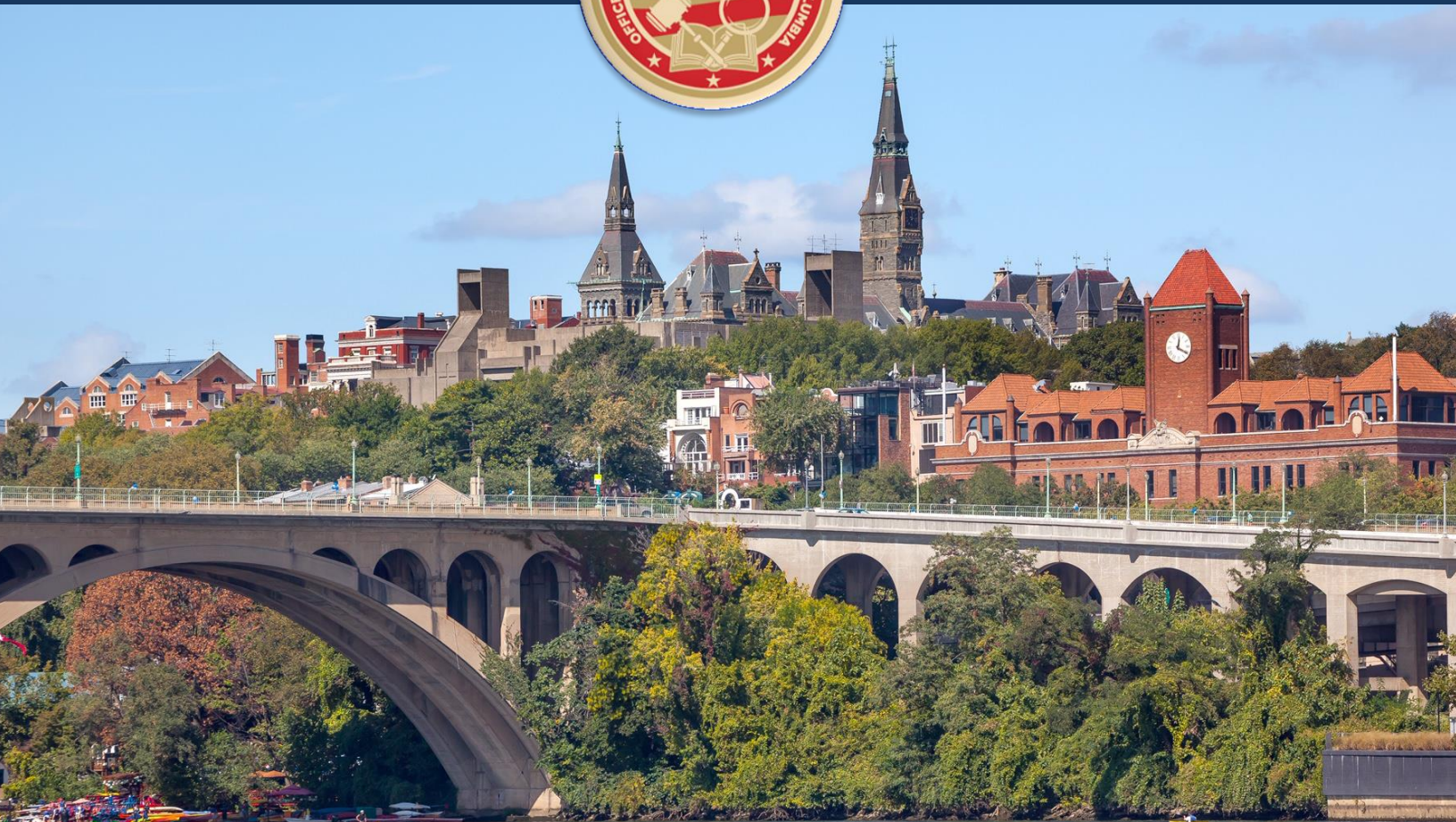


# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 20-1-04BH

January 2020



## GOVERNMENT OF THE DISTRICT OF COLUMBIA UNEMPLOYMENT COMPENSATION FUND Financial Statements (With Reports of the Independent Public Accountants) For Fiscal Years Ended September 30, 2019 and 2018

### *Guiding Principles*

*Workforce Engagement \* Stakeholders Engagement \* Process-oriented \* Innovation  
\* Accountability \* Professionalism \* Objectivity and Independence \* Communication \* Collaboration  
\* Diversity \* Measurement \* Continuous Improvement*

## **Mission**

Our mission 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 programs and operations; and
- recommend and track the implementation of corrective actions.

## **Vision**

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

## **Core Values**

Excellence \* Integrity \* Respect \* Creativity \* Ownership  
\* Transparency \* Empowerment \* Courage \* Passion  
\* Leadership



**GOVERNMENT OF THE DISTRICT OF COLUMBIA**

Office of the Inspector General

Inspector General



January 31, 2020

The Honorable Muriel Bowser  
Mayor of the District of Columbia  
Mayor's Correspondence Unit  
1350 Pennsylvania Avenue, N.W., Suite 316  
Washington, D.C. 20004

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 504  
Washington, D.C. 20004


Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report entitled *Unemployment Compensation Fund Financial Statements for the Fiscal Years Ended September 30, 2019 and 2018* (OIG No. 20-1-04BH). SB & Company, LLC (SBC) conducted the audit and submitted this component report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2019.

On December 23, 2019, SBC issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. SBC identified no material weaknesses in internal control over financial reporting.

If you have questions about this report, please contact me or Benjamin Huddle, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

  
Daniel W. Lucas  
Inspector General

DWL/ws

Enclosure

cc: See Distribution List

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**UNEMPLOYMENT COMPENSATION FUND**  
**An Enterprise Fund of the District of Columbia**

**FINANCIAL STATEMENTS**

**For the Years Ended September 30, 2019 and 2018**

**(Together with Reports of the Independent Public Accountants)**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**UNEMPLOYMENT COMPENSATION FUND**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2019 AND 2018**  
*(Dollar amounts expressed in thousands)*

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**SB & COMPANY, LLC**  
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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

The Mayor and Council of the Government of District of Columbia  
Inspector General of the Government of District of Columbia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Government of the District of Columbia Unemployment Compensation Fund (the Fund), an enterprise fund of the Government of the District of Columbia, as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Fund's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**SB & COMPANY, LLC**  
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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2019 and 2018, and the change in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present fairly only the Fund and do not purport to, and do not present fairly the financial position of the Government of the District of Columbia as of September 30, 2019 and 2018, or the change in its financial position or its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to the matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019 on our consideration of the Fund's internal controls over financial reporting and on 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 internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government of the District of Columbia Unemployment Compensation Fund's internal controls over financial reporting and compliance.

Washington, DC.  
December 23, 2019



**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2019 AND 2018**

*(Dollar amounts expressed in thousands)*

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This section of the annual financial report of the Government of the District of Columbia Unemployment Compensation Fund (the Fund) presents our discussion and analysis of the financial performance of the Fund during the fiscal years (FY) ended September 30, 2019 and 2018, compared to the fiscal year ended September 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes to the basic financial statements. The financial statements, footnote disclosures, and management's discussion and analysis are the responsibility of the Fund's management.

**Reporting Entity**

The Fund was established by the Government of the District of Columbia (the District) to account for its unemployment compensation program. The Fund is administered by the District's Department of Employment Services (DOES). Substantially all administrative costs of the program are paid by federal grants and special purpose revenues, which are recorded in the District's General Fund.

**Financial Statement Presentation**

The Fund's basic financial statements consist of (a) statement of net position; (b) statement of revenues, expenses, and changes in net position, and (c) statement of cash flows.

■ Statement of Net Position

The Statement of Net Position presents the Fund's assets, liabilities, and net position. Net position is the difference between assets and liabilities. The net position is comprised of the restricted net position. Over time, increases or decreases in the Fund's net position may serve as a useful indicator of whether the Fund's financial position is improving or deteriorating.

■ Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the Fund's revenues and expenses. The difference between revenues and expenses is reported as "changes in net position". All changes in the net position are reported as soon as the events underlying the changes occur regardless of the timing of the related cash flows. Thus, revenues and expenses reported in this statement also include items that will result in cash flow in future fiscal periods (for example, accrued revenues and accrued expenditures).

■ Statement of Cash Flows

The Statement of Cash Flows presents information on sources and uses of cash for operating and investing activities.

## FINANCIAL HIGHLIGHTS

- The District's average unemployment rate for the fiscal year ended September 30, 2019 was 5.5%, which is a 0.2% decrease compared to 5.7% at the end of FY 2018, and a 0.4% decrease, compared to 6.1% at the end of FY 2017.
- As of September 30, 2019, the Fund's assets exceeded its liabilities by \$489,396. The Fund reported an increase in net position of \$52,657 or 12.06% in FY 2019, as compared to 39,487 or 9.94% increase in FY 2018.

## OVERALL FINANCIAL ANALYSIS

The Fund's overall financial position improved as a result of the year's activities. The Fund's financial position and operations for the past three years are summarized in Tables 1 and 2.

**Table 1 - Summary of Net Position**

	<b>FY 2019</b>	<b>FY 2018</b>	<b>Change</b>	<b>FY 2017</b>	<b>Change</b>
<b>Assets</b>					
Cash Held with U.S. Treasury	\$524,003	\$481,740	\$42,263	\$442,730	\$39,010
Receivables (net)	<u>14,796</u>	<u>13,047</u>	<u>1,749</u>	<u>11,748</u>	<u>1,299</u>
<b>Total Assets</b>	<u>538,799</u>	<u>494,787</u>	<u>44,012</u>	<u>454,478</u>	<u>40,309</u>
<b>Liabilities</b>					
Payables	32,916	33,505	(589)	35,170	(1,665)
Due to D.C. Government	<u>16,487</u>	<u>24,543</u>	<u>(8,056)</u>	<u>22,056</u>	<u>2,487</u>
<b>Total Liabilities</b>	<u>49,403</u>	<u>58,048</u>	<u>(8,645)</u>	<u>57,226</u>	<u>822</u>
<b>Net Position</b>	<u><b>\$489,396</b></u>	<u><b>\$436,739</b></u>	<u><b>\$52,657</b></u>	<u><b>\$397,252</b></u>	<u><b>\$39,487</b></u>
Restricted for Unemployment Compensation Benefits					

- The Fund's largest asset is the cash held with U.S. Treasury, which represented 97.25% of the Fund's total assets as of September 30, 2019. The FY 2019 cash balance increased by \$42,263 or 8.77%, primarily due to the cash receipts from employer taxes and governmental contributions exceeding the unemployment benefit payments. The FY 2018 cash balance increased by \$39,010 or 8.81% from FY 2017.
- Receivables, net of allowance for doubtful accounts, increased by \$1,749 or 13.40% in FY 2019, compared to FY 2018, mainly due to the increase in receivables relating to employers for unpaid taxes as delinquency from employers increased during the FY 2019. The Fund's receivables consist of amounts due from employers for unpaid taxes, claimants for unemployment benefit overpayments, the Federal government, and other states for unemployment benefits paid. In FY 2018, there was a net increase in receivables of \$1,299 or 11.06% from FY 2017.
- The Fund's total liabilities for FY 2019 decreased by \$8,645 or 14.89%, as compared to an increase by \$822 or 1.44% in FY 2018. The Fund reported an estimated claimants' payable of \$19,636 in FY 2019, which represents a decrease of \$2,676 or 11.99%, compared to the prior fiscal year, mainly due to the decrease of the number of claims filed and a decline in the unemployment rate. In FY 2018, estimated claimants' payable was \$22,312, a decrease of \$1,635 or 6.83% from FY 2017.

- Due to D.C. Government represents unspent Reed Act, Unemployment Compensation Modernization funds, interest and penalties assessed, payments made by the District on behalf of the Fund and collected from employers for late tax payments but not yet paid to the District. For FY 2019, the Fund's payables to D.C. Government decreased by \$8,056 or 32.82%, compared to September 30, 2018, and an increase by \$2,487 or 11.28% in FY 2018, as compared to September 30, 2017. The decrease was as a result of reimbursements made in FY 2019 by the Fund to the District. The unspent Reed Act and Unemployment Compensation Modernization funds totaled \$10,346 in FY 2019, compared to \$10,767 in FY 2018 and \$10,430 in FY 2017. The Reed Act and Unemployment Compensation Modernization funds were received from the Federal government through the Reed Act and Modernization Accounts to pay for the Fund's administrative costs other than benefit payments.
- For FY 2019, the Fund's current assets of \$538,799 were sufficient to cover current liabilities of \$49,403; a ratio of \$10.91 in assets for every dollar in liabilities. For FY 2018, the total current assets and current liabilities of the Fund were \$ 494,787 and \$58,048 respectively; a ratio of \$8.52 in assets for every dollar in liabilities.

**Table 2 - Summary of Revenues, Expenses, and Changes in Net Position**

	FY 2019	FY 2018	Change	FY 2017	Change
<b>Operating Revenues:</b>					
Employer Taxes	\$142,877	\$144,068	(\$1,191)	\$143,728	\$340
Governmental Contributions	<u>17,841</u>	<u>16,836</u>	<u>1,005</u>	<u>23,776</u>	<u>(6,940)</u>
<b>Total Operating Revenues</b>	<u>160,718</u>	<u>160,904</u>	<u>(186)</u>	<u>167,504</u>	<u>(6,600)</u>
<b>Operating Expenses:</b>					
Unemployment Benefits	<u>120,010</u>	<u>131,764</u>	<u>(11,754)</u>	<u>143,942</u>	<u>(12,178)</u>
<b>Operating Income/(Loss)</b>	40,708	29,140	11,568	23,562	5,578
<b>Non-operating Revenues:</b>					
Interest Revenue	<u>11,949</u>	<u>10,347</u>	<u>1,602</u>	<u>9,453</u>	<u>894</u>
<b>Total Non-operating Revenues</b>	<u>11,949</u>	<u>10,347</u>	<u>1,602</u>	<u>9,453</u>	<u>894</u>
<b>Change in Net Position</b>	52,657	39,487	13,170	33,015	6,472
Total Net Position - Beginning	<u>436,739</u>	<u>397,252</u>	<u>39,487</u>	<u>364,237</u>	<u>33,015</u>
<b>Total Net Position - Ending</b>	<u><u>\$489,396</u></u>	<u><u>\$436,739</u></u>	<u><u>\$52,657</u></u>	<u><u>\$397,252</u></u>	<u><u>\$39,487</u></u>

Total operating revenues and non-operating revenues were \$172,667 in FY 2019, compared to \$171,251 in FY 2018 and \$176,957 in FY 2017.

In FY 2019, the Fund's operating revenues totaled \$160,718 compared to \$160,904 in FY 2018 and \$167,504 in FY 2017. Operating revenues decreased by \$186 or 0.12% from FY 2018 to FY 2019, primarily due to a decrease in employer taxes. Operating revenues decreased by \$6,600 or 3.94% from FY 2017 to FY 2018, due to a decreased in governmental contributions. Federal, and other state and local governments reimburse the Fund 100% for benefits paid to their former employees. Operating revenues were derived primarily from employer taxes. Table 3 shows sources of operating revenues for the Fund in FY 2019, 2018 and 2017.

**Table 3 - Operating Revenue by Sources**

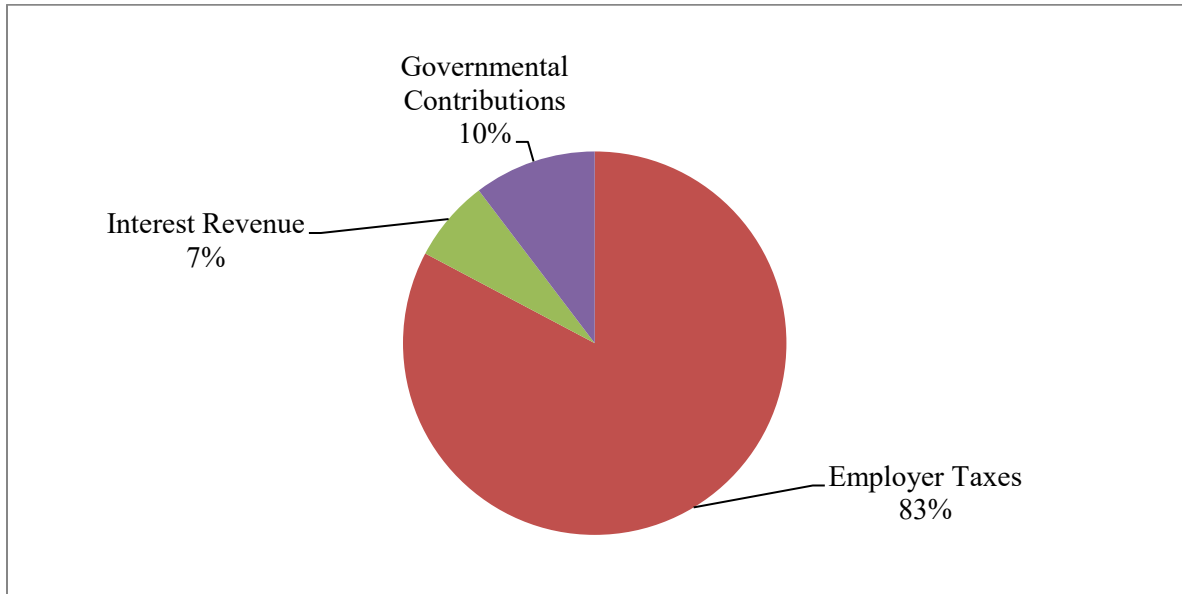
Operating Revenues by Sources	FY 2019	FY 2018	Change	% Change	FY 2017	Change	% Change
Employer Taxes	\$142,877	\$144,068	(\$1,191)	(0.83%)	\$143,728	\$340	0.24%
Governmental Contributions:							
Other States' Contributions	4,679	5,288	(609)	(11.52%)	4,764	\$524	11.00%
Federal Government	8,207	6,394	1,813	28.35%	13,686	(7,292)	(53.28%)
D.C. Government	<u>4,955</u>	<u>5,154</u>	<u>(199)</u>	<u>(3.86%)</u>	<u>5,326</u>	<u>(172)</u>	<u>(3.23%)</u>
<b>Total</b>	<b><u>\$160,718</u></b>	<b><u>\$160,904</u></b>	<b><u>(\$186)</u></b>	<b><u>(0.12%)</u></b>	<b><u>\$167,504</u></b>	<b><u>(\$6,600)</u></b>	<b><u>(3.94%)</u></b>

Federal government contributions were \$8,207 for FY 2019, compared to \$6,394 in FY 2018. This increase is due to reimbursable revenue relating to eligible unemployed former Civilian Federal Employees. In FY 2018, Federal government reimbursements revenue shows a balance of \$6,394 compared to \$13,686 in FY 2017. This decrease is due to a decline in reimbursable revenue relating to eligible unemployed former Civilian Federal Employees and ex-service members.

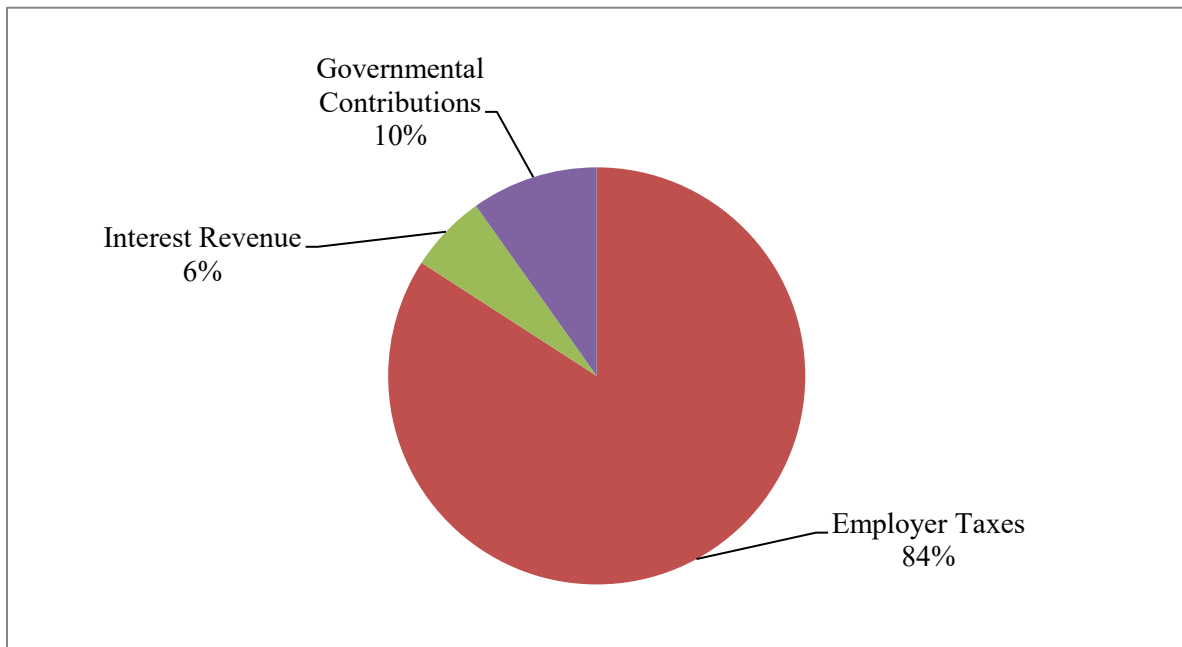
Interest income which is the Fund's primary sources of non-operating revenue increased to \$11,949 in FY 2019 from \$10,347 in FY 2018, resulting in an increase of \$1,602 or 15.48%; this is due to an increase of \$42,263 or 8.77% in the cash held with U.S. Treasury from \$481,740 to \$524,003 in FY 2018 and FY 2019, respectively.

Figures 1 and 2 show the percentage of revenues received from the Fund's different sources during FY 2019 and FY 2018. Taxes paid by employers were the largest source of revenues, which represented 83% of total revenues in FY 2019, compared to 84% and 81% of total revenues in FY 2018 and FY 2017, respectively.

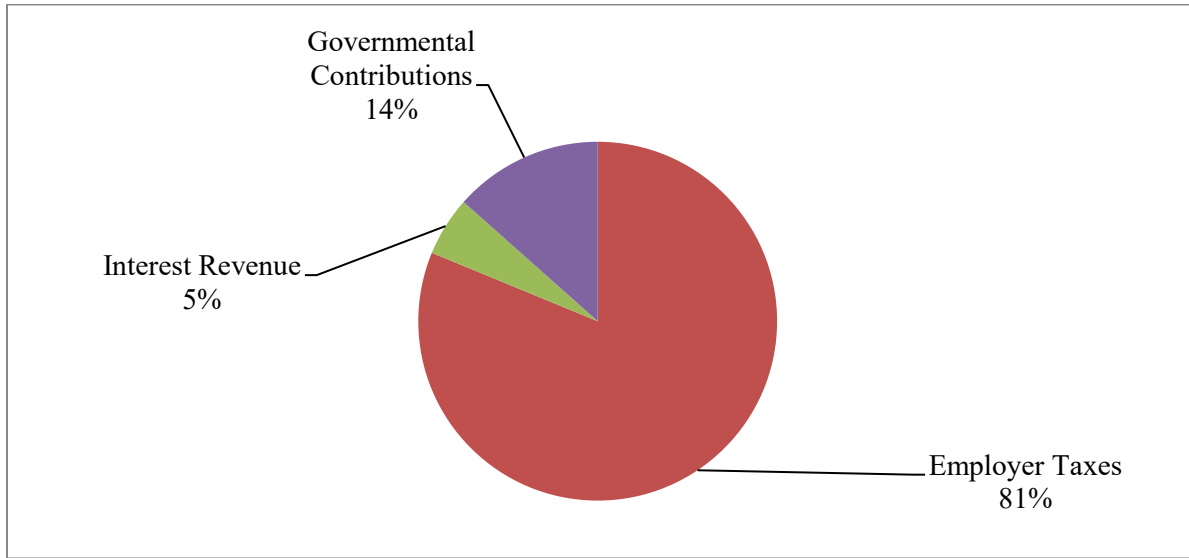
**Figure 1: Total Revenues (Operating and Non-Operating) for the Year Ended September 30, 2019**



**Figure 2: Total Revenues (Operating and Non-Operating) for the Year Ended September 30, 2018**



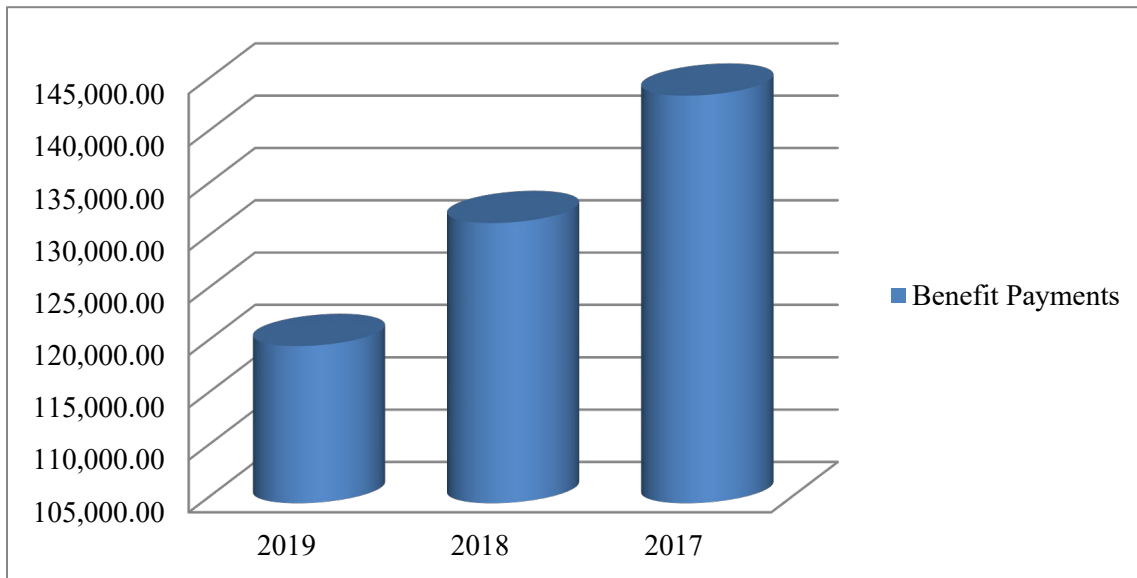
**Figure 3: Total Revenues (Operating and Non-Operating) for the Year Ended September 30, 2017**



### Operating Expenses

The Fund's only operating expense is unemployment benefit payments. Figure 3 shows the comparison of benefits payments in FY 2019, FY 2018 and FY 2017.

**Figure 3: Total Operating Expenses for the Fiscal Years Ended September 30, 2019, September 30, 2018 and 2017**



The Fund's unemployment benefit payments decreased by \$11,754 or 8.92% in FY 2019, compared to an decrease of \$12,178 or 8.46% in FY 2018, and an increase of \$29,309 or 25.57% in FY 2017. The decrease was primarily due as a result of a decline in overall unemployment rate and a decrease in claims filed by eligible unemployed former Civilian Federal Employees and from other state and local government. The average unemployment rate within the District decreased to 5.5% as of September 30, 2019 from 5.7% as of September 30, 2018, representing a 0.2% decrease.

**Table 4: District's Unemployment Rate by Month for the Year Ended September 30, 2019**

<b>FY 2019 Average Unemployment Rate = 5.5%</b>					
<b>Current Year</b>	<b>Month</b>	<b>Labor Force</b>	<b>Number of Employed</b>	<b>Number of Unemployed</b>	<b>Unemployment Rate (%)</b>
2018	Oct	403,252	381,720	21,532	5.3
2018	Nov	403,393	381,835	21,558	5.3
2018	Dec	403,518	381,907	21,611	5.4
2019	Jan	404,021	382,041	21,980	5.4
2019	Feb	404,742	382,337	22,405	5.5
2019	Mar	406,049	383,327	22,722	5.6
2019	Apr	407,824	384,821	23,003	5.6
2019	May	409,829	386,638	23,191	5.7
2019	Jun	411,205	388,072	23,133	5.6
2019	Jul	412,091	389,100	22,991	5.6
2019	Aug	412,006	389,465	22,541	5.5
2019	Sep	411,897	389,739	22,158	5.4

Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

**Table 5: District's Unemployment Rate by Month for the Year Ended September 30, 2018**

<b>FY 2018 Average Unemployment Rate = 5.7%</b>					
<b>Current Year</b>	<b>Month</b>	<b>Labor Force</b>	<b>Number of Employed</b>	<b>Number of Unemployed</b>	<b>Unemployment Rate (%)</b>
2017	Oct	402,479	378,596	23,883	5.9
2017	Nov	402,957	379,350	23,607	5.9
2017	Dec	403,641	380,210	23,431	5.8
2018	Jan	404,462	381,102	23,360	5.8
2018	Feb	405,295	381,939	23,356	5.8
2018	Mar	405,936	382,580	23,356	5.8

2018	Apr	406,170	382,882	23,288	5.7
2018	May	405,924	382,829	23,095	5.7
2018	Jun	405,301	382,519	22,782	5.6
2018	Jul	404,516	382,136	22,380	5.5
2018	Aug	403,782	381,795	21,987	5.4
2018	Sep	403,368	381,674	21,694	5.4

Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics  
FY2018 unemployment data have been revised to reflect updates from source data.

### **ECONOMIC CONDITION AND OUTLOOK**

In fiscal year 2019, employment within the District continued to increase with almost all of the net additional jobs in the private sector. Resident employment also increased. Population growth continues to be a major factor in increasing the District’s income, property, and sales tax bases, and is one of the driving forces behind rising home values. In the last five years (between 2013 and 2018), the District’s population has grown by about 52,000 residents, an increase that has averaged about 10,400 residents per year over that period. The District's private sector has grown along with sustained growth in the national economy. This has contributed to the growth in the District's tax base.

Federal civilian employment accounts for 24.6% of all wage and salary jobs located in the District and 30 % of the amount of wages and salaries that are generated in the city. Approximately 13 % of employed District residents work for the Federal government. Furthermore, Federal contracting accounts for additional jobs and income in the area, which also contributes to the District’s tax base. With such a dominant Federal presence, significant changes in Federal spending can have a major impact on the District’s economy and revenues.

The Bipartisan Budget Act of 2019 removed the potential for reductions in federal spending known as sequestration that might otherwise have been imposed for fiscal years 2020 and 2021. Spending policies related to reducing federal debt remains an unresolved issue.

The following are summaries of some recent trends in the District’s economy:-

- In the three months ended September 2019, there were 9,200 (1.2%) more wage and salary jobs located in the District than a year earlier. Of particular note, there were 567 (0.3%) fewer federal government jobs in September than there were a year earlier, while the private sector jobs increased by 10,533 (1.9%).
- District resident employment in the three months ended September 2019 was 7,237 (1.9%) more than a year earlier.
- The September unemployment rate was 5.4% (seasonally adjusted), the same as a year ago.
- Wages earned in the District of Columbia grew 3.0% in the quarter ended September 30, 2019, compared to the same quarter a year ago. Personal income in the District was 3.3% higher on September 30, 2019 than the same time one year ago.



### D.C. Unemployment Compensation Fund Net Position History

Historical data of the principal components of the Fund’s net position are shown in Table 6.

**Table 6: Unemployment Compensation Fund Net Position Components**

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Employer taxes / Government Contributions	\$160,718	\$160,904	\$167,504	\$157,915	\$163,450
Interest Earned	11,949	10,347	9,453	8,472	7,655
Benefits Paid	120,010	131,764	143,942	114,633	119,267
Net Position	489,396	436,739	397,252	364,237	312,483
Total wages	**	22,101,374	17,467,741	17,007,324	16,095,403

*\*Source: DOES, Office of Labor Market Research and Information. FY 2018 and prior years' total wage data have been revised to reflect updates from source data.*

*\*\* Data not yet available.*

### D.C. Unemployment Compensation Fund Outlook

The financial condition of the Unemployment Compensation Fund depends on three factors: state benefit outlays, employer taxes/government contributions, and taxable wages.

**Table 7: Employer Taxes/Government Contributions and Benefits**

Year	Employer taxes / Government Contributions	Benefits Payments	Surplus / (Deficit)
2015	163,450	119,267	44,183
2016	157,915	114,633	43,282
2017	167,504	143,942	23,562
2018	160,904	131,764	29,140
2019	160,718	120,010	40,708

**Table 8- Taxable Wages**

<b>Quarter Ending</b>	<b>FY2019</b>	<b>FY2018</b>	<b>FY2017</b>
December 31,	\$493,450	\$474,162	\$485,042
March 31,	3,663,008	3,598,869	3,503,127
June 30,	773,595	873,099	762,610
September 30,	**	\$627,799	\$550,301

*Source: DOES, Office of Labor Market Research and Information*

*\*Data not yet available*

### **Contact Information**

This financial report is designed to provide a general overview of the Fund's finances. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to the Office of the Chief Financial Officer; Government of the District of Columbia; 1350 Pennsylvania Avenue, NW; Washington, D.C., 20004.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND  
STATEMENTS OF NET POSITION  
AS OF SEPTEMBER 30, 2019, AND 2018**  
*(Dollar amounts expressed in thousands)*

	<b>2019</b>	<b>2018</b>
	<hr/>	<hr/>
<b>Current Assets:</b>		
Cash Held With U.S. Treasury (note 2)	\$524,003	\$481,740
Accounts Receivable, Net (note 3)	13,643	11,841
Due From D.C. Government (note 4)	455	420
Due From Federal Government (note 5)	698	786
<b>Total Current Assets</b>	<hr/> 538,799	<hr/> 494,787
<b>Current Liabilities:</b>		
Accounts Payable (note 6)	13,280	11,193
Claimants Payable (note 7)	19,636	22,312
Due To D.C. Government (note 8)	16,487	24,543
<b>Total Current Liabilities</b>	<hr/> 49,403	<hr/> 58,048
<b>Net Position:</b>		
Restricted for Unemployment Compensation Benefits	<hr/> <b>\$489,396</b>	<hr/> <b>\$436,739</b>
	<hr/>	<hr/>

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

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**  
*(Dollar amounts expressed in thousands)*

	<b>2019</b>	<b>2018</b>
<b>Operating Revenues:</b>		
Employer Taxes	\$142,877	\$144,068
Governmental Contributions (note 9)	17,841	16,836
Total Operating Revenues	<u>160,718</u>	<u>160,904</u>
<b>Operating Expenses:</b>		
Unemployment Benefits	120,010	131,764
Total Operating Expenses	<u>120,010</u>	<u>131,764</u>
<b>Operating Income</b>	40,708	29,140
<b>Non-operating Revenue:</b>		
Interest Revenue	11,949	10,347
Total Non-Operating Revenue	<u>11,949</u>	<u>10,347</u>
<b>Change in Net Position</b>	52,657	39,487
<b>Total Net Position – Beginning</b>	436,739	397,252
<b>Total Net Position - Ending</b>	<u><b>\$489,396</b></u>	<u><b>\$436,739</b></u>

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

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**  
*(Dollar amounts expressed in thousands)*

	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities:</b>		
Cash Receipts from Employers	\$141,075	\$142,420
Cash Receipts from Governmental Contributions	17,894	17,185
Cash Payments for Other Liabilities	(5,969)	2,457
Cash Payments to Claimants	(122,686)	(133,399)
<b>Net Cash Provided by Operating Activities</b>	<b>30,314</b>	<b>28,663</b>
<b>Cash Flows from Investing Activities:</b>		
Interest Income Received	11,949	10,347
<b>Net Cash Provided by Investing Activities</b>	<b>11,949</b>	<b>10,347</b>
<b>Net Increase in Cash</b>	<b>42,263</b>	<b>39,010</b>
<b>Cash, Beginning of Year</b>	<b>481,740</b>	<b>442,730</b>
<b>Cash, Ending of Year</b>	<b>\$524,003</b>	<b>\$481,740</b>
<b><i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</i></b>		
Operating Income	\$40,708	\$29,140
Adjustments to reconcile operating income to net cash provided by operating activities		
Increase Receivables	(1,837)	(1,638)
Decrease Due from Federal Government	88	339
(Decrease) Increase Payables	(8,645)	822
Total Adjustments	(10,394)	(477)
<b>Net Cash Provided by Operating Activities</b>	<b>\$30,314</b>	<b>\$28,663</b>

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

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**UNEMPLOYMENT COMPENSATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**  
*(Dollar amounts expressed in thousands)*

**NOTE 1      NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Activities:*** Pursuant to Federal law, the Government of the District of Columbia (the District) maintains an Unemployment Compensation Fund (the Fund). The Fund pays up to 26 weeks of regular statutory benefits to eligible unemployed former employees working in the District of Columbia or the Federal government. The Fund does not currently pay any additional weeks of benefits to eligible claimants who have exhausted their regular 26 weeks of benefits.

The Fund's Operating Revenues consist of employer taxes and reimbursements from governmental agencies for regular unemployment benefits paid to former employees. Non-operating Revenue represents the interest generated by the Fund.

The Fund is administered by the Director of the District's Department of Employment Services. Substantially all administrative costs of the program are paid by Federal grants and Special purpose funds, which are recorded in the District's General Fund. These financial statements present only assets, liabilities, revenues, and expenses of the Fund and are not intended to present the financial position and results of operations of the Government of the District of Columbia taken as a whole.

***Basis of Presentation:*** The Fund's financial statements are presented in accordance with U.S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). The Fund is considered an enterprise fund under GAAP for governmental entities.

***Basis of Accounting:*** The accompanying financial statements are prepared on the accrual basis of accounting. Under this accounting method, all revenues are recognized in the fiscal year earned, and expenses are recognized in the fiscal year incurred. ***Measurement Focus:*** The financial statements are accounted for on a flow of economic resources measurement focus, wherein all assets and liabilities are included in the Statements of Net Position. The related Statements of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in net position.

***Use of Estimates:*** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**UNEMPLOYMENT COMPENSATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**  
*(Dollar amounts expressed in thousands)*

**NOTE 2 CASH HELD WITH U.S. TREASURY**

The Fund’s cash is held at the U.S. Department of Treasury (the Treasury) in a trust fund in the District’s name. The Federal Unemployment Trust Fund includes deposits from the unemployment insurance funds of all states. The Trust Fund is required by federal law to invest only in obligations guaranteed by the United States. Pursuant to the Social Security Act, the funds held at the Treasury earn interest quarterly based on the interest rates of the Treasury’s Certificates of Indebtedness. Interest earned for the years ended September 30, 2019 and 2018 was \$11,949 and \$10,347 respectively. As of September 30, 2019, cash held at the Treasury was \$524,003, compared to \$481,740 as of September 30, 2018. The Federal Unemployment Trust Fund held at the Federal Reserve Bank is not categorized in accordance with *generally accepted accounting principles*, because the Trust Fund is neither a deposit with a financial institution nor an investment.

**NOTE 3 ACCOUNTS RECEIVABLE, NET**

The Fund’s accounts receivables consisted of the following as of September 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Employer Receivables	\$28,242	\$23,817
Claimant Receivables	10,044	10,574
Due from Other States	1,167	1,361
Total Receivables	39,453	35,752
Less: Allowance for Doubtful Accounts	25,810	23,911
<b>Accounts Receivable, Net</b>	<b>\$ 13,643</b>	<b>\$ 11,841</b>

Employer contributions are recognized as revenue in the accounting period in which they become due and measurable. Any contributions not received within the accounting period are recognized as employer receivables. Claimant receivables are benefits paid to claimants who are ultimately proven to be ineligible to receive all or a portion of those benefits. The Fund recognizes a receivable from these claimants when the benefits overpayment is identified. Due from other states is the amount owed to the Fund from other states for unemployment benefits paid on their behalf. *The percentage of ending accounts receivable method* is used to estimate and establish an allowance for doubtful accounts for the employers and claimants receivables.

**NOTE 4 DUE FROM D.C. GOVERNMENT**

Due from D.C. Government is the amount owed to the Fund from the District for unemployment benefits paid on its behalf to former employees. As of September 2019, and 2018, the amount due from the District was \$455 and \$420, respectively.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**UNEMPLOYMENT COMPENSATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**  
*(Dollar amounts expressed in thousands)*

**NOTE 5 DUE FROM FEDERAL GOVERNMENT**

As of September 30, 2019, the amount due from the federal government is \$698, compared to \$786 as of September 30, 2018. The balance due from federal government represents benefit payments accrued for eligible Unemployed former Civilian Federal Employees (UCFE) and for eligible ex-military personnel (UCX).

**NOTE 6 ACCOUNTS PAYABLE**

As of September 30, 2019, and 2018, the Fund had payables to employers for taxes overpaid; to various states for unemployment benefits paid to former District employees; and to others for related activities.

	<b>2019</b>	<b>2018</b>
Employer Tax Refund Payable	\$11,368	\$9,264
Due to Other States	1,751	1,783
Income Tax Payable	118	107
Others	43	39
<b>Total Accounts Payable</b>	<b>\$13,280</b>	<b>\$11,193</b>

**NOTE 7 CLAIMANTS PAYABLE**

Claimants payable are estimated amounts due to claimants for the remaining periods of eligibility for claims filed as of year-end and are payable in the next fiscal year. The Claimants payable as of September 30, 2019 and 2018 were \$19,636 and \$22,312, respectively.

**NOTE 8 DUE TO D.C. GOVERNMENT**

The amounts reported as Due to D.C. Government consisted of Reed Act, Unemployment Compensation Modernization funds obligated for administrative costs, payments made by the District on behalf of the Fund, administrative assessments, interest and penalties assessed and collected from employers for late tax payments but not yet paid to the District. The amounts payable to the District as of September 30, 2019 and 2018 were \$16,487 and \$24,543, respectively.

	<b>2019</b>	<b>2018</b>
District of Columbia on behalf of UI Trust Fund	\$5,834	\$13,398
UC Modernization	8,876	9,297
REED ACT	1,470	1,470
Admin asses, int & penalties	307	378
<b>Total Due to D.C Government</b>	<b>\$16,487</b>	<b>\$24,543</b>



**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
UNEMPLOYMENT COMPENSATION FUND  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**  
*(Dollar amounts expressed in thousands)*

**NOTE 9      GOVERNMENTAL CONTRIBUTIONS**

Governmental contributions consisted of the following for the years ended September 30, 2019 and 2018.

	<b>2019</b>	<b>2018</b>
Federal Government	\$8,207	\$6,394
Other States Contributions	4,679	5,288
D.C. Government	4,955	5,154
<b>Total</b>	<b>\$17,841</b>	<b>\$16,836</b>

**NOTE 10      COMMITMENTS AND CONTINGENCIES**

As of September 30, 2019, and September 30, 2018, there were no matters of litigation involving the Fund which would materially affect the Fund's financial position should any court decisions on pending matters not be favorable to the Fund.



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**REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

The Mayor and Council of the Government of the District of Columbia  
Inspector General of District of Columbia

We have audited, 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, the financial statements of the District of Columbia Unemployment Compensation Fund (the Fund), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements and have issued our report thereon dated December 23, 2019.

***Internal Controls over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Fund's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal controls* 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 a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls 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 controls over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Fund’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, DC.  
December 23, 2019

A handwritten signature in black ink that reads "SB &amp; Company, LLC".