

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE CHIEF FINANCIAL OFFICER



**Natwar M. Gandhi**  
Chief Financial Officer

January 23, 2006

The Honorable Anthony A. Williams  
Mayor of the District of Columbia  
1350 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

Dear Mayor Williams:

On behalf of the citizens of the District of Columbia, we are pleased to present the District's Fiscal Year 2005 Comprehensive Annual Financial Report (CAFR). The year ended with General Fund revenues exceeding expenditures by \$369.7 million and a fund balance of \$1.6 billion. The District's financial statements have once again earned an unqualified "clean" audit opinion from our independent auditors. The District has achieved nine consecutive balanced budgets. That is nine years of fiscal recovery with each year ending in a budget surplus and an unqualified audit opinion.

During Fiscal Year 2005, total general fund revenues and other sources were \$112.9 million higher than were initially forecast. This was primarily the result of total taxes collected being \$116.8 million more than expected. Expenditures and other uses were lower in every category; as a result, spending was \$195.4 million less than budget. Actual revenues and sources exceeded actual expenditures and other uses by \$446.4 million on a budgetary basis, and by \$369.7 million on a basis consistent with generally accepted accounting principles.

We have accumulated an emergency and contingency cash reserve of approximately \$253.4 million, and our financial condition has allowed the District to continue to improve its bond ratings. As a result, we enjoy lower borrowing costs on the District's outstanding debt.

The District works to insure that there are sufficient resources to meet critical needs and to avoid excessive debt. The federal government's restructuring in 1997 acknowledged that the District does labor under a difficult structural imbalance in meeting those needs, but a long-term solution is still needed. The overall economic and structural position of the District remains a pressing issue that needs the attention of the U.S. Congress and the President of the United States.

I would like to commend the many employees, both program and financial staff, especially the staff of the Office of Financial Operations and Systems, who have worked diligently to guarantee a successful closure of the District's books. They have again ensured that our records meet the highest standards required for an unqualified audit opinion. I am happy to report that the District has again been awarded the "*Certificate of Achievement for Excellence in Financial Reporting*" by the Government Finance Officers Association.

The many improvements that have been made in financial staffing, systems, and operations have allowed the program staff to more effectively manage government operations at all levels. The District is one of the few major city or state governments in the United States that prepares its own CAFR. As we have continued to refine and improve our financial systems and processes, it is now firmly established that the annual audit requirement has become a routine event in the District's overall financial management reporting.

Sincerely,

A handwritten signature in black ink, appearing to read 'Natwar M. Gandhi', with a long horizontal flourish extending to the right.

Natwar M. Gandhi  
Chief Financial Officer