

**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 2014 – 2018 WITH ACTUAL  
AUDITED FIGURES FOR FISCAL YEAR 2013**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

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

Inspector General



April 1, 2014

Terry Bellamy  
Director  
Department of Transportation  
55 M Street, S.E., Suite 400  
Washington, D.C. 20003

Jeffrey DeWitt  
Chief Financial Officer  
Office of the Chief Financial Officer  
The John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Room 203  
Washington, D.C. 20004

Dear Mr. Bellamy and Mr. DeWitt:

The Office of the Inspector General (OIG) 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 (DDOT) and the Office of the Chief Financial Officer (OCFO) administer the Highway Trust Fund for the District of Columbia government and are responsible for preparing the forecast.

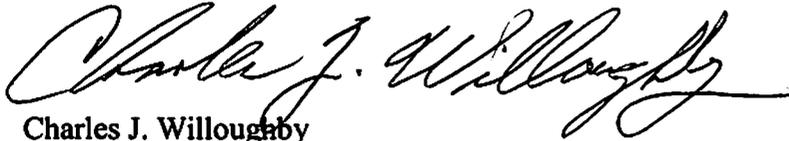
Our examination included a review of existing processes, policies, and controls for the purpose of expressing an opinion on the accompanying forecasted statements. Although we found no instances of noncompliance that would be reportable under generally accepted government auditing standards, the objective of our review was not to provide an opinion on overall compliance with such provisions. This review was performed in accordance with D.C. Code § 9-109.02(e), which requires the report to be completed by March 15 each year. However, this year the process was delayed because DDOT/OCFO did not provide the OIG all requested information in a timely manner.

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 forecast.

Mr. Bellamy and Mr. DeWitt  
Highway Trust Fund Forecast  
OIG No. 13-1-28KA(a) – Final Report  
April 1, 2014  
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We appreciate the cooperation and courtesies extended to our staff during this examination. If you have questions or need additional information, please contact me or Ronald W. King, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in cursive script, reading "Charles J. Willoughby". The signature is written in black ink and is positioned above the printed name and title.

Charles J. Willoughby  
Inspector General

CJW/qh

Enclosure

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**REPORT ON THE EXAMINATION OF THE  
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FORECAST STATEMENTS FOR FISCAL YEARS 2014 – 2018  
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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 conditions and operations for the forecast period, fiscal years (FYs) 2014 through 2018. 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 (HTF) 5-year forecast of expenditure conditions and operations (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.

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

April 1, 2014

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	(\$000s)					
	D.C. Highway Trust Fund FY 2013			D.C. Highway Trust Fund FY 2014		
	Federal Aid FY 2013	Total FY 2013	Federal Aid FY 2014	Total FY 2014	Total FY 2013	Total FY 2014
<b>ESTIMATED FUNDING</b>						
Beginning Balance	\$ 44,468	\$ 484,201	\$ 528,669	\$ 46,751	\$ 439,348	\$ 486,099
Motor Fuel Revenues	22,389	-	22,389	22,391	-	22,391
Rights-of-Way Fee Revenues	12,722	-	12,722	17,915	-	17,915
Interest Earnings and Other Income	3,551	-	3,551	21	-	21
Fed Aid Apportionment	-	176,734	176,734	-	164,704	164,704
<b>Total Estimated Funds</b>	<u>83,130</u>	<u>660,935</u>	<u>744,065</u>	<u>87,078</u>	<u>604,052</u>	<u>691,130</u>
<b>ESTIMATED USES</b>						
Debt payment of GARVEE Bonds	-	8,984	8,984	-	11,763	11,763
Project Costs						
(Management/Design/Construction) <sup>1</sup>	-	-	-	51,874	317,070	368,944
Project Management	2,742	22,766	25,508	-	-	-
Design, Site, Construction & Equipment Cost	28,299	189,837	218,136	-	-	-
Non-Participating Cost	5,338	-	5,338	-	-	-
<b>Total Estimated Expenditures</b>	<u>36,379</u>	<u>221,587</u>	<u>257,966</u>	<u>51,874</u>	<u>328,833</u>	<u>380,707</u>
<b>ENDING BALANCE</b>	<u>\$ 46,751</u>	<u>\$ 439,348</u>	<u>\$ 486,099</u>	<u>\$ 35,204</u>	<u>\$ 275,219</u>	<u>\$ 310,423</u>

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

<sup>1</sup> See Attachment A for estimated Project Costs by Master Project Categories.

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	(\$000s)					
	D.C. Highway Trust Fund FY 2015	Federal Aid FY 2015	Total FY 2015	D.C. Highway Trust Fund FY 2016	Federal Aid FY 2016	Total FY 2016
<b>ESTIMATED FUNDING</b>						
Beginning Balance	\$ 35,204	\$ 275,219	\$ 310,423	\$ 26,397	\$ 180,714	\$ 207,111
Motor Fuel Revenues	22,167	-	22,167	21,945	-	21,945
Rights-of-Way Fee Revenues	15,518	-	15,518	15,217	-	15,217
Interest Earnings	15	-	15	17	-	17
Fed Aid Apportionment	-	183,936	183,936	-	162,448	162,448
<b>Total Estimated Funds</b>	<u>\$ 72,904</u>	<u>\$ 459,155</u>	<u>\$ 532,059</u>	<u>\$ 63,576</u>	<u>\$ 343,162</u>	<u>\$ 406,738</u>
<b>ESTIMATED USES</b>						
Debt payment - GARVEE Bonds	-	11,768	11,768	-	24,090	24,090
Project Costs (Management/Design/Construction)	46,507	266,673	313,180	34,703	191,579	226,282
<b>Total Estimated Expenditures</b>	<u>46,507</u>	<u>278,441</u>	<u>324,948</u>	<u>34,703</u>	<u>215,669</u>	<u>250,372</u>
<b>ENDING BALANCE</b>	<u>\$ 26,397</u>	<u>\$ 180,714</u>	<u>\$ 207,111</u>	<u>\$ 28,873</u>	<u>\$ 127,493</u>	<u>\$ 156,366</u>

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

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	(\$000s)					
	D.C.			D.C.		
	Highway Trust Fund FY 2017	Federal Aid FY 2017	Total FY 2017	Highway Trust Fund FY 2018	Federal Aid FY 2018	Total FY 2018
<b>ESTIMATED FUNDING</b>						
Beginning Balance	\$ 28,873	\$ 127,493	\$ 156,366	\$ 28,034	\$ 66,710	\$ 94,744
Motor Fuel Revenues	21,726	-	21,726	21,509	-	21,509
Rights-of-Way Fee Revenues	13,437	-	13,437	8,654	-	8,654
Interest Earnings	16	-	16	18	-	18
Fed Aid Apportionment	-	162,448	162,448	-	162,448	162,448
<b>Total Estimated Funds</b>	<u>64,052</u>	<u>289,941</u>	<u>353,993</u>	<u>58,215</u>	<u>229,158</u>	<u>287,373</u>
<b>ESTIMATED USES</b>						
Debt payment - GARVEE Bonds	-	29,803	29,803	-	29,803	29,803
Project Costs (Design/Construction)	-	-	-	-	-	-
	<u>36,018</u>	<u>193,428</u>	<u>229,446</u>	<u>27,228</u>	<u>148,494</u>	<u>175,722</u>
<b>Total Estimated Expenditures</b>	<u>36,018</u>	<u>223,231</u>	<u>259,249</u>	<u>27,228</u>	<u>178,297</u>	<u>205,525</u>
<b>ENDING BALANCE</b>	<u>\$ 28,034</u>	<u>\$ 66,710</u>	<u>\$ 94,744</u>	<u>\$ 30,987</u>	<u>\$ 50,861</u>	<u>\$ 81,848</u>

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

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## **OVERVIEW**

This report summarizes the Office of the Inspector General’s (OIG) review of the District of Columbia (District) Highway Trust Fund’s (HTF) 5-year forecast statements of expenditures, conditions, and operations for fiscal years 2014-2018 (HTF forecasts). The objective of our review was to evaluate the underlying assumptions made and methodologies used to develop the HTF forecasts. These HTF forecasts are used to provide a reasonable projection of the District’s ability to meet future local matching requirements under the U.S. Department of Transportation Federal Highway Administration (FHWA) program for capital improvements to the District’s transportation infrastructure. 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) (2013) requires the OIG to examine the statements of the HTF’s expected conditions and operations for the next 5 fiscal years to determine the District’s ability to meet future local matching requirements under the FHWA program for capital improvements to the District’s transportation infrastructure.

## **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 HTF 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 FHWA grants, in the Capital Projects Fund. The Capital Projects Fund is reimbursed from monies in the HTF 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 HTF. 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.

## **MANAGEMENT ASSUMPTIONS**

The District Department of Transportation (DDOT) annually prepares a 6-year forecast for the HTF, which is part of the Capital Improvement Plan of the District. The first 5 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 HTF as of March 10, 2014. The assumptions disclosed herein are those that management believes are significant to the HTF’s 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 HTF (e.g., major design and construction), and those differences may be material.

The HTF forecasts are based on the following assumptions:

- The “D.C. Highway Trust Fund” columns represent estimated local motor fuel tax revenue, rights-of-way supplemental funding, and interest earnings.
- The “Federal Aid” columns represent estimated federal aid commitment balances and projection of matching grants for known highway projects, anticipated discretionary funding, stimulus funds (American Recovery and Reinvestment Act of 2009), and borrowed funding for the 11<sup>th</sup> Street Bridge project.
- The fiscal year (FY) 2013 amounts are based on actual amounts included in the HTF’s audited financial statements prepared by the OIG and issued February 1, 2014. The amounts include the beginning HTF balances for the local share and unobligated federal aid. The local share amount equals the audited fund balance as of September 30, 2012, (beginning October 1, 2012, balance), plus the FY 2013 collections and receivables as of September 30, 2013, less the FY 2013 payments and audited outstanding liabilities (payables and accruals) as of September 30, 2013. The federal aid amount includes current year appropriations less the federal share of FHWA financed projects in progress or completed, but not closed.

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**Revenues:**

- Motor fuel tax revenues are provided by the Office of Revenue Analysis and certified by the Chief Financial Officer of the District of Columbia.
- Interest earnings are estimated using a 0.06 percent annual interest rate on the year-end HTF balance.
- Rights of Way Revenues – funds sufficient to ensure a match not to exceed 22 percent of proposed annual federal-aid highway project expenditures.

**Expenditures:**

The estimated uses for project management, design, site, construction, equipment, and non-participating costs are based on the actual estimated completion date for the phase of each federal-aid highway project. The project management, 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; disallowed costs reimbursable to the FHWA; and advance construction projects, which can later be converted to federally-funded projects when funding is available.

Beginning in FY 2013, non-participating costs were no longer paid from the HTF (Fund 0320). Monies from the Local Transportation Fund and Enterprise Fund for Transportation Initiatives (e.g., Rights-of-Way fees) are used to pay for non-participating costs that are associated with federally funded capital projects. The budget for non-participating costs is provided through a separate Master Project (external to Fund 0320) and is allocated to all non-participating costs associated with HTF projects as needed.

American Recovery and Reinvestment Act of 2009 (ARRA) – In March 2009, DDOT was apportioned \$123.5 million of highway infrastructure investment funds (stimulus money) pursuant to the ARRA. Projects funded with stimulus money are financed completely with federal money and require no local match.

Bond Servicing Costs – Federal-aid apportionments service bonds issued through the Grant Anticipation Revenue Vehicles (GARVEE) program and partially finance the 11<sup>th</sup> Street Bridge project. Local funding for the 11<sup>th</sup> Street Bridge project will come from general obligation bond proceeds and parking tax revenues dedicated to the project in prior years. The local estimated funding and uses for the 11<sup>th</sup> Street Bridge project are not part of the HTF forecasts. In FY 2016, there is an anticipated increase in GARVEE borrowing for the South Capital Replacement Bridge.

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In FY 2013, DDOT budgeted expenditures for the HTF at the Master Project<sup>1</sup> classification level. The various Master Project classification levels are:

- Maintenance;
- Major Rehabilitation, Reconstruction, Replacement, or New Construction;
- Operations, Safety, and System Efficiency;
- Economic Development;
- Planning, Management and Compliance;
- South Capitol Corridor;
- Streetcars;
- Travel Demand Management;
- Transit Operations and Dedicated Facilities; and
- 11th Street Bridge.

Funds are allocated down to the “sub-project” level (individual projects), also known as “related project” level, once the project is approved by the FHWA, where actual expenditures will be captured for design, construction, direct labor, and non-participating costs. Once the budget is moved to a sub-project, the budget authority within the umbrella Master Project will be reduced accordingly.

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<sup>1</sup> Master project classifications are comprised of the various individual projects that are referred to as subprojects or related projects.

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**NOTES TO FORECAST STATEMENTS**

**ESTIMATED FUNDING**

Beginning Balance – The beginning balance for FY 2013 consists of the actual FY 2012 ending HTF balance carried forward for FY 2013. In each subsequent FY, the beginning balance is the ending balance brought forward from the prior FY.

Revenues – Dedicated revenues are from the following funding sources:

- excise tax earned on motor fuel sold in the District;
- interest income; and
- supplemental revenue from rights-of-way public rental fees.

Beginning in FY 2012, D.C. Code § 9-111.01 limits dedicated funding to the HTF from motor fuel excise tax revenues, interest income, and public rights-of-way (ROW) rental fees (in an amount sufficient to meet the local contribution to match the federal entitlement grant). D.C. Code § 9-111.01a (c-1) allows the annual transfer of ROW revenues to supplement the HTF to meet its local match as long as all the monies in the HTF do not exceed 22 percent of the projected annual federal-aid HTF expenditures. Supplemental funding from ROW fees was reduced by email notification from the Executive Office of the Mayor. Table 1, below, shows the revenue projection for the HTF from ROW revenue, less adjustments.

Table 1

<b>Projected Supplemental Right-of-Way Revenue</b>				
<b>(000)</b>				
<b>(1) Determine Local Match Requirement:</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Expected Federal Contribution	\$ 158,532	\$ 156,679	\$ 156,679	\$ 156,679
Local Match Requirement (22% of federal appropriation)	44,706	44,183	44,184	44,184
Total HTF Planned Budget	\$ 203,238	\$ 200,862	\$ 200,863	\$ 200,863
<b>(2) Determine ROW Revenue Transfer to Highway Trust Fund</b>				
Local Match Requirement	\$ 44,706	\$ 44,183	\$ 44,184	\$ 44,184
Less:				
Motor Fuel Tax Revenue	(22,167)	(21,945)	(21,726)	(21,509)
Interest Income	(21)	(21)	(21)	(21)
Reduction to 22% ROW Contributions	(7,000)	(7,000)	(9,000)	(14,000)
<b>Adjusted ROW Revenue Contribution</b>	<b>\$ 15,518</b>	<b>\$ 15,217</b>	<b>\$ 13,437</b>	<b>\$ 8,654</b>

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Interest Earnings – Interest earnings consist of the estimated annual earnings, calculated at a rate of 0.06 percent on the beginning balance, plus annual revenues minus expenditures.

Federal-Aid Apportionment – Federal funding is provided to all states and the District through legislation enacted by Congress and administered through the FHWA. DDOT estimates its future federal funding based on the latest FHWA-provided figures, which include the budget year and the following year.

### **ESTIMATED USES**

DDOT no longer separates the expenditures in project phases: Design, Site, Construction, and Equipment; Project Management; and Non-participating Costs. Instead, forecast expenditures are shown as a yearly, lump sum amount. The estimated expenditures are classified in the 10 categories shown on page 8, with the details listed in Attachment A.

American Recovery and Reinvestment Act of 2009 (ARRA) Projects – Expenditures include ongoing projects funded by ARRA (stimulus) money. These projects are financed completely with stimulus money and require no local match.

Bond Servicing Costs – The Grant Anticipation Revenue Vehicles program, used to partially finance the 11<sup>th</sup> Street Bridge project, are serviced with money from federal-aid apportionments. The local estimated funding for the bridge, provided from general obligation bond proceeds and other dedicated DDOT revenues, are not part of the HTF expenditures.

### **ENDING BALANCE**

The ending balance each year is determined by adding the amount of 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.

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(\$000s)

**Master Project Categories**

	<b>D.C. Highway Trust Fund FY 2015</b>	<b>Federal Aid FY 2015</b>	<b>Total FY 2015</b>	<b>D.C. Highway Trust Fund FY 2016</b>	<b>Federal Aid FY 2016</b>	<b>Total FY 2016</b>
<b>Expenditure Categories:</b>						
Maintenance	\$ 8,533	\$ 46,441	\$ 54,974	\$ 7,683	\$ 41,619	\$ 49,302
Major Rehabilitation	18,277	84,501	102,778	12,163	54,938	67,101
Operations, Safety, and System Efficiency	3,632	37,021	40,653	2,817	30,461	33,278
Economic Development	335	1,616	1,951	2,536	12,514	15,050
Planning, Management, and Compliance	4,673	22,327	27,000	4,295	20,747	25,042
South Capitol Corridor	7,605	32,025	39,630	2,204	23,196	25,400
Streetcars	-	-	-	-	-	-
Travel Demand Management	3,452	20,242	23,694	3,005	15,424	18,429
Transit Operations and Facilities	-	-	-	-	-	-
11th Street Bridge	-	34,268	34,268	-	16,770	16,770
<b>Total Detailed Expenditures</b>	<u>\$ 46,507</u>	<u>\$ 278,441</u>	<u>\$ 324,948</u>	<u>\$ 34,703</u>	<u>\$ 215,669</u>	<u>\$ 250,372</u>

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WITH ACTUAL AUDITED FIGURES FOR FISCAL YEAR 2013**

(\$000s)

**Master Project Categories**

	<b>D.C. Highway Trust Fund FY 2017</b>	<b>Federal Aid FY 2017</b>	<b>Total FY 2017</b>	<b>D.C. Highway Trust Fund FY 2018</b>	<b>Federal Aid FY 2018</b>	<b>Total FY 2018</b>
<b>Expenditure Categories:</b>						
Maintenance	\$ 7,424	\$ 40,483	\$ 47,907	\$ 7,782	\$ 42,256	\$ 50,038
Major Rehabilitation	13,354	61,296	74,650	8,863	38,075	46,938
Operations, Safety, and System Efficiency	2,678	29,637	32,315	2,118	26,777	28,895
Economic Development	169	832	1,001	152	748	900
Planning, Management, and Compliance	5,187	25,337	30,524	2,654	12,838	15,492
South Capitol Corridor	5,250	43,939	49,189	3,095	33,305	36,400
Streetcars	-	-	-	-	-	-
Travel Demand Management	1,956	9,934	11,890	2,564	12,526	15,090
Transit Operations and Facilities	-	-	-	-	-	-
11th Street Bridge	-	11,773	11,773	-	11,772	11,772
<b>Total Detailed Expenditures</b>	<u>\$ 36,018</u>	<u>\$ 223,231</u>	<u>\$ 259,249</u>	<u>\$ 27,228</u>	<u>\$ 178,297</u>	<u>\$ 205,525</u>