

**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 2008 - 2012 WITH ACTUAL  
AUDITED FIGURES FOR FY 2007**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

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

Inspector General



May 30, 2008

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 30, 2008  
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,

A handwritten signature in cursive script that reads "Charles J. Willoughby". The signature is written in black ink and is positioned to the right of the typed name.

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 2008 – 2012  
WITH ACTUAL AUDITED FIGURES FOR FY 2007**

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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 2008 through fiscal year 2012. 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 under the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The HTF forecast projects deficits for the fiscal years 2010 and 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.

A handwritten signature in black ink that reads "Charles J. Willoughby". The signature is fluid and cursive, written over the printed name.

Charles J. Willoughby  
Inspector General  
May 30, 2008

**REPORT ON THE EXAMINATION OF THE  
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(\$000s)**

	D.C.			D.C.		
	Highway Trust Fund FY 2007	Federal Aid FY 2007	Total FY 2007	Highway Trust Fund FY 2008	Federal Aid FY 2008	Total FY 2008
<b>ESTIMATED FUNDING</b>						
Beginning Balance	\$ 7,201	\$ 415,689	\$ 422,890	\$ 18,219	\$ 436,303	\$ 454,522
Motor Fuel Tax Revenues	26,776		26,776	26,938		26,938
Parking Revenues	7,087		7,087	8,014		8,014
Public Space Rentals	6,854		6,854	3,656		3,656
Rights-of-Way Rental Fees	6,701		6,701	6,701		6,701
Operating Account Surplus	7,150		7,150	846		846
Interest Earnings	858		858	332		332
Other Charges for Services	14		14	960		960
Federal Aid Apportionment		150,001	150,001		147,734	147,734
<b>Total Revenues</b>	<u>62,641</u>	<u>565,690</u>	<u>628,331</u>	<u>65,666</u>	<u>584,037</u>	<u>649,703</u>
<b>ESTIMATED USES</b>						
Project Management	2,638	13,585	16,223	4,582	20,329	24,910
Design, Site, Construction, and Equipment Cost	21,009	115,802	136,811	31,110	138,981	170,091
Advance Construction	5,877		5,877			
Non-Participating Cost	14,898		14,898	14,681		14,681
<b>Total Expenditures</b>	<u>44,422</u>	<u>129,387</u>	<u>173,809</u>	<u>50,373</u>	<u>159,309</u>	<u>209,682</u>
<b>ENDING BALANCE</b>	<u>\$ 18,219</u>	<u>\$ 436,303</u>	<u>\$ 454,522</u>	<u>\$ 15,293</u>	<u>\$ 424,728</u>	<u>\$ 440,021</u>

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

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	D.C.			D.C.		
	Highway Trust Fund FY 2009	Federal Aid FY 2009	Total FY 2009	Highway Trust Fund FY 2010	Federal Aid FY 2010	Total FY 2010
<b>ESTIMATED FUNDING</b>						
Beginning Balance	\$ 15,293	\$ 424,728	\$ 440,021	\$ 4,725	\$ 378,060	\$ 382,785
Motor Fuel Tax Revenues	27,665		27,665	28,412		28,412
Parking Revenues	8,812		8,812	21,570		21,570
Public Space Rentals	3,755		3,755	3,856		3,856
Rights-of-Way Rental Fees	6,701		6,701	6,701		6,701
Operating Account Surplus	3,000		3,000	3,000		3,000
Interest Earnings	191		191	25		25
Federal Aid Apportionment		146,089	146,089		171,700	171,700
<b>Total Revenues</b>	<u>65,417</u>	<u>570,817</u>	<u>636,234</u>	<u>68,289</u>	<u>549,760</u>	<u>618,049</u>
<b>ESTIMATED USES</b>						
Project Management	4,959	21,995	26,954	4,461	20,073	24,534
Design, Site, Construction, and Equipment Cost	37,988	170,762	208,750	45,945	207,828	253,773
Non-Participating Cost	17,745		17,745	20,952		20,952
<b>Total Expenditures</b>	<u>60,692</u>	<u>192,757</u>	<u>253,449</u>	<u>71,358</u>	<u>227,901</u>	<u>299,259</u>
<b>ENDING BALANCE</b>	<u>\$ 4,725</u>	<u>\$ 378,060</u>	<u>\$ 382,785</u>	<u>\$ (3,069)</u>	<u>\$ 321,859</u>	<u>\$ 318,790</u>

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

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	D.C. Highway Trust Fund FY 2011	Federal Aid FY 2011	Total FY 2011	D.C. Highway Trust Fund FY 2012	Federal Aid FY 2012	Total FY 2012
<b>ESTIMATED FUNDING</b>						
Beginning Balance	\$ (3,069)	\$ 321,859	\$ 318,790	\$ (180)	\$ 293,399	\$ 293,219
Motor Fuel Tax Revenues	29,179		29,179	29,967		29,967
Parking Revenues	22,612		22,612	23,705		23,705
Public Space Rentals	3,961		3,961	4,067		4,067
Rights-of-Way Rental Fees	6,701		6,701	6,701		6,701
Operating Account Surplus	3,000		3,000	3,000		3,000
Interest Income				182		182
Federal Aid Apportionment		171,700	171,700		171,700	171,700
<b>Total Revenues</b>	<u>62,384</u>	<u>493,559</u>	<u>555,943</u>	<u>67,442</u>	<u>465,099</u>	<u>532,541</u>
<b>ESTIMATED USES</b>						
Project Management	2,910	13,089	15,999	2,060	9,087	11,147
Design, Site, Construction, and Equipment Cost	41,260	187,071	228,331	33,668	150,508	184,176
Non-Participating Cost	18,394		18,394	14,705		14,705
<b>Total Expenditures</b>	<u>62,564</u>	<u>200,160</u>	<u>262,724</u>	<u>50,433</u>	<u>159,595</u>	<u>210,028</u>
<b>ENDING BALANCE</b>	<u>\$ (180)</u>	<u>\$ 293,399</u>	<u>\$ 293,219</u>	<u>\$ 17,009</u>	<u>\$ 305,504</u>	<u>\$ 322,513</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 21, 2008. 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 estimated local revenue sources and interest earnings.
- The “Federal Aid” columns represent the federal commitment balances and projection of matching grants for known highway projects, and anticipated discretionary spending.
- The FY 2007 amounts are based on actual amounts included in the Fund’s audited financial statements prepared by the OIG and issued February 1, 2008. 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, 2006 (beginning October 1, 2006 balance), plus the FY 2007 collections and receivables as of September 30, 2007, less the FY 2007 payments and audited outstanding liabilities (payables and

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accruals) as of September 30, 2007. The federal aid amount includes the federal share of FHWA financed projects in progress or completed, but not closed.

- Interest earnings are estimated using a two percent annual interest rate on the rolling monthly average Fund balance. Management used zero interest when the monthly rolling balance reported a cumulative negative interest earned for the year.
- The estimated uses for project management, design, site, construction, and equipment costs, and non-participating 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, utility and sewer repair, construction enhancements not covered by FHWA, and disallowed costs reimbursable to the FHWA.

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**NOTES TO FORECAST STATEMENTS**

**ESTIMATED FUNDING**

Beginning Balance – The beginning balance for FY 2007 consists of the actual FY 2006 ending Fund balance carried forward for FY 2007. In each subsequent fiscal year, the beginning balance is the ending balance brought forward from the prior fiscal year.

Revenues –Dedicated revenues are from the following funding sources:

- excise tax earned on motor fuel sold in the District;
- parking and storing vehicles sales and use tax in excess of \$30 million;
- the incremental increases of public rights-of-way rental fees;
- the incremental increases of public rental fees on surface and subsurface vaults; and
- 80 percent of DDOT's Operating Fund surplus from the previous fiscal year (Up to \$5.8 million of DDOT's FY 2007 surplus was dedicated to fund traffic control officers for FY 2008 through legislation, leaving \$860K allocated to the Fund).

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

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. This Prospective assumes that although the base federal aid will continue at the same level as in FY09, the federal earmarks for the 11th Street Bridge project will increase from \$17.6 million through FY 2009 to \$40 million per year for FY 2010 through FY 2013. To provide the required DC match for this earmark it also assumes that of the existing \$30 million Parking and Storage sales tax currently included in the Unified Fund approximately \$11.5 million will be transferred to the Highway Trust Fund. Together this will support the projected spending for the federally eligible 11th Street Bridge totaling \$51.5 million per year for the four years beginning in FY 2010.

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**ESTIMATED USES**

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

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

Non-Participating Costs – These costs are annual estimated costs not eligible for federal aid funding and include:

- Overhead cost;
- Project enhancements, not eligible for federal grant funding; and
- Reimbursement of federal grant funds for disallowed costs.

**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 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 Fund. If no new funding sources are available, DDOT will modify the spending plan by postponing the start of projects.