

**DISTRICT DEPARTMENT OF  
TRANSPORTATION**

**HIGHWAY TRUST FUND  
FINANCIAL STATEMENT AUDIT**



**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2015**

**DANIEL W. LUCAS  
INSPECTOR GENERAL**

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The mission of the Office of the Inspector General (OIG) is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District administration and operations; and
- recommend and track the implementation of corrective actions.

## Vision

To be a world class Office of Inspector General that is customer-focused, and sets the standard for oversight excellence!

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GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



January 29, 2016

Leif A. Dormsjo  
Director  
District Department of Transportation  
55 M Street, S.E., Suite 400  
Washington, D.C. 20003

Jeffrey S. 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. Dormsjo and Mr. DeWitt:

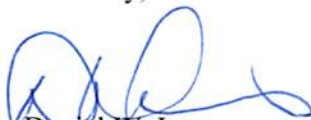
The Office of the Inspector General completed an audit (OIG No. 15-1-21KA) of the financial statements of the District of Columbia Highway Trust Fund (Fund) as of September 30, 2015. The District Department of Transportation administers the Fund for the District of Columbia government.

In our opinion, the financial statements present fairly, in all material respects, in conformity with generally accepted accounting principles, the Fund's assets and liabilities as of September 30, 2015, and its revenues, expenditures, and changes in fund balance for the year then ended.

We have not found any issues of internal control weaknesses or non-compliance with regulations that we consider material or significant deficiencies during our fiscal year 2015 audit.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions, please contact me or Toayoa D. Aldridge, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Daniel W. Lucas  
Inspector General

DWL/rjb

Enclosure

cc: See Distribution List

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GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

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Independent Auditor's Report

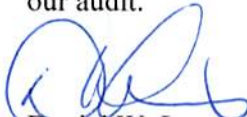
To the Director, Department of Transportation, Government of the District of Columbia; and Chief Financial Officer, Office of the Chief Financial Officer, Government of the District of Columbia:

We have audited the accompanying financial statements of the Highway Trust Fund, which is administered by the District of Columbia Department of Transportation as of and for the year ended September 30, 2015. These financial statements are the responsibility of the Highway Trust Fund's management and the Office of the Chief Financial Officer. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Highway Trust Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia Highway Trust Fund as of September 30, 2015, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016, on our consideration of the District's Highway Trust Fund's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Daniel W. Lucas  
Inspector General

January 29, 2016

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**COMPARATIVE BALANCE SHEET**

<b>ASSETS</b>	<u><b>FY 2015</b></u>	<u><b>FY 2014</b></u>
<b>Cash and Investments:</b>		
Highway Trust Fund Account	\$ 66,300,247	\$ 60,452,973
Primary Government Accounts	1,616,339	707,900
<b>Total Cash &amp; Investments</b>	<u>67,916,586</u>	<u>61,160,873</u>
<b>Receivables and Other Assets:</b>		
Receivables	5,188,697	5,303,476
Other Assets	879	18,929
<b>Total Assets</b>	<u>73,106,162</u>	<u>66,483,278</u>
<b>LIABILITIES &amp; FUND BALANCE</b>		
<b>Liabilities:</b>		
Vouchers and Other Payables	5,315,471	4,591,199
Due To/From Other Funds	564,032	-
Overcollected Revenue	845	-
Deferred Inflow	67,033	-
Retainage Payable	642,945	183,756
<b>Total Liabilities</b>	<u>6,590,326</u>	<u>4,774,955</u>
<b>Fund Balance:</b>		
Restricted	\$ 66,515,836	\$ 61,708,323
<b>Total Liabilities &amp; Fund Balance</b>	<u>\$ 73,106,162</u>	<u>\$ 66,483,278</u>

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



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**DISTRICT DEPARTMENT OF TRANSPORTATION  
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**COMPARATIVE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE**

<b>REVENUES</b>	<b>FY 2015</b>	<b>FY 2014</b>
Motor Fuel Tax	\$ 25,256,173	\$ 22,961,427
Public Rights-of-Way Fees	14,954,000	18,526,243
Interest and Other Income	34,069	101,594
<b>Total Revenue</b>	<u>40,244,242</u>	<u>41,589,264</u>
 <b>EXPENDITURES</b>		
<b>Capital Appropriated Expenditures</b>		
Design, Site, Construction, and Equipment Costs	27,710,635	22,173,887
Project Management Costs	3,351,416	2,563,512
Non-Participating Costs	4,374,678	1,894,161
<b>Total Net Expenditures</b>	<u>35,436,729</u>	<u>26,631,560</u>
<b>Excess of Revenues over Expenses</b>	4,807,513	14,957,704
 <b>FUND BALANCE</b>		
Fund Balance -Restricted at October 1	61,708,323	46,750,619
<b>Fund Balance -Restricted at September 30</b>	<u>\$ 66,515,836</u>	<u>\$ 61,708,323</u>

The accompanying notes are an integral part of these financial statements

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**DISTRICT DEPARTMENT OF TRANSPORTATION  
HIGHWAY TRUST FUND  
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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the Highway Trust Fund (Fund) report on the Fund's financial position and the results of its operations. 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 entity with a self-balancing set of accounts.

The Fund is a governmental fund, which is used to account for the dedicated revenues generated from motor vehicle fuel taxes, public rights-of-way user rental fees to supplement local matching fund obligations, and interest income. The monies are held by the District to pay, at a minimum, the District's share of federal-aid highway projects. In addition, monies are used to pay the salaries of District employees working directly on transportation capital projects, overhead associated with federal aid projects, and indirect cost charges and other non-participating costs.

**Basis of Accounting**

The modified accrual basis of accounting is used 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 collectible within the current period or soon thereafter to be used to pay liabilities of the current period.

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

**Cash and Investments**

The Fund's cash is deposited in a trust fund account with an eligible financial institution. The bank account is an interest-bearing, demand deposit account. Interest is earned on the account balance with interest compounded daily and paid monthly.

The Fund does not have a separate investment account.

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**Receivables and Payables**

Taxes receivable include motor fuel excise tax levied by the District (including interest and penalties on delinquent taxes that have not been collected, canceled, or abated), less the portion of the receivables estimated not to be collectible. Account receivables are amounts owed to the Fund by DC Water for work performed but not paid. "Due from Other Fund/Agencies" represents monies due from other District agencies or funds for amounts owed for services provided.<sup>1</sup>

Accounts payable are amounts owed to vendors for goods or services purchased and received, including retainage payable.

**Restricted Fund Balance**

The fund balance is restricted as to use by federal and local legislation.

**Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2: ASSETS**

**Cash and Investments**

As required by law, the bank balance was entirely insured or collateralized with securities held by the bank's agent in the District's name. The carrying amount and bank balances of deposits for the Fund as of September 30 are detailed in Table 1 below.

Table 1 - Cash & Investments

Description	Fiscal Year	
	2015	2014
Highway Trust Fund Account	\$ 66,300,247	\$ 60,452,973
Primary Government Accounts	1,616,339	707,900
<b>Total Cash &amp; Investments</b>	<b>\$ 67,916,586</b>	<b>\$ 61,160,873</b>

<sup>1</sup> For fiscal year 2014, the District Department of Transportation owed the Fund supplemental rights-of-way income in the amount of \$611,000, as noted in Table 2 on the following page.

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Highway Trust Fund Account – agency-controlled bank account used to receive dedicated revenues transferred from the District for the payment of the District’s share of federal highway projects and other related expenditures; for the receipt of the U. S. Department of Transportation Federal Highway Administration’s (FHWA) payment of the federal share of highway projects that are reimbursable to the District; and for the receipt of interest revenue earned.

Primary Government Accounts – dedicated accounts used to record revenues for motor fuel tax revenues and reimbursements, prior to transfer from the District, and to record expenditures for capital program costs including vendor payments, payroll, and intra-District transfers until reimbursed to the District by the Fund.

**Receivables**

Fund receivables consist of dedicated taxes earned in the current FY but not yet received, as well as amounts due from other funds and DC Water, for construction paid on its behalf that has not been reimbursed. On September 30, 2015, total receivables were \$5,188,697 as detailed in Table 2 below.

Table 2 - Receivables

Description	Fiscal Year	
	2015	2014
Motor Fuel Tax	\$ 2,279,439	\$ 1,836,222
Accounts Receivable – DC Water	2,909,258	2,856,254
Due from Other Funds	0	611,000
<b>Total Receivables</b>	<b>\$ 5,188,697</b>	<b>\$ 5,303,476</b>

**Other Assets**

Other assets are advances made to other District agencies for work performed on capital projects under an intra-District agreement.

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**DISTRICT DEPARTMENT OF TRANSPORTATION  
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**NOTE 3: LIABILITIES**

Vouchers and Other Payables – amounts owed to contractors, unpaid wages, salaries, and related payroll taxes for various highway projects at fiscal year-end.

Due To Other Funds – amount owed to the District for estimated rights of way income that was over collected by the Fund.

Deferred Inflow – amount of motor fuel tax receivable, which the availability of collection is over 60 days.

Retainage Payable – amount owed to contractors upon completion of project task, project phase, or project completion as surety for contractor performance.

**NOTE 4: FUND BALANCE**

The fund balance is restricted in use for the District's cost-sharing requirements for eligible federal-aid highway projects, including the salaries of District employees working directly on transportation capital projects, overhead associated with federal aid projects, indirect cost charges, repayments to the FHWA, and other non-participating costs. The fund balance must be sufficient to cover the cost sharing requirements established under Title 23, United States Code, based on the 6-year projected Fund's performance.

**NOTE 5: REVENUES**

The Highway Trust Fund dedicated revenue consisted of:

- excise taxes earned on motor fuel sold in the District, at the wholesale level;
- supplemental rights-of-way user fees sufficient to meet the District's local matching funds for estimated annual federal-aid highway project expenditures; and
- interest income earned on the Fund's bank balance.

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**NOTE 6: EXPENDITURES**

**Participating Expenditures**

The total expenditures represent capital appropriated costs for the period October 1 through September 30. Expenditures that are payable from the Fund include the following:

- payment of the District’s share of federal-aid highway project costs;
- in-house capital outlay overhead labor costs (DDOT personnel); and
- project associated costs eligible for federal funding (participating costs).

**Non-Participating Expenditures**

Project expenditures not eligible for federal funding (non-participating costs) are detailed in Table 3 below. Major initiatives of DDOT may be financed from the Fund without funding from FHWA grants, once current year matching of federal obligations have been satisfied.

**Table 3 - Non-Participating Expenditures**

Description	Fiscal Year	
	2015	2014
Non-Participating Costs - Vendor Payments and Project Direct Labor	\$ 82,889	\$ 457,458
Federal Cost Adjustments and Grant Disallowances (Refunds) (See Table 4)	719,441	1,825,045
Reimbursable DC Water Construction Cost Activity – (current year advances less recoveries in current year) (See Table 5)	(90,763)	(2,259,353)
Labor and Other Overhead Charges in Support of D.C. Department of Transportation Capital Program (allocated total capital projects on the basis of direct labor charges)	3,663,111	1,871,011
<b>Total Non-Participating Spending</b>	<b>\$ 4,374,678</b>	<b>\$ 1,894,161</b>

**Federal Cost Adjustments and Grant Disallowances (Refunds)**

Federal cost adjustments are based upon finalization audits required by the FHWA for each completed federal aid project. Net adjustments, per finalization audits in FY 2015 totaled \$719,441 and in FY 2014, \$923,659. The net of finalization audits can vary markedly each year.

Federal grant disallowances occur when the FHWA determines that costs incurred are ineligible for federal participation based on FHWA program limitations or scope of capital



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projects. In FY 2015 there were no federal grant disallowances, and no Eastern Federal Land grant refunds. In FY 2014 total disallowances were \$921,768, with an Eastern Federal Land grant refund (\$20,382) of unexpended grant funds. The net of federal cost adjustments, grant disallowances, and refunds are shown in Table 4 below.

**Table 4 – Federal Cost Adjustments and Grant Disallowances (Refunds)**

Description	Fiscal Year	
	2015	2014
Federal Cost Adjustments	\$ 719,441	\$ 923,659
Grant Disallowances	0	921,768
Eastern Federal Land Grant Refund	0	(20,382)
<b>Net Adjustment</b>	<b>\$ 719,441</b>	<b>\$ 1,825,045</b>

**Reimbursable from DC Water for Construction Costs**

DC Water, formerly the District of Columbia Water and Sewer Authority, shares responsibility in capital projects when road or bridge construction provides an opportunity to maintain, improve, or construct infrastructure supporting DC Water’s services. DC Water reimburses the District for costs and construction engineering oversight. DC Water is billed as construction draw payments are made to third-party vendors.

The cumulative amount billed to DC Water for all current and prior year uncollected billings were booked as a receivable. Upon receipt of DC Water’s reimbursement, DDOT will record a cash receipt transaction and offset the expenditures made for DC Water’s benefit in order to reduce the fixed asset amounts reflected for the District of Columbia. Net amounts of non-participating expenditures disbursed on behalf of DC Water and reimbursements received by the Fund are reported in the Table 5 below.

**Table 5 – Reimbursable DC Water Construction Cost Activity**

Description	Fiscal Year	
	2015	2014
HTF Construction Payments on behalf of DC Water	\$ 0	\$ 91,490
DC Water Reimbursements to the Fund	(90,763)	(2,350,843)
<b>Net Activity</b>	<b>\$ (90,763)</b>	<b>\$ (2,259,353)</b>

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**Labor and Overhead Charges**

Salaries for certain executives, supervisory, and administrative positions funded by DDOT's capital program are not eligible for FHWA grant funding. Labor charges for these positions, as well as charges for eligible positions when time is not directly devoted to a capital project, and certain administrative costs are charged to the capital clearing account. These charges are allocated to capital projects on the basis of direct labor charges.

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance with Certain Provisions of Laws,  
Regulations, Contracts, Grant Agreements, and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

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

We have audited the financial statements of the District of Columbia Highway Trust Fund (Fund) as of and for the year ended September 30, 2015, and have issued our report thereon dated January 29, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Fund's basic financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses, as defined above.

## Compliance

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, the noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Daniel W. Lucas  
Inspector General

January 29, 2016