increases of public rental fees on surface and subsurface fuel oil vaults, and
- 80 percent of DDOT's Operating Fund surplus from the previous fiscal year (80 percent of DDOT's FY 2006 surplus is scheduled to be transferred to the Highway Trust Fund during FY 2007.

Federal Aid Apportionment - Federal funding is provided to all states and the District of Columbia by legislation enacted by Congress and administered through the Federal Highway Administration (FHWA). Current legislation provides apportionments through FY 2009, with each remaining year of the forecast using the FY 2009 apportionment amount.

**ESTIMATED USES**

Project Management Costs – These costs are annual estimated costs for salaries of in-house employees and contracted construction management services.

Non-Participating Costs – These costs are annual estimated costs not eligible for matching federal aid and include labor/overhead costs and construction enhancements not covered by the FHWA.

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Estimated Design, Site, Construction, and Equipment Costs – These costs are annual estimated eligible costs on current and proposed new projects.

**ENDING BALANCE**

The ending balance each year is determined by adding the amount of HTF forecasted revenues, less the use of funds to the beginning balance. The ending balance is carried over to the following fiscal year as the beginning balance.

**FORECASTED DEFICIT**

In fiscal years 2009, 2010, and 2011, deficit spending in the Fund is projected based on current revenue assumptions and expenditures for approved and proposed projects. Because expenditures can not exceed appropriations, DDOT is working with the City Council to create legislation that would direct additional sources of revenue to the Highway Trust Fund. If no new funding sources are available, DDOT will modify the spending plan by postponing the start of projects.