

**Easy Grants ID 5116 – BTOP CCI Application  
Round Two**

**“DC-CAN” – “DC Community Access Network”**

**Historical Financial Support – District of Columbia**

As a Government entity, the District of Columbia is annually required to produce Comprehensive Annual Financial Reports (CAFRs). The District’s fiscal year ends September 30, and these reports must be reviewed by an independent auditor, and published within ninety days of the fiscal year end, summarizing key financial information.

The District has timely produced these reports for the years in question for this BTOP application, for the years ending September 30, 2009, 2008 and 2007. Audits were performed by BDO Seidman, LLP, an independent accounting firm based in Washington, DC, for all three years.

The subsequent pages of this attachment contain the following extracts from the appropriate CAFRs:

- 2009 Basic Financial Statements, including:
  - Statement of Net Assets – source for assets, changes in assets
  - Statement of Activities
  - Balance Sheet
  - Statement of Revenues, Expenditures and Changes in Fund Balances
- 2008 Basic Financial Statements (same)
- 2007 Basic Financial Statements (same)
- Complete 2009 CAFR for District of Columbia
  - Source for Moody’s, Standard & Poor’s, and Fitch Ratings

## BASIC FINANCIAL STATEMENTS

The basic financial statements include the *Government-Wide Financial Statements*, *Governmental Fund Financial Statements*, *Proprietary Fund Financial Statements*, *Fiduciary Fund Financial Statements* and the *Component Unit Financial Statements*. These financial statements present different views of the District.

Following the basic financial statements are the *Notes to the Basic Financial Statements* which explain some of the information in the financial statements and provide more detail.

## Exhibit 1-a

District of Columbia  
Statement of Net Assets  
September 30, 2009  
(With Comparative Totals at September 30, 2008)  
(\$000s)

	Primary Government				
	Governmental	Business-Type	Totals		Component
	Activities	Activities	2009	2008	Units
ASSETS					
Cash and cash equivalents (unrestricted)	\$ 385,459	\$ 15,994	\$ 401,453	\$ 501,883	\$ 158,018
Investments (unrestricted)	-	5,627	5,627	5,915	183,176
Accrued interest receivable, net	-	-	-	171	-
Due from federal government	443,898	18,883	462,781	380,512	69,857
Taxes receivable, net	351,096	-	351,096	305,169	-
Accounts receivable, net	207,629	24,698	232,327	246,195	45,921
Other receivables	-	-	-	-	46,939
Due from primary government	-	-	-	-	14,151
Due from component units	26,016	-	26,016	14,339	-
Due from fiduciary funds	4,677	-	4,677	-	-
Internal balances	19,770	(19,770)	-	-	-
Inventories	11,431	-	11,431	16,841	9,369
Other current assets	1,107	646	1,753	1,560	1,068
Cash and cash equivalents (restricted)	1,609,298	366,403	1,975,701	2,534,953	312,348
Investments (restricted)	181,583	38,990	220,573	197,041	524,755
Other long term assets	142,192	-	142,192	209,558	597,254
Deferred charges	99,693	-	99,693	95,726	-
Net OPEB assets	-	-	-	7,507	-
Depreciable capital assets, net	5,659,242	14,748	5,673,990	5,113,687	3,075,258
Non-depreciable capital assets	2,455,577	1,264	2,456,841	2,146,697	453,804
Total assets	11,598,668	467,483	12,066,151	11,777,754	5,491,918
LIABILITIES					
Accounts payable	679,832	73,839	753,671	732,222	116,360
Compensation payable	178,646	3,145	181,791	147,019	25,540
Due to primary government	-	-	-	-	26,016
Due to component units	14,151	-	14,151	23,147	-
Due to fiduciary funds	-	-	-	5,522	-
Unearned revenues	280,975	492	281,467	358,947	85,446
Accrued liabilities	298,337	8,205	306,542	250,572	48,131
Accrued interest payable	88,736	-	88,736	71,434	-
Other current liabilities	10,689	-	10,689	57,188	51,493
Long-term liabilities:					
Due within one year	510,837	7,406	518,243	485,250	83,416
Due in more than one year	7,035,002	27,747	7,062,749	6,685,118	3,462,540
Total liabilities	9,097,205	120,834	9,218,039	8,816,419	3,898,942
NET ASSETS					
Invested in capital assets, net of related debt	2,155,206	16,012	2,171,218	1,811,026	1,076,962
Restricted for:					
Expendable					
Debt service	203,298	-	203,298	180,595	-
Benefit payments	-	304,773	304,773	374,282	-
Grants and contributions	142,566	-	142,566	175,754	-
Purpose restriction	104,626	-	104,626	175,488	-
Emergency reserves	284,316	-	284,316	330,238	-
Other	117,255	-	117,255	294,138	187,111
Nonexpendable	-	-	-	-	7,242
Unrestricted (deficit)	(505,804)	25,864	(479,940)	(380,186)	321,661
Total net assets	\$ 2,501,463	\$ 346,649	\$ 2,848,112	\$ 2,961,335	\$ 1,592,976

The accompanying notes are an integral part of this statement.

Exhibit 1-b

District of Columbia  
Statement of Activities  
For the Year Ended September 30, 2009  
(With Comparative Totals for the Year Ended September 30, 2008)  
(\$000s)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Units
	Expenses	Charges for Services, Fees, Fines & Forfeits	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Totals		
							2009	2008	
Primary government:									
Governmental activities:									
Governmental direction and support	\$ 878,219	\$ 16,531	\$ 83,057	\$ 20,999	\$ (757,632)		\$ (757,632)	\$ (784,986)	
Economic development and regulation	470,567	105,148	74,203	2,488	(288,728)		(288,728)	(290,889)	
Public safety and justice	1,407,166	71,787	392,031	-	(943,348)		(943,348)	(1,011,565)	
Public education system	1,937,238	294	402,667	7,000	(1,527,277)		(1,527,277)	(1,579,785)	
Human support services	3,598,570	9,599	1,832,008	6,919	(1,750,044)		(1,750,044)	(1,778,460)	
Public works	553,233	196,119	29,602	143,196	(184,316)		(184,316)	(199,514)	
Public transportation	230,499	-	-	-	(230,499)		(230,499)	(214,905)	
Interest on long-term debt	336,536	-	-	-	(336,536)		(336,536)	(293,339)	
Total governmental activities	9,412,028	399,478	2,813,568	180,602	(6,018,380)		(6,018,380)	(6,153,443)	
Business-type activities:									
Lottery and games	176,625	245,370	-	-		\$ 68,745	68,745	69,740	
Unemployment compensation	370,775	-	36,985	-		(333,790)	(333,790)	(129,046)	
Nursing home services	44,601	43,424	-	-		(1,177)	(1,177)	(3,402)	
Total business-type activities	592,001	288,794	36,985	-		(266,222)	(266,222)	(62,708)	
Total primary government	\$ 10,004,029	\$ 688,272	\$ 2,850,553	\$ 180,602	(6,018,380)	(266,222)	(6,284,602)	(6,216,151)	
Component units:									
Water and sewer authority	\$ 363,924	\$ 329,061	\$ -	\$ 27,752					\$ (7,111)
Convention center	99,001	16,595	-	-					(82,406)
Sports commission	12,910	5,311	-	-					(7,599)
Housing finance	76,466	7,069	-	-					(69,397)
University	130,611	20,784	29,109	5,388					(75,330)
Total component units	\$ 682,912	\$ 378,820	\$ 29,109	\$ 33,140					(241,843)
General revenues:									
Taxes:									
Property taxes					1,951,345	-	1,951,345	1,787,365	-
Sales and use taxes					1,052,011	-	1,052,011	1,101,859	-
Income and franchise taxes					1,478,068	-	1,478,068	1,755,894	-
Gross receipts taxes					315,976	-	315,976	302,873	-
Other taxes					261,909	94,622	356,531	506,134	-
Investment earnings					28,242	19,061	47,303	117,164	67,720
Miscellaneous					530,847	152,161	683,008	474,824	40,173
Subsidy from primary government					-	-	-	-	153,538
Special item					287,137	-	287,137	153,640	-
Transfer in (out)					68,775	(68,775)	-	-	-
Total general revenues, special item and transfers					5,974,310	197,069	6,171,379	6,199,753	261,431
Change in net assets					(44,070)	(69,153)	(113,223)	(16,398)	19,588
Net assets at October 1, as restated					2,545,533	415,802	2,961,335	2,977,733	1,573,388
Net assets at September 30					\$ 2,501,463	\$ 346,649	\$ 2,848,112	\$ 2,961,335	\$ 1,592,976

The accompanying notes are an integral part of this statement.



## Exhibit 2-a

District of Columbia  
Balance Sheet  
Governmental Funds  
September 30, 2009  
(With Comparative Totals at September 30, 2008)  
(\$000s)

	General	Federal & Private Resources	General Capital Improvements	Baseball Capital Project	Nonmajor Governmental Funds	Total Governmental Funds	
						2009	2008
<b>ASSETS</b>							
Cash and cash equivalents (unrestricted)	\$ 385,459	\$ -	\$ -	\$ -	\$ -	\$ 385,459	\$ 484,115
Accrued interest receivable	-	-	-	-	-	-	171
Due from federal government	19,856	379,154	44,888	-	-	443,898	380,512
Taxes receivable, net	351,096	-	-	-	-	351,096	305,169
Accounts receivable, net	96,450	78,377	1,999	-	30,803	207,629	224,491
Due from component units	24,489	-	-	1,527	-	26,016	14,339
Due from other funds	346,597	21,510	485	-	20,242	388,834	491,614
Inventories	10,221	1,210	-	-	-	11,431	16,841
Other current assets	1,066	-	-	-	41	1,107	997
Cash and cash equivalents (restricted)	397,058	133,775	739,621	2,022	336,822	1,609,298	2,112,154
Investments (restricted)	181,583	-	-	-	-	181,583	154,002
Other long term assets	58,994	15,537	500	-	67,161	142,192	209,558
<b>Total assets</b>	<b>\$ 1,872,869</b>	<b>\$ 629,563</b>	<b>\$ 787,493</b>	<b>\$ 3,549</b>	<b>\$ 455,069</b>	<b>\$ 3,748,543</b>	<b>\$ 4,393,963</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	369,504	122,022	173,230	-	15,076	679,832	682,445
Compensation payable	151,478	24,559	2,506	-	103	178,646	144,642
Due to other funds	30,406	129,468	204,028	-	485	364,387	486,400
Due to component units	14,127	-	24	-	-	14,151	23,147
Deferred revenue	194,873	94,048	823	-	67,384	357,128	417,975
Accrued liabilities	183,698	114,539	-	-	100	298,337	242,629
Other current liabilities	8,300	2,361	28	-	-	10,689	56,969
<b>Total liabilities</b>	<b>952,386</b>	<b>486,997</b>	<b>380,639</b>	<b>-</b>	<b>83,148</b>	<b>1,903,170</b>	<b>2,054,207</b>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
General fund purposes	703,694	-	-	-	-	703,694	957,977
Special revenue funds purposes	-	142,566	-	-	365,112	507,678	465,229
Capital project purposes	-	-	406,854	3,549	6,809	417,212	629,805
<b>Unreserved, designated, reported in:</b>							
General fund	216,789	-	-	-	-	216,789	200,020
<b>Unreserved, undesignated reported in:</b>							
General fund	-	-	-	-	-	-	86,725
<b>Total fund balances</b>	<b>920,483</b>	<b>142,566</b>	<b>406,854</b>	<b>3,549</b>	<b>371,921</b>	<b>1,845,373</b>	<b>2,339,756</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,872,869</b>	<b>\$ 629,563</b>	<b>\$ 787,493</b>	<b>\$ 3,549</b>	<b>\$ 455,069</b>		<b>\$ 4,393,963</b>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1a) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

8,114,819

Certain long term assets are not available to pay current period expenditures and are therefore deferred in the funds.

76,153

Adjustment for deferred charges.

99,693

Certain liabilities (such as bonds payable and accrued expenses) are not due and payable in the current period:

General obligation bonds	3,766,628
Income tax revenue bonds	1,071,785
Tobacco settlement bonds	711,239
TIF bonds & notes	96,197
Ballpark bonds	521,750
QZAB	6,044
Accrued interest payable	88,736
Capital leases	44,492
Other long-term liabilities	1,327,704

(7,634,575)

Net assets of governmental activities

\$ 2,501,463

The accompanying notes are an integral part of this statement.

Exhibit 2-b

**District of Columbia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2009**  
**(With Comparative Totals for the Year Ended September 30, 2008)**  
**(\$000s)**

	General	Federal & Private Resources	General Capital Improvements	Baseball Capital Project	Nonmajor Governmental Funds	Total Governmental Funds	
						2009	2008
<b>REVENUES</b>							
Taxes:							
Property taxes	\$ 1,934,523	\$ -	\$ -	\$ -	\$ -	\$ 1,934,523	\$ 1,759,091
Sales and use taxes	1,052,011	-	-	-	-	1,052,011	1,101,859
Income and franchise taxes	1,478,068	-	-	-	-	1,478,068	1,755,894
Gross receipts taxes	315,976	-	-	-	-	315,976	302,873
Other taxes	261,909	-	-	-	-	261,909	413,401
Fines and forfeitures	106,169	-	-	-	-	106,169	99,452
Licenses and permits	91,230	-	-	-	-	91,230	94,988
Charges for services	196,117	5,962	-	-	-	202,079	184,709
Investment earnings	18,435	891	42	1,694	7,180	28,242	95,847
Miscellaneous	444,234	12,871	2,145	-	64,796	524,046	457,747
Federal contributions	-	545,446	28,000	-	-	573,446	433,206
Operating grants	-	2,268,122	152,602	-	-	2,420,724	1,920,910
<b>Total revenues</b>	<b>5,898,672</b>	<b>2,833,292</b>	<b>182,789</b>	<b>1,694</b>	<b>71,976</b>	<b>8,988,423</b>	<b>8,619,977</b>
<b>EXPENDITURES</b>							
Current:							
Governmental direction and support	589,492	82,771	-	-	200	672,463	695,175
Economic development and regulation	339,783	65,357	-	-	-	405,140	461,707
Public safety and justice	984,892	396,981	-	-	-	1,381,873	1,369,907
Public education system	1,497,302	352,898	-	-	-	1,850,200	1,716,701
Human support service	1,643,779	1,841,488	-	-	-	3,485,267	3,222,979
Public works	298,625	33,270	-	-	56,818	388,713	416,982
Public transportation	230,499	-	-	-	-	230,499	214,905
Debt service:							
Principal	241,654	-	-	-	35,869	277,523	251,998
Interest	223,364	-	-	-	69,120	292,484	287,354
Fiscal charges	19,628	-	-	-	31	19,659	25,330
Capital outlay	-	-	1,054,505	17,747	58,719	1,130,971	1,390,415
<b>Total expenditures</b>	<b>6,069,018</b>	<b>2,772,765</b>	<b>1,054,505</b>	<b>17,747</b>	<b>220,757</b>	<b>10,134,792</b>	<b>10,053,453</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(170,346)</b>	<b>60,527</b>	<b>(871,716)</b>	<b>(16,053)</b>	<b>(148,781)</b>	<b>(1,146,369)</b>	<b>(1,433,476)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Debt issuance	2,742	-	488,903	-	-	491,645	664,105
Refunding debt issuance	580,140	-	-	-	-	580,140	675,895
Premium on sale of bonds	36,601	-	13,597	-	-	50,198	36,282
Payment to refunded bond escrow agent	(607,640)	-	-	-	-	(607,640)	(675,385)
Equipment financing program	-	-	62,068	-	-	62,068	36,479
Transfers in	121,651	-	127,068	-	198,920	447,639	477,829
Transfers out	(294,187)	(1,755)	-	-	(82,922)	(378,864)	(407,529)
Sale of capital assets	6,800	-	-	-	-	6,800	726
<b>Total other financing sources (uses)</b>	<b>(153,893)</b>	<b>(1,755)</b>	<b>691,636</b>	<b>-</b>	<b>115,998</b>	<b>651,986</b>	<b>808,402</b>
Special item	-	-	-	-	-	-	175,250
<b>Net change in fund balances</b>	<b>(324,239)</b>	<b>58,772</b>	<b>(180,080)</b>	<b>(16,053)</b>	<b>(32,783)</b>	<b>(494,383)</b>	<b>(449,824)</b>
Fund balances at October 1	1,244,722	83,794	586,934	19,602	404,704	2,339,756	2,789,580
Fund balances at September 30	\$ 920,483	\$ 142,566	\$ 406,854	\$ 3,549	\$ 371,921	\$ 1,845,373	\$ 2,339,756

The accompanying notes are an integral part of this statement.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include the *Government-Wide Financial Statements* and the *Governmental Fund Financial Statements*. These financial statements present different views of the District.

Following the basic financial statements are the *Notes to the Basic Financial Statements* which explain some of the information in the financial statements and provide more detail.

## Exhibit 1-a

**District of Columbia**  
**Statement of Net Assets**  
**September 30, 2008**  
**(With Comparative Totals at September 30, 2007)**  
**(\$000s)**

	Primary Government				
	Governmental Activities	Business-Type Activities	Totals		Component Units
			2008	2007 Restated	
ASSETS					
Cash and cash equivalents (unrestricted)	\$ 484,115	\$ 17,768	\$ 501,883	\$ 621,147	\$ 164,206
Investments (unrestricted)	-	5,915	5,915	7,277	176,017
Accrued interest receivable, net	171	-	171	116	-
Due from federal government	380,512	-	380,512	415,716	91,418
Taxes receivable, net	305,169	-	305,169	288,700	-
Accounts receivable, net	224,491	21,704	246,195	169,375	42,082
Other receivables	-	-	-	-	31,133
Due from primary government	-	-	-	-	23,147
Due from component units	14,339	-	14,339	10,003	-
Due from fiduciary funds	-	-	-	57,482	-
Internal balances	10,736	(10,736)	-	-	-
Inventories	16,841	-	16,841	17,113	8,187
Other current assets	998	562	1,560	4,175	900
Cash and cash equivalents (restricted)	2,112,154	422,799	2,534,953	2,833,107	99,552
Investments (restricted)	154,002	43,039	197,041	51,157	892,290
Other long term assets	209,558	-	209,558	113,961	559,888
Deferred charges	95,726	-	95,726	81,267	-
Net OPEB assets	7,507	-	7,507	-	-
Depreciable capital assets, net	5,098,204	15,483	5,113,687	4,083,163	2,865,467
Non-depreciable capital assets	2,145,433	1,264	2,146,697	2,073,946	445,778
Total assets	11,259,956	517,798	11,777,754	10,827,705	5,400,065
LIABILITIES					
Accounts payable	682,445	49,777	732,222	655,083	105,948
Compensation payable	144,642	2,377	147,019	121,834	22,505
Due to primary government	-	-	-	-	14,339
Due to component units	23,147	-	23,147	64,037	-
Due to fiduciary funds	5,522	-	5,522	-	-
Unearned revenues	358,644	303	358,947	284,369	36,096
Accrued liabilities	242,629	7,943	250,572	183,217	38,950
Accrued interest payable	71,434	-	71,434	66,365	-
Other current liabilities	56,971	217	57,188	12,233	131,716
Long-term liabilities:					
Due within one year	476,619	8,631	485,250	414,808	124,135
Due in more than one year	6,652,370	32,748	6,685,118	6,048,026	3,344,002
Total liabilities	8,714,423	101,996	8,816,419	7,849,972	3,817,691
NET ASSETS					
Invested in capital assets, net of related debt	1,794,279	16,747	1,811,026	1,214,486	1,042,400
Restricted for:					
Expendable					
Debt service	180,595	-	180,595	343,590	-
Benefit payments	-	374,282	374,282	375,148	-
Grants and contributions	175,754	-	175,754	118,838	-
Emergency reserves	330,238	-	330,238	309,383	-
Other	469,626	-	469,626	497,897	175,043
Nonexpendable	-	-	-	-	7,242
Unrestricted (deficit)	(404,959)	24,773	(380,186)	118,391	357,689
Total net assets	\$ 2,545,533	\$ 415,802	\$ 2,961,335	\$ 2,977,733	\$ 1,582,374

The accompanying notes are an integral part of this statement.

Exhibit 1-b

District of Columbia  
Statement of Activities  
For the Year Ended September 30, 2008  
(With Comparative Totals for the Year Ended September 30, 2007)  
(\$000s)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Units
	Expenses	Charges for Services, Fees, Fines & Forfeits	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Totals		
						2008	2007 Restated		
Primary government:									
Governmental activities:									
Governmental direction and support	\$ 834,694	\$ 11,702	\$ 32,876	\$ 5,130	\$ (784,986)	\$ (784,986)	\$ (628,212)		
Economic development and regulation	499,644	111,105	97,650	-	(290,889)	(290,889)	(285,925)		
Public safety and justice	1,384,517	42,472	330,480	-	(1,011,565)	(1,011,565)	(928,555)		
Public education system	1,787,635	165	198,685	9,000	(1,579,785)	(1,579,785)	(1,302,932)		
Human support services	3,285,325	6,934	1,496,860	3,071	(1,778,460)	(1,778,460)	(1,525,295)		
Public works	586,649	206,771	21,724	158,640	(199,514)	(199,514)	(180,192)		
Public transportation	214,905	-	-	-	(214,905)	(214,905)	(198,484)		
Interest on long-term debt	293,339	-	-	-	(293,339)	(293,339)	(281,918)		
Total governmental activities	8,886,708	379,149	2,178,275	175,841	(6,153,443)	(6,153,443)	(5,331,513)		
Business-type activities:									
Lottery and Games	182,981	252,721	-	-		\$ 69,740	69,740	64,488	
Unemployment compensation	150,237	-	21,191	-	(129,046)	(129,046)	(81,562)		
Nursing home services	40,837	37,435	-	-	(3,402)	(3,402)	(5,641)		
Total business-type activities	374,055	290,156	21,191	-	(62,708)	(62,708)	(22,715)		
Total primary government	\$ 9,260,763	\$ 669,305	\$ 2,199,466	\$ 175,841	(6,153,443)	(62,708)	(6,216,151)	(5,354,228)	
Component units:									
Water and sewer authority	\$ 338,258	\$ 318,488	\$ -	\$ 42,208				\$ 22,438	
Convention center	97,201	17,955	-	-				(79,246)	
Sports commission	14,808	5,665	-	-				(9,143)	
Housing finance	77,649	6,778	-	-				(70,871)	
University	109,985	19,315	24,774	7,932				(57,964)	
Total component units	\$ 637,901	\$ 368,201	\$ 24,774	\$ 50,140				(194,786)	
General revenues:									
Taxes:									
Property taxes					1,787,365	-	1,787,365	1,545,325	
Sales and use taxes					1,101,859	-	1,101,859	1,056,780	
Income and franchise taxes					1,755,894	-	1,755,894	1,736,361	
Gross receipts taxes					302,873	-	302,873	302,768	
Other taxes					413,401	92,733	506,134	588,315	
Investment earnings					95,847	21,317	117,164	145,261	
Miscellaneous					458,469	16,355	474,824	457,520	
Subsidy from primary government					-	-	-	-	
Special item					153,640	-	153,640	(8,838)	
Transfer in (out)					70,300	(70,300)	-	-	
Total general revenues, special item and transfers					6,139,648	60,105	6,199,753	5,823,492	
Change in net assets					(13,795)	(2,603)	(16,398)	469,264	
Net assets at October 1, as restated					2,559,328	418,405	2,977,733	2,508,469	
Net assets at September 30					\$ 2,545,533	\$ 415,802	\$ 2,961,335	\$ 2,977,733	
								\$ 1,582,374	

The accompanying notes are an integral part of this statement.

## Exhibit 2-a

**District of Columbia  
Balance Sheet  
Governmental Funds  
September 30, 2008  
(With Comparative Totals at September 30, 2007)  
(\$000s)**

	General	Federal & Private Resources	General Capital Improvements	Baseball Capital Project	Nonmajor Governmental Funds	Total Governmental Funds	
						2008	2007
<b>ASSETS</b>							
Cash and cash equivalents (unrestricted)	\$ 484,115	\$ -	\$ -	\$ -	\$ -	\$ 484,115	\$ 602,923
Accrued interest receivable	-	-	-	-	171	171	116
Due from federal government	12,947	338,794	28,771	-	-	380,512	415,716
Taxes receivable, net	305,169	-	-	-	-	305,169	288,700
Accounts receivable, net	87,251	102,502	1,531	363	32,844	224,491	151,851
Due from component units	14,339	-	-	-	-	14,339	10,003
Due from other funds	432,253	11,138	-	-	48,223	491,614	451,133
Inventories	15,869	972	-	-	-	16,841	17,113
Other current assets	690	-	-	78	229	997	3,435
Cash and cash equivalents (restricted)	605,913	114,116	995,215	30,488	366,422	2,112,154	2,427,863
Investments (restricted)	154,002	-	-	-	-	154,002	-
Other long term assets	64,499	18,230	-	-	126,829	209,558	113,961
<b>Total assets</b>	<b>\$ 2,177,047</b>	<b>\$ 585,752</b>	<b>\$ 1,025,517</b>	<b>\$ 30,929</b>	<b>\$ 574,718</b>	<b>\$ 4,393,963</b>	<b>\$ 4,482,814</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	343,268	102,038	222,598	636	13,905	682,445	624,418
Compensation payable	132,564	9,136	2,659	-	283	144,642	119,530
Due to other funds	55,250	193,553	209,466	-	28,131	486,400	382,608
Due to component units	12,456	-	-	10,691	-	23,147	64,037
Deferred revenue	171,157	116,008	3,195	-	127,615	417,975	315,277
Accrued liabilities	177,875	64,674	-	-	80	242,629	175,408
Other current liabilities	39,755	16,549	665	-	-	56,969	11,956
<b>Total liabilities</b>	<b>932,325</b>	<b>501,958</b>	<b>438,583</b>	<b>11,327</b>	<b>170,014</b>	<b>2,054,207</b>	<b>1,693,234</b>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
General fund purposes	957,977	-	-	-	-	957,977	1,135,459
Special revenue funds purposes	-	83,794	-	-	381,435	465,229	460,556
Capital project purposes	-	-	586,934	19,602	23,269	629,805	835,024
<b>Unreserved, designated, reported in:</b>							
General fund	200,020	-	-	-	-	200,020	277,299
<b>Unreserved, undesignated reported in:</b>							
General fund	86,725	-	-	-	-	86,725	81,242
<b>Total fund balances</b>	<b>1,244,722</b>	<b>83,794</b>	<b>586,934</b>	<b>19,602</b>	<b>404,704</b>	<b>2,339,756</b>	<b>2,789,580</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,177,047</b>	<b>\$ 585,752</b>	<b>\$ 1,025,517</b>	<b>\$ 30,929</b>	<b>\$ 574,718</b>		<b>\$ 4,482,814</b>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1a) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 7,243,637

Certain long term assets are not available to pay current period expenditures and are therefore deferred in the funds. 59,331

Adjustment for net OPEB assets. 7,507

Adjustment for deferred charges. 95,726

Certain liabilities (such as bonds payable and accrued expenses) are not due and payable in the current period:

General obligation bonds	4,592,518
Tobacco settlement bonds	724,484
TIF bonds & notes	100,664
Ballpark bonds	526,415
QZAB	6,713
Accrued interest payable	71,434
Capital leases	52,403
Other long-term liabilities	1,125,793
	(7,200,424)

Net assets of governmental activities \$ 2,545,533

The accompanying notes are an integral part of this statement.

Exhibit 2-b

**District of Columbia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2008**  
**(With Comparative Totals for the Year Ended September 30, 2007)**  
**(\$000s)**

	General	Federal & Private Resources	General Capital Improvements	Baseball Capital Project	Nonmajor Governmental Funds	Total Governmental Funds	
						2008	2007
<b>REVENUES</b>							
Taxes:							
Property taxes	\$ 1,759,091	\$ -	\$ -	\$ -	\$ -	\$ 1,759,091	\$ 1,551,900
Sales and use taxes	1,101,859	-	-	-	-	1,101,859	1,056,780
Income and franchise taxes	1,755,894	-	-	-	-	1,755,894	1,736,361
Gross receipts taxes	302,873	-	-	-	-	302,873	302,768
Other taxes	413,401	-	-	-	-	413,401	498,198
Fines and forfeitures	99,452	-	-	-	-	99,452	101,971
Licenses and permits	94,988	-	-	-	-	94,988	89,072
Charges for services	180,614	4,095	-	-	-	184,709	143,934
Investment earnings	70,528	1,087	1,699	13,490	9,043	95,847	124,420
Miscellaneous	335,384	13,845	12,882	21,194	74,442	457,747	444,262
Federal contributions	-	419,075	14,131	-	-	433,206	440,962
Operating grants	1,865	1,757,335	161,710	-	-	1,920,910	1,999,090
<b>Total revenues</b>	<b>6,115,949</b>	<b>2,195,437</b>	<b>190,422</b>	<b>34,684</b>	<b>83,485</b>	<b>8,619,977</b>	<b>8,489,718</b>
<b>EXPENDITURES</b>							
Current:							
Governmental direction and support	663,674	31,331	-	-	170	695,175	651,974
Economic development and regulation	361,866	99,841	-	-	-	461,707	444,508
Public safety and justice	1,044,456	325,451	-	-	-	1,369,907	1,241,684
Public education system	1,457,941	258,760	-	-	-	1,716,701	1,541,194
Human support service	1,718,912	1,504,067	-	-	-	3,222,979	2,975,821
Public works	262,044	22,654	-	-	132,284	416,982	329,942
Public transportation	214,905	-	-	-	-	214,905	198,484
Debt service:							
Principal	229,953	-	-	-	22,045	251,998	232,389
Interest	219,196	-	-	-	68,158	287,354	258,769
Fiscal charges	25,025	-	-	-	305	25,330	15,095
Capital outlay	-	-	1,161,941	178,105	50,369	1,390,415	1,024,541
<b>Total expenditures</b>	<b>6,197,972</b>	<b>2,242,104</b>	<b>1,161,941</b>	<b>178,105</b>	<b>273,331</b>	<b>10,053,453</b>	<b>8,914,401</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(82,023)</b>	<b>(46,667)</b>	<b>(971,519)</b>	<b>(143,421)</b>	<b>(189,846)</b>	<b>(1,433,476)</b>	<b>(424,683)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Debt issuance	2,360	-	661,745	-	-	664,105	610,580
Refunding debt issuance	675,895	-	-	-	-	675,895	251,155
Premium on sale of bonds	19,773	-	16,509	-	-	36,282	16,063
Payment to refunded bond escrow agent	(675,385)	-	-	-	-	(675,385)	(264,334)
Equipment financing program	-	-	36,479	-	-	36,479	42,471
Transfers in	74,088	-	139,957	49,981	213,803	477,829	694,229
Transfers out	(323,707)	(3,788)	-	-	(80,034)	(407,529)	(628,853)
Sale of capital assets	726	-	-	-	-	726	12,168
<b>Total other financing sources (uses)</b>	<b>(226,250)</b>	<b>(3,788)</b>	<b>854,690</b>	<b>49,981</b>	<b>133,769</b>	<b>808,402</b>	<b>733,479</b>
Special item	58,995	-	-	-	116,255	175,250	(8,838)
<b>Net change in fund balances</b>	<b>(249,278)</b>	<b>(50,455)</b>	<b>(116,829)</b>	<b>(93,440)</b>	<b>60,178</b>	<b>(449,824)</b>	<b>299,958</b>
Fund balances at October 1	1,494,000	134,249	703,763	113,042	344,526	2,789,580	2,489,622
Fund balances at September 30	\$ 1,244,722	\$ 83,794	\$ 586,934	\$ 19,602	\$ 404,704	\$ 2,339,756	\$ 2,789,580

The accompanying notes are an integral part of this statement.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include the *Government-Wide Financial Statements* and the *Governmental Fund Financial Statements*. These financial statements present different views of the District.

Following the basic financial statements are the *Notes to the Basic Financial Statements* which explain some of the information in the financial statements and provide more detail.



## Exhibit 1-a

**District of Columbia**  
**Statement of Net Assets**  
**September 30, 2007**  
**(With Comparative Totals at September 30, 2006)**  
**(\$000s)**

	Primary Government				
	Governmental	Business-Type	Totals		Component
	Activities	Activities	2007	2006 Restated	Units
ASSETS					
Cash and cash equivalents (unrestricted)	\$ 602,923	\$ 18,224	\$ 621,147	\$ 392,825	\$ 260,878
Investments (unrestricted)	-	7,277	7,277	8,279	84,935
Accrued interest receivable, net	116	-	116	108	-
Due from federal government	415,716	-	415,716	440,001	19,827
Taxes receivable, net	288,700	-	288,700	274,748	-
Accounts receivable, net	151,851	17,524	169,375	240,898	50,094
Other receivables	-	-	-	-	33,427
Due from primary government	-	-	-	-	64,037
Due from component units	10,003	-	10,003	8,536	-
Due from fiduciary funds	57,482	-	57,482	-	-
Internal balances	11,043	(11,043)	-	-	-
Inventories	17,113	-	17,113	14,623	7,260
Other current assets	3,435	729	4,164	24,560	822
Cash and cash equivalents (restricted)	2,427,863	405,244	2,833,107	2,443,553	468,556
Investments (restricted)	-	51,157	51,157	329,780	881,083
Other long term assets	113,961	-	113,961	21,625	581,332
Deferred charges	81,267	-	81,267	85,180	-
Depreciable capital assets, net	4,067,216	15,947	4,083,163	4,022,561	2,597,709
Non-depreciable capital assets	2,072,682	1,264	2,073,946	1,541,685	670,298
Total assets	10,321,371	506,323	10,827,694	9,848,962	5,720,258
LIABILITIES					
Accounts payable	624,418	30,665	655,083	616,779	89,657
Compensation payable	119,530	2,304	121,834	147,950	23,972
Due to primary government	-	-	-	-	10,003
Due to component units	64,037	-	64,037	20,535	-
Due to fiduciary funds	-	-	-	2,809	-
Unearned revenues	284,220	149	284,369	217,668	51,516
Accrued liabilities	175,408	7,809	183,217	201,438	34,950
Accrued interest payable	66,365	-	66,365	60,506	-
Other current liabilities	11,956	332	12,288	35,581	158,844
Long-term liabilities:					
Due within one year	406,177	8,631	414,808	380,606	136,661
Due in more than one year	6,009,932	38,094	6,048,026	5,656,621	3,524,761
Total liabilities	7,762,043	87,984	7,850,027	7,340,493	4,030,364
NET ASSETS					
Invested in capital assets, net of related debt	1,197,275	17,211	1,214,486	976,102	1,174,207
Restricted for:					
Expendable					
Debt service	343,590	-	343,590	262,640	-
Benefit payments	-	375,148	375,148	347,938	-
Capital projects	-	-	-	36,597	-
Grants and contributions	118,838	-	118,838	161,310	-
Emergency reserves	309,383	-	309,383	293,649	-
Other	497,897	-	497,897	233,454	228,445
Nonexpendable	-	-	-	-	7,242
Unrestricted	92,345	25,980	118,325	196,779	280,000
Total net assets	\$ 2,559,328	\$ 418,339	\$ 2,977,667	\$ 2,508,469	\$ 1,689,894

The accompanying notes are an integral part of this statement.

Exhibit 1-b

District of Columbia  
Statement of Activities  
For the Year Ended September 30, 2007  
(With Comparative Totals for the Year Ended September 30, 2006)  
(\$000s)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Units
	Expenses	Charges for Services, Fees, Fines & Forfeits	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Totals	
						Business-type Activities	2007		
Primary government:									
Governmental activities:									
Governmental direction and support	\$ 787,392	\$ 19,068	\$ 135,162	\$ 4,950	\$ (628,212)		\$ (628,212)	\$ (440,616)	
Economic development and regulation	509,874	102,230	121,719	-	(285,925)		(285,925)	(171,113)	
Public safety and justice	1,264,715	55,634	280,526	-	(928,555)		(928,555)	(823,427)	
Public education system	1,589,652	66	286,654	-	(1,302,932)		(1,302,932)	(1,225,465)	
Human support services	2,992,805	6,022	1,461,418	70	(1,525,295)		(1,525,295)	(1,546,853)	
Public works	481,702	151,957	24,016	125,537	(180,192)		(180,192)	(87,960)	
Public transportation	198,484	-	-	-	(198,484)		(198,484)	(187,615)	
Interest on long-term debt	281,918	-	-	-	(281,918)		(281,918)	(269,725)	
Total governmental activities	8,106,542	334,977	2,309,495	130,557	(5,331,513)		(5,331,513)	(4,752,774)	
Business-type activities:									
Lottery and Games	192,336	256,824	-	-		\$ 64,488	64,488	72,484	
Unemployment compensation	99,920	-	18,358	-		(81,562)	(81,562)	(87,924)	
Nursing home services	37,556	31,849	-	-		(5,707)	(5,707)	(6,280)	
Total business-type activities	329,812	288,673	18,358	-		(22,781)	(22,781)	(21,720)	
Total primary government	\$ 8,436,354	\$ 623,650	\$ 2,327,853	\$ 130,557	(5,331,513)	(22,781)	(5,354,294)	(4,774,494)	
Component units:									
Water and sewer authority	\$ 305,707	\$ 303,722	\$ -	\$ 25,083					\$ 23,098
Convention center	95,855	16,151	-	-					(79,704)
Sports commission	24,136	13,136	-	-					(11,000)
Housing finance	86,410	45,735	-	-					(40,675)
University	119,388	16,640	27,266	2,836					(72,646)
Anacostia waterfront corporation	13,788	-	11,017	15,264					12,493
National capital revitalization	36,238	6,728	-	(279)					(29,789)
Economic development finance	9	-	-	-					(9)
Total component units	\$ 681,531	\$ 402,112	\$ 38,283	\$ 42,904					(198,232)
General revenues:									
Taxes:									
Property taxes					1,545,325	-	1,545,325	1,272,998	-
Sales and use taxes					1,056,780	-	1,056,780	1,004,471	-
Income and franchise taxes					1,736,361	-	1,736,361	1,591,483	-
Gross receipts taxes					302,768	-	302,768	278,453	-
Other taxes					498,198	90,117	588,315	486,430	-
Investment earnings					124,420	20,841	145,261	92,528	67,435
Miscellaneous					456,425	1,095	457,520	431,892	40,607
Subsidy from primary government					-	-	-	-	145,948
Special item-real property loss					(8,838)	-	(8,838)	-	-
Transfer in (out)					65,376	(65,376)	-	-	-
Total general revenues and transfers					5,776,815	46,677	5,823,492	5,158,255	253,990
Change in net assets					445,302	23,896	469,198	383,761	55,758
Net assets at October 1, as restated					2,114,026	394,443	2,508,469	2,124,708	1,634,136
Net assets at September 30					\$ 2,559,328	\$ 418,339	\$ 2,977,667	\$ 2,508,469	\$ 1,689,894

The accompanying notes are an integral part of this statement.

## Exhibit 2-a

**District of Columbia  
Balance Sheet  
Governmental Funds  
September 30, 2007  
(With Comparative Totals at September 30, 2006)  
(\$000s)**

	General	Federal & Private Resources	General Capital Improvements	Baseball Capital Project	Nonmajor Governmental Funds	Total Governmental Funds	
						2007	2006
<b>ASSETS</b>							
Cash and cash equivalents (unrestricted)	\$ 602,923	\$ -	\$ -	\$ -	\$ -	\$ 602,923	\$ 363,480
Investments (unrestricted)	-	-	-	-	-	-	5,000
Accrued interest receivable	-	-	-	-	116	116	108
Due from federal government	18,317	357,619	39,780	-	-	415,716	440,001
Taxes receivable, net	288,700	-	-	-	-	288,700	274,748
Accounts receivable, net	29,670	84,689	2,548	122	34,822	151,851	222,594
Due from component units	5,165	-	1,073	3,678	87	10,003	8,536
Due from other funds	368,507	12,268	845	-	69,513	451,133	675,159
Inventories	15,998	1,115	-	-	-	17,113	14,623
Other current assets	3,435	-	-	-	-	3,435	24,246
Cash and cash equivalents (restricted)	947,030	-	1,045,481	184,385	250,967	2,427,863	2,063,305
Investments (restricted)	-	-	-	-	-	-	274,984
Other long term assets	6,704	14,296	-	-	92,961	113,961	21,621
<b>Total assets</b>	<b>\$ 2,286,449</b>	<b>\$ 469,987</b>	<b>\$ 1,089,727</b>	<b>\$ 188,185</b>	<b>\$ 448,466</b>	<b>\$ 4,482,814</b>	<b>\$ 4,388,405</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	402,870	84,115	128,024	176	9,233	624,418	584,426
Compensation payable	109,645	8,014	1,656	-	215	119,530	146,236
Due to other funds	30,409	52,057	251,315	47,982	845	382,608	665,260
Due to component units	15,785	21,267	-	26,985	-	64,037	20,535
Deferred revenue	111,120	107,764	2,814	-	93,579	315,277	255,116
Accrued liabilities	115,363	59,977	-	-	68	175,408	191,629
Other current liabilities	7,257	2,544	2,155	-	-	11,956	35,581
<b>Total liabilities</b>	<b>792,449</b>	<b>335,738</b>	<b>385,964</b>	<b>75,143</b>	<b>103,940</b>	<b>1,693,234</b>	<b>1,898,783</b>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
General fund purposes	1,135,459	-	-	-	-	1,135,459	1,045,560
Special revenue funds purposes	-	134,249	-	-	326,307	460,556	321,878
Capital project purposes	-	-	703,763	113,042	18,219	835,024	732,602
<b>Unreserved, designated, reported in:</b>							
General fund	277,299	-	-	-	-	277,299	389,582
<b>Unreserved, undesignated reported in:</b>							
General fund	81,242	-	-	-	-	81,242	-
<b>Total fund balances</b>	<b>1,494,000</b>	<b>134,249</b>	<b>703,763</b>	<b>113,042</b>	<b>344,526</b>	<b>2,789,580</b>	<b>2,489,622</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,286,449</b>	<b>\$ 469,987</b>	<b>\$ 1,089,727</b>	<b>\$ 188,185</b>	<b>\$ 448,466</b>		<b>\$ 4,388,405</b>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1a) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

6,139,898

Certain long term assets are not available to pay current period expenditures and are therefore deferred in the funds.

31,057

Adjustment for deferred charges.

81,267

Certain liabilities (such as bonds payable and accrued expenses) are not due and payable in the current period.

General obligation bonds 4,140,133  
Tobacco settlement bonds 737,069  
TIF bonds & notes 105,229  
Ballpark bonds 528,490  
QZAB 4,788  
Accrued interest payable 66,365  
Capital leases 59,869  
Other long-term liabilities 840,531

(6,482,474)

Net assets of governmental activities

\$ 2,559,328

The accompanying notes are an integral part of this statement.

Exhibit 2-b

**District of Columbia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2007**  
**(With Comparative Totals for the Year Ended September 30, 2006)**  
**(\$000s)**

	General	Federal & Private Resources	General Capital Improvements	Baseball Capital Project	Nonmajor Governmental Funds	Total Governmental Funds	
						2007	2006
<b>REVENUES</b>							
Taxes:							
Property taxes	\$ 1,551,900	\$ -	\$ -	\$ -	\$ -	\$ 1,551,900	\$ 1,241,482
Sales and use taxes	1,056,780	-	-	-	-	1,056,780	970,885
Income and franchise taxes	1,736,361	-	-	-	-	1,736,361	1,591,483
Gross receipts taxes	302,768	-	-	-	-	302,768	278,453
Other taxes	498,198	-	-	-	-	498,198	390,542
Fines and forfeitures	101,971	-	-	-	-	101,971	112,919
Licenses and permits	89,072	-	-	-	-	89,072	81,222
Charges for services	141,883	2,051	-	-	-	143,934	131,273
Investment earnings	89,425	(6,709)	2,915	24,985	13,804	124,420	73,206
Miscellaneous	315,477	3,372	65,948	4,433	55,032	444,262	489,067
Federal contributions	-	433,042	7,920	-	-	440,962	362,075
Operating grants	2,539	1,873,914	122,637	-	-	1,999,090	1,912,675
<b>Total revenues</b>	<b>5,886,374</b>	<b>2,305,670</b>	<b>199,420</b>	<b>29,418</b>	<b>68,836</b>	<b>8,489,718</b>	<b>7,635,282</b>
<b>EXPENDITURES</b>							
Current:							
Governmental direction and support	532,140	119,674	-	-	160	651,974	611,620
Economic development and regulation	323,267	121,241	-	-	-	444,508	348,091
Public safety and justice	960,766	280,918	-	-	-	1,241,684	1,133,800
Public education system	1,250,769	290,425	-	-	-	1,541,194	1,439,510
Human support service	1,512,095	1,463,726	-	-	-	2,975,821	2,952,637
Public works	223,891	27,640	-	-	78,411	329,942	184,200
Public transportation	198,484	-	-	-	-	198,484	187,615
Debt service:							
Principal	216,198	-	-	-	16,191	232,389	205,654
Interest	193,808	-	-	-	64,961	258,769	225,195
Fiscal charges	15,002	-	-	-	93	15,095	31,958
Capital outlay	-	-	742,499	237,620	44,422	1,024,541	901,204
<b>Total expenditures</b>	<b>5,426,420</b>	<b>2,303,624</b>	<b>742,499</b>	<b>237,620</b>	<b>204,238</b>	<b>8,914,401</b>	<b>8,221,484</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>459,954</b>	<b>2,046</b>	<b>(543,079)</b>	<b>(208,202)</b>	<b>(135,402)</b>	<b>(424,683)</b>	<b>(586,202)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Debt issuance	256,595	-	605,140	-	-	861,735	1,459,087
Premium on sale of bonds	16,063	-	-	-	-	16,063	39,944
Payment to refunded bond escrow agent	(264,334)	-	-	-	-	(264,334)	(136,137)
Equipment financing program	-	-	42,471	-	-	42,471	30,167
Transfers in	88,759	-	251,411	-	354,059	694,229	685,206
Transfers out	(501,509)	(29,107)	(49,000)	(7,337)	(41,900)	(628,853)	(611,406)
Sale of capital assets	12,168	-	-	-	-	12,168	-
<b>Total other financing sources (uses)</b>	<b>(392,258)</b>	<b>(29,107)</b>	<b>850,022</b>	<b>(7,337)</b>	<b>312,159</b>	<b>733,479</b>	<b>1,466,861</b>
Special item-real property loss	(8,838)	-	-	-	-	(8,838)	-
<b>Net change in fund balances</b>	<b>58,858</b>	<b>(27,061)</b>	<b>306,943</b>	<b>(215,539)</b>	<b>176,757</b>	<b>299,958</b>	<b>880,659</b>
Fund balances at October 1	1,435,142	161,310	396,820	328,581	167,769	2,489,622	1,608,963
Fund balances at September 30	\$ 1,494,000	\$ 134,249	\$ 703,763	\$ 113,042	\$ 344,526	\$ 2,789,580	\$ 2,489,622

The accompanying notes are an integral part of this statement.

# CAFR 2009

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2009





**ADRIAN M. FENTY**  
MAYOR

January 28, 2010

Dear Residents of the District of Columbia,

I am pleased to present the District of Columbia's (District) Fiscal year 2009 Comprehensive Annual Financial Report (CAFR). Despite a nationwide economic downturn, the District's finances remain sound. We completed Fiscal Year 2009 with a budgetary surplus of \$139.9 million, resulting in a General Fund balance of \$920.5 million as of September 30, 2009, and the audit opinion is unqualified, or clean, for the thirteenth consecutive year.

As in previous years, the District was able to continue to invest in schools, neighborhoods, and strengthen services for all residents and visitors to the District of Columbia. We now enjoy a "AAA" rating from Standard & Poor's on our new Income Tax secured revenue bonds, with ratings of "AA" and "Aa2" from Fitch Ratings and Mood's Investors Service, respectively. The District's general obligation bond ratings are "A+" from Standards and Poor's, "A+" from Fitch Ratings and "A1" from Moody's Investors Service. The District's strong bond ratings will allow the District to incur debt at lower interest rates, which allows us to continue to improve both infrastructure and service delivery.

We must build on the success of the past to ensure financial stability in the years to come. My Administration is committed to strengthening the District's financial position and will continue to improve the safety, health and education of all of our citizens. We will continue to do what is needed to improve opportunities for all Washingtonians. With your continued support, we will continue to lift up all communities to give our children a proud legacy, and a much brighter future.

Sincerely,

A handwritten signature in blue ink, appearing to read "Adrian M. Fenty", is written over a circular blue ink stamp. The stamp contains the text "Adrian M. Fenty" and "Mayor" below it.

Adrian M. Fenty  
Mayor



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



**Natwar M. Gandhi**  
Chief Financial Officer

January 28, 2010

The Honorable Adrian M. Fenty  
Mayor of the District of Columbia  
1350 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

Dear Mayor Fenty:

I am pleased to present the District of Columbia's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2009. As presented in the fiscal year 2009 CAFR, our independent auditors issued an unqualified (clean) opinion on the financial statements, for the 13<sup>th</sup> consecutive year.

The report submitted herewith demonstrates the District's continued financial control and stability during the most challenging economic times. At the end of fiscal year 2009, General Fund revenues and sources exceeded expenditures by \$139.9 million on a budgetary basis, and the cumulative General Fund fund balance was \$920.5 million, down from \$1.2 billion but still a solid figure and far better than many other state and local governments. Both the budgetary surplus and the accumulated fund balance reflect the effectiveness of the District's financial management practices.

The District's financial strength and the viability of its financial operations are further evidenced by the District's bond ratings, with which the District is able to access the markets in a much less costly manner. Current ratings for the District's general obligation bonds are A+ by Standard & Poor's (S&P), A1 by Moody's Investors Service (Moody's), and A+ by Fitch Ratings (Fitch). As well received as the District's general obligation bonds have been, the severe market disruption following the Lehman Brothers bankruptcy filing in September 2008, just prior to the beginning of FY 2009, led investors to seek higher rated investments – the so-called “flight to quality.” Accordingly, in March 2009, the District established the innovative Income Tax Secured Revenue Bond Program as a means of financing and refinancing its ongoing Capital Improvements Program. Income Tax Secured Revenue Bonds are payable solely from and secured solely by District personal income and business franchise tax revenues. The Income Tax Secured Revenue Bonds are rated AAA (S&P), Aa2 (Moody's) and AA (Fitch), and as such were an attractive investment, even during the stressed market conditions that continued into the early part of calendar year 2009. The District issued approximately \$800 million in such bonds in March 2009 and issued an additional \$270 million in Tax Secured Revenue Bonds in September 2009. Both offerings in FY 2009 were very well received by the markets, and interest rates were better than what would have been expected for a general obligation bond transaction (and, subsequent to the close of FY 2009, the interest rate on the bonds

issued in December 2009 was the lowest ever). The legislated 12 percent cap on tax-supported debt service as a percent of expenditures is also a factor that investors view favorably as they assess the District's bonds.

The ability to effectively manage the District's finances depends on sound and reasonable revenue estimates. There were significant budget challenges caused by estimated revenue reductions of \$583.5 million between June 2008 and June 2009, a 10.5 percent loss in revenue that was the result of the pressures of the national recession. Notwithstanding these difficulties, you and the Council responded quickly to close the budget gaps each time the Office of the Chief Financial Officer (OCFO) re-estimated the District's revenues in FY 2009.

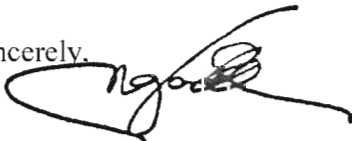
Although the District has been able to maintain financial stability and operate within budgetary constraints, several factors continue to impact its financial condition. The District, as the hub of a large metropolitan region, is home to a large share of the area's poor and needy population. Unlike other urban jurisdictions, the District cannot utilize resources of suburban areas to help fund the state-level services necessary to provide to this segment of the population. This critical need, combined with the fact that the cost of providing services in the District far exceeds the national average, leads to high total annual District expenditures. However, the District is prohibited from taxing federal real property and cannot tax nonresident income, and it does not receive any other payment-in-lieu of taxes from the federal government. Over the years, these structural limitations have plagued the District's financial operations and continue to impact its revenue streams.

Recognizing that the District, like other jurisdictions across the country, will continue to face challenging economic times, the OCFO will continue to be vigilant in its efforts to effectively manage and account for the District's financial resources. We are committed to improving business processes on an on-going basis, strengthening internal controls, and maximizing overall operational efficiency.

Over the last decade, the District's CAFR preparation process has improved significantly. As a result, the District has been recognized annually for outstanding achievement in financial reporting. The District was awarded the "*Certificate of Achievement for Excellence in Financial Reporting*" by the Government Finance Officers Association (GFOA) for the FY 2008 CAFR, and I am confident that the FY 2009 CAFR will again conform to the GFOA's requirements.

I would like to take this opportunity to thank the many employees, both program and financial staff throughout the District, who have worked diligently to successfully close the District's books for fiscal year 2009. Through their collaborative efforts, and especially the hard work and diligence of agency staff and personnel in the Office of Financial Operations and Systems, the District was, as usual, able to complete its fiscal year 2009 CAFR in four months instead of the six-month period allowed most jurisdictions.

Sincerely,



Natwar M. Gandhi  
Chief Financial Officer



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**Government of the District of Columbia  
Comprehensive Annual Financial Report  
Year Ended September 30, 2009**

**Adrian M. Fenty  
Mayor**

**Natwar M. Gandhi  
Chief Financial Officer**

**John A. Wilson Building  
1350 Pennsylvania Avenue, NW  
Washington, DC 20004**

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**DISTRICT OF COLUMBIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Year Ended September 30, 2009**

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# CAFR 2009

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2009

### INTRODUCTORY SECTION



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



GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF FINANCIAL OPERATIONS AND SYSTEMS  
810 FIRST STREET, NORTHEAST, SUITE 200  
WASHINGTON, D.C. 20002  
202-442-8200  
(FAX) 202-442-8201

January 28, 2010

Dr. Natwar M. Gandhi  
Chief Financial Officer

The Comprehensive Annual Financial Report (CAFR) of the Government of the District of Columbia (District) for the fiscal year ended September 30, 2009, is herewith submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of my knowledge and belief, the enclosed financial statements and schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the District.

This report has been prepared in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB) and includes all disclosures necessary for readers to gain a useful understanding of the District's financial activities. The city of Washington, D.C. is referred to in this CAFR as Washington, D.C., the City, and the District. This Transmittal Letter does not discuss the District's financial operations and results. To obtain a better understanding of the District's financial condition, refer to the Management's Discussion & Analysis (MD&A), which begins on page 21 of this CAFR.

The CAFR is presented in three sections: introductory, financial, and statistical, which are discussed below:

- **Introductory Section**, includes this letter of transmittal, a list of principal officials, the District's organizational chart, and GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- **Financial Section**, includes the independent auditors' report; management's discussion and analysis (MD&A), which provides an introductory overview and analysis of the financial statements; the basic financial statements, which present the government-wide financial statements for the primary government and its component units and fund financial statements for governmental funds, proprietary funds, fiduciary funds, the combining statements of the discretely presented component units and notes to the financial statements; required supplementary information (RSI); and other supplementary information (OSI), which includes combining and individual fund statements and schedules.
- **Statistical Section**, provides financial, economic, and demographic data, for multiple years, to assist readers in assessing and analyzing the District's overall condition.

The ability to produce a timely and accurate CAFR depends upon the adequacy of the District's internal controls. Internal control is defined as a process, affected by an entity's governing board, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in one of the following categories: (a) efficiency and effectiveness of operations; (b) reliability of financial reporting; and (c) compliance with applicable laws and regulations. Reasonable assurance is defined as a high, but not absolute, level of assurance [confidence] about whether the financial statements are free of misstatement (whether caused by error or fraud.) The District's management is responsible for establishing and maintaining adequate internal controls. The greatest challenge in establishing and maintaining adequate internal controls is ensuring that the control framework developed by management is comprehensive—that is, broad enough to achieve its intended purpose.

Due to certain inherent limitations, such as prohibitive costs, judgment errors, or potential for management override and collusion, internal control can only provide reasonable assurance that management's objectives will be achieved. However,

routine, periodic audits help management to assess, on an on-going basis, the adequacy of the District's internal control. In accordance with D.C. Code Section 47-119, an independent auditor audited the District's financial statements for the year ended September 30, 2009. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. In addition to issuing an opinion on the District's financial statements, the independent auditor, BDO Seidman, LLP has also prepared a report which is issued in conjunction with the CAFR that discusses the auditor's consideration of the District's internal control over financial reporting and the outcome of the auditor's tests of the District's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

Moreover, audit of compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is also performed annually. The District's fiscal year 2009 Single Audit Report will be issued at a later date.

GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and therefore, does not discuss the District's financial operations and results. For that reason, this letter should be read in conjunction with the MD&A in order to gain a better understanding of the District's financial condition.

## PROFILE OF THE GOVERNMENT

### Overview: Historical Background of the District

President George Washington established Washington, D.C. in 1791 from territory ceded by Maryland and Virginia. The United States Congress assumed jurisdiction over the District of Columbia, but residents of the District of Columbia did not have voting representation in Congress.

In February 1801, Congress enacted the Organic Act of 1801, that divided the capital district into the counties of Washington (former Maryland area) and Alexandria (former Virginia area). In 1846, Congress passed a law that allowed the return of the City of Alexandria and Alexandria County to the Commonwealth of Virginia. In 1871, Congress consolidated the three remaining municipal governments of the District of Columbia – Georgetown, Washington City and Washington County – into one territorial government. A territorial governor and council were appointed by the President and an elected House of Delegates and a non-voting delegate to Congress were also created. However, in 1874, the territorial government of the District of Columbia was abolished and the non-voting delegate to Congress was also eliminated at that time. The power to elect a mayor and council was subsequently eliminated in 1878.

With the ratification of the 23<sup>rd</sup> Amendment to the U.S. Constitution in 1961, citizens of Washington, D.C. were granted the right to vote in a presidential election. As part of a reorganization of city government that also included an appointed council, in 1967, President Lyndon Johnson appointed Walter E. Washington mayor. In 1970, Congress passed the District of Columbia Delegate Act, and in 1971, Walter Fauntroy became the District's first congressional representative.

Congress passed the District of Columbia Home Rule Act in 1973, which provides for a popularly elected mayor and a 13-member D.C. Council. Congress retained and continues to retain the right to review and overturn the legislative acts of the D.C. Council if both houses vote within 30 legislative days. The budget for the District of Columbia government must be approved by Congress and the President of the United States.

The Home Rule Act prohibits the taxing of federal property, any property exempted from taxation by federal law and the income of non-District residents who work in the District. In 1983, it was determined that the District could legally issue its own debt and on October 15, 1984, the District issued municipal debt on its own for the first time, in the form of Tax Revenue Anticipation Notes (TRANs), totaling \$150 million. These TRANs were paid in full on September 30, 1985.

Although progress has been made on many fronts throughout the District's history, District residents do not have voting representation in Congress. In accordance with the District of Columbia Delegate Act of 1970, U.S. Public Law 91-405, the citizens of the District of Columbia are represented in the House of Representatives by a Delegate, who is elected by the voters of the District of Columbia. Consistent with the Act:

*The Delegate shall have a seat in the House of Representatives, with the right of debate, but not of voting, shall have all the privileges granted a Representative by § 6 of Article I of the Constitution, and*

*shall be subject to the same restrictions and regulations as are imposed by law or rules on Representatives. The Delegate shall be elected to serve during each Congress.*

Although the current D.C. Delegate, Congresswoman Eleanor Holmes Norton, has no voting power, she has been able to accomplish much for the citizens of Washington, D.C. The following are some of her major recent accomplishments:

- Secured a determination letter from the Internal Revenue Service that the District of Columbia Historic Homeowner grants are not federally taxable, thereby relieving low and moderate-income homeowners of a burdensome and unintended tax bill that could have been as much as \$8,000.
- Renewal of the D.C. Homebuyers Tax Credit of \$5,000 for qualified purchasers of a principal residence in Washington, D.C. and certain other small business tax credits (through the passage of the Emergency Economic Stabilization Act of 2008).
- Secured \$3 million in stimulus funds (through the American Recovery and Reinvestment Act) for pre-apprenticeship and apprenticeship programs to ensure that women and minorities could qualify for jobs created by stimulus funds, particularly in the construction and greening industries. As a result, it is estimated that more than 200 pre-apprenticeship positions were made available in the District.
- Obtained funds to: (a) assist organizations that serve the city's youth; (b) support and promote the cleanup of the Potomac River, Anacostia River, and the Chesapeake Bay; (c) assist Children's Hospital in purchasing state-of-the-art technology to detect and study brain tumors, autism, cancers, neurological abnormalities and congenital diseases; and (d) support the operations and activities of other medical facilities in the District, such as Whitman-Walker Clinic, Washington Hospital Center, and Veterans Hospital.

For more information on the accomplishments and current objectives of the D.C. Delegate, visit Congresswoman Eleanor Holmes Norton's website at [www.norton.house.gov](http://www.norton.house.gov).

## **Financial Reporting Entity**

For financial reporting purposes, the District's reporting entity consists of: (1) the primary government; (2) five discretely presented component units (Housing Finance Agency, Sports and Entertainment Commission, University of the District of Columbia, Washington Convention Center Authority, and Water and Sewer Authority); and (3) one blended component unit (the Tobacco Settlement Financing Corporation). The District of Columbia Housing Authority and the District of Columbia Courts are considered related organizations because the District is not financially accountable for their operations. The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included in the reporting entity. Further information on the reporting entity can be found in Note 1B, page 56 of the Notes to the Basic Financial Statements.

The District and its component units provide a wide range of services to residents, including elementary, secondary, and postsecondary education; health and human services; economic development and regulation; public safety; transportation; and other general government services.

## **Budgetary Information**

During the first quarter of each fiscal year, agencies begin the budget formulation process for the upcoming fiscal year. In March of each year, consistent with Section 442 of the Home Rule Act (D.C. Code § 47-301), the Mayor submits a balanced operating budget for the upcoming fiscal year to the Council for review and approval. The Council holds public hearings and adopts the budget through passage of a Budget Request Act. A financial plan for the District's capital projects is also adopted. The Mayor may not submit and the Council may not adopt any budget which presents expenditures and other financing uses that exceed revenues and other financing sources. After the Mayor approves the adopted budget, it is forwarded to the President and Congress for approval. Congress holds public hearings and enacts the District's budget through passage of an appropriations bill, which is signed into law by the President of the United States.

The legally adopted budget is the annual Appropriations Act passed by Congress and signed by the President. The Appropriations Act authorizes expenditures at the agency level and by appropriation title (function), such as Public Safety and Justice; Human Support Services; or Public Education. To revise planned expenditures for any function, Congress must enact



the appropriate legislation. However, the District may reallocate budgeted amounts using the District's reprogramming process in accordance with the applicable legal requirements.

The District utilizes budgetary controls designed to monitor compliance with expenditure limitations contained in the annual appropriations act. Both automation and sound governance provide strong budgetary controls. The annual budget is assigned specific accounting attributes and is uploaded into the District's accounting system of record, thereby establishing the budget authority for each entity within the District government. The budget authority provided in the system of record is then reconciled to ensure that it matches the levels approved by the Appropriations Act. In addition, on an annual basis, independent auditors review the budget levels to ensure compliance with federally approved amounts and to determine whether all budget adjustments are properly documented and approved.

The "*District Anti-Deficiency Act of 2002*" (the Act), which became effective on April 4, 2003, introduced additional budgetary control requirements. This Act requires District managers to develop spending projections, by source of funds, on a monthly basis, which show year-to-date spending, approved budget, year-end projected spending, explanations of variances greater than 5%, and planned corrective actions for instances of overspending. Spending projections are required to be submitted to the agency head and the Agency Fiscal Officer. Summarized spending projections must be submitted to the District's CFO no more than 30 days after the end of each month.

Other reporting requirements have also been established to enhance the District's budgetary control policies and practices. Consistent with D.C. Code § 47-355.04, agency heads and Agency Fiscal Officers are to jointly submit a monthly spending plan for the fiscal year to the CFO by October 1 of each fiscal year. In addition, pursuant to D.C. Code § 47-355.05, the District's CFO is to submit quarterly reports to the Council and the Mayor that present each agency's actual expenditures, encumbrances, and commitments, each by source of funds, compared to each agency's approved spending plan. This report is required to be accompanied by the District CFO's observations regarding spending patterns and steps being taken to ensure that spending remains within the approved budget. These reports are used by the District's Anti-Deficiency Review Board to review cases of overspending.

In addition, the District uses encumbrance accounting as a means of strengthening budgetary controls and financial reporting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the system of record in order to reserve the portion of the related appropriation that will be needed for the expenditure. Therefore, the recording of encumbrances is a valuable tool used by the District to ensure that expenditures are within budgeted amounts. Generally, encumbered amounts lapse at year-end in the general fund but not in the capital projects fund.

## **Cash Reserves**

Through Congressional mandate, the District is required to maintain cash reserves totaling 6% of the general fund expenditures less debt service. The 6% is comprised of a contingency cash reserve of 4% and an emergency cash reserve of 2%. The contingency cash reserve may be used to provide for nonrecurring or unforeseen needs (e.g., severe weather or other natural disasters, and unexpected obligations created by federal law) that arise during the fiscal year or to cover revenue shortfalls experienced by the District for three consecutive months. The emergency cash reserve may be used to provide for unanticipated and nonrecurring extraordinary needs of an emergency nature (e.g., natural disaster or calamity) and may be used in the event that the Mayor declares a State of Emergency in the District.

## **District Accounting and Financial System**

### Accounting System

The District's accounting system is organized and maintained on a fund basis. Each fund, which is a separate, distinct accounting entity, has its own assets, liabilities, equity, revenues, and expenditures/expenses. The District uses generally accepted accounting principles (GAAP) when determining the types of funds to be established and is guided by the "minimum number of funds principle" and sound financial management practices when determining the number of funds to be set up within each fund type. Specialized accounting and reporting principles and practices apply to governmental funds. Proprietary funds, component units and pension trust funds are accounted for in the same manner as business enterprises.

### Measurement Focus and Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Accordingly, the measurement focus and basis of accounting applied in the preparation of fund financial statements and government-wide financial statements are as follows:

- The government-wide financial statements focus on all of the District's economic resources and use the full accrual basis of accounting.
- Fund financial statements focus primarily on the sources, uses, and balances of current financial resources and use the modified accrual basis of accounting.
- The budgetary basis of accounting is used to prepare the budgetary comparison statement presented in Exhibit 2-d. This basis of accounting differs from the GAAP – basis due to the basis, entity and perspective differences, as follows:
  - **Basis Differences** - The District uses the purchases method for budgetary purposes, and the consumption method to account for inventories on a GAAP basis. Under the purchases method, purchases of inventories are recognized as expenditures when the goods are received and the transaction is vouchered. Under the consumption method, a governmental expenditure is recognized only when the inventory items are used.
  - **Entity Differences** - This basis relates to inclusion or exclusion of certain activities for budgetary purposes as opposed to those on a GAAP basis for reporting purposes. Such activities primarily include the following as reported in Exhibit 2-d:
    - Fund balance released from restrictions
    - Proceeds from debt restructuring
    - Accounts receivable allowance
    - Operating surplus from enterprise funds
  - **Perspective Differences** – Perspective differences exist when the structure of financial information for budgetary purposes differs from the fund structure that is used to construct the basic financial statements. If there were significant budgetary perspective differences, the District would not be able to present budgetary comparisons for the District's general fund and major special revenue funds as part of the basic financial statements. In that case, the District would have to present its budgetary comparisons as required supplementary information (RSI). The District does not have any significant budgetary perspective differences, and its *Budgetary Comparison Statement*, Exhibit 2-d, is presented as part of the basic financial statements on page 47.

### Cash Management

It is the policy of the District to combine or pool all cash of the primary government unless prohibited by law. Cash that is not needed for immediate disbursement is generally invested in securities which are essentially guaranteed by the federal government. Such investments include but are not limited to mutual funds consisting of federal government obligations or repurchase agreements collateralized by federal agency obligations.

The Financial Institutions Deposit and Investment Amendment Act of 1997 (D.C. Code §47-351.3) authorized the District to invest in certain obligations that are not guaranteed by the federal government. Such deposits and investments are fully collateralized with approved securities that are held by the District or by its agent in the District's name.

### Risk Management

With the exception of healthcare and life insurance benefits for employees, the District retains the risk of loss arising from the ownership of property or other causes. The District is self-insured for general liability and liabilities associated with unemployment and disability (worker's compensation). A liability is established in the government-wide statement of net assets to reflect certain contingencies; however, this amount is not intended to include all assets that may be required to finance losses. Rather, certain losses are recognized in the affected funds when they occur.

## ECONOMIC CONDITION AND OUTLOOK

### Impact of the Recession on the District in Fiscal Year 2009

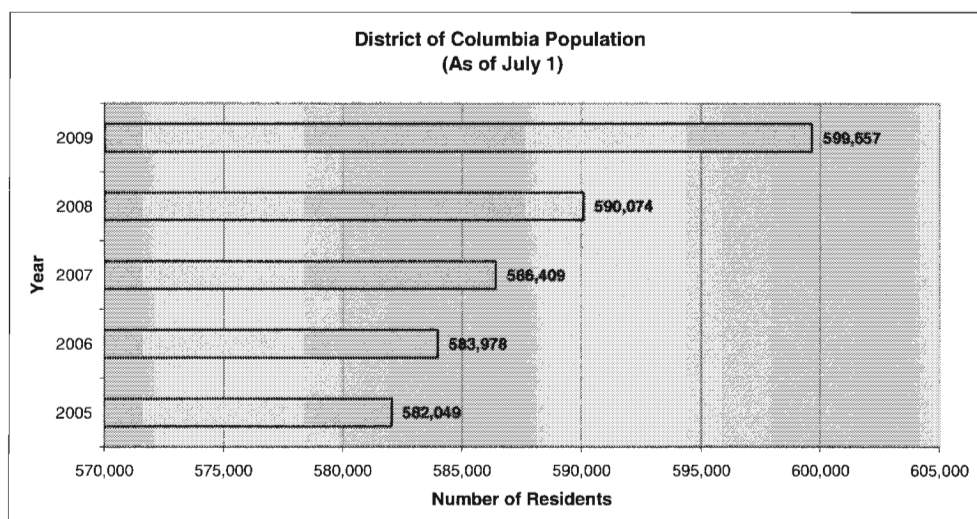
The impact of the continuing U.S. recession on the District's economy was mixed in fiscal year 2009; however, gross local revenues were greatly affected, falling by 6.3% from fiscal year 2008. In sharp contrast to the United States as a whole, almost 5,000 more people were working in the District at the end of the fiscal year than at the beginning of the year primarily because of increases in federal government employment. On the other hand, during fiscal year 2009 resident employment fell by 14,600 (4.7%) and the unemployment rate rose to 9.9%. Similar trends were noted regarding wage and salary income. Due largely to growth in the federal government sector, wages and salaries earned in the District increased 3.4% during fiscal year 2009 (compared to a 2.5% fall in the U.S. as a whole), while wages earned by District residents fell an estimated 2.4%. Real estate was one of the areas of the economy in which the recession's impact has been particularly evident. The value of all housing sales in the District fell another 2.4% during fiscal year 2009 (an improvement from the 22.1% decline in fiscal year 2008), and the vacancy rate in commercial office space in the District (including sublet space) rose to 10.2% from 6.6% a year earlier as new buildings were completed and competed for tenants. While tourism benefitted from the Presidential Inauguration in fiscal year 2009, hotel revenues from room sales for the year declined 2.9%. Revenue declines in fiscal year 2009 were particularly severe in the areas associated with real estate transactions, business profits, and capital gains. Thus, deed transfer and deed recordation taxes were down 42.0%, business income taxes were down 17.2%, and the individual income tax net of withholding declined 69.5%. General sales tax revenues were down 5.1%.

### Local Economy

#### Population

The U.S. Census Bureau estimated that there were 599,657 residents in Washington, D.C., as of July 1, 2009. This represents an increase of 9,583, or 1.6% from the revised July 1, 2008 estimate of 590,074. The annual census estimates are based on birth and death records, changes in tax return filings, and estimates of the number of immigrants who move into Washington, D.C. each year. **Chart 1** presents the District's population trends for calendar years 2005 through 2009.

**Chart 1 – Population Trends (2005 – 2009)**



#### Employment Trends

Total wage and salary employment in the Washington metropolitan area decreased to approximately 2,986,100 in FY2009 from the revised 3,006,582 for FY2008, representing a -0.7% decrease. However, these numbers exclude the self-employed, domestic workers, and military and foreign government personnel, which represent a significant portion of the total work force of the region. Some of the references to the 2008 employment numbers may differ from those presented in the FY 2008 CAFR because of updates and revisions. **Table 1** presents 2009 labor market data for the District and the metropolitan region.

**Table 1 – 2009 Labor Market Data for the District and Surrounding Metropolitan Area**

Labor Market ('000s): FY 2009						
Item	District of Columbia			Metropolitan area		
	Level	1 yr. ch. (amt.)	1 yr. ch. (%)	Level	1 yr ch. (amt.)	1 yr. ch. (%)
Employed residents	298.6	-14.6	-4.7	2,849.5	-70.8	-2.4
Labor force	329.3	-3.0	-0.9	3,019.1	-3.8	-0.1
Total wage and salary employment	707.4	4.9	0.7	2,986.1	-20.4	-0.7
Federal government	196.4	3.8	1.9	355.3	9.3	2.7
Local government	42.1	0.5	1.1	312.8	0.8	0.3
Leisure & hospitality	151.3	-1.8	-1.2	260.7	0.0	0.0
Trade	47.1	-2.3	-4.7	324.5	-14.1	-4.2
Education and health	105.6	4.3	4.3	342.3	6.5	1.9
Prof., bus., and other services	81.5	0.9	1.1	871.5	6.4	0.7
Other private	65.3	0.5	0.9	519.0	-29.4	-5.4
Unemployed	32.5	11.7	55.9	169.6	66.9	65.2
New unempl. Claims	2.2	0.7	45.4			

Sources: U.S. Bureau of Labor Statistics (BLS) & D.C. Dept. of Employment Services (DOES)

All data are monthly averages for the fiscal year.

During the past three years, total wage and salary employment within Washington, D.C. has remained at approximately 23.7% of the metropolitan area's total wage and salary employment. The seasonally adjusted September 2009 unemployment rate in Washington, D.C. was 11.4%, compared to the September 2008 seasonally adjusted rate of 7.4%.

Total employment within Washington, D.C. increased slightly to 703,700 as of September 2009 from the revised 703,600 as of September 2008. As the nation's capital, Washington, D.C. is the seat of the federal government and headquarters for most federal departments and agencies. The total September 2009 federal workforce in the Washington metropolitan area totaled 360,900; with approximately 199,900 federal employees located in Washington, D.C. and 161,000 additional federal employees who worked elsewhere in the Washington metropolitan area. Although both the District and the federal government employ fewer employees than 15 to 20 years ago, new business operations, especially in the service industry, have filled the void and strengthened the local economy. Increased spending by the Department of Homeland Security and the Department of Defense is also helping to stabilize federal employment in the region.

### Income Trends

Over the past decade, income has grown considerably in the District. From the third quarter of 1999 to the third quarter of 2009, personal income grew 81% in the District, as compared to 52% nationally. Over the past five years, personal income in the District grew 29% as compared to 21% in the U.S. The District's per capita income of \$66,119 in 2008 was 64.4% higher than the U.S. average. However, the distribution of income in the District differs from that of the nation as a whole, with higher proportions at the higher and lower ends and a smaller proportion in the middle. Consequently, median household income in the District is much closer to the U.S. average. For the two-year period 2007 and 2008, the District's median household income of \$54,162 was 5.7% above the U.S. average. The Census Bureau estimates that 16.5% of the District's population was below the poverty line in 2008 as compared to 13.7% for all of the U.S.

### Minimum Wage Rate

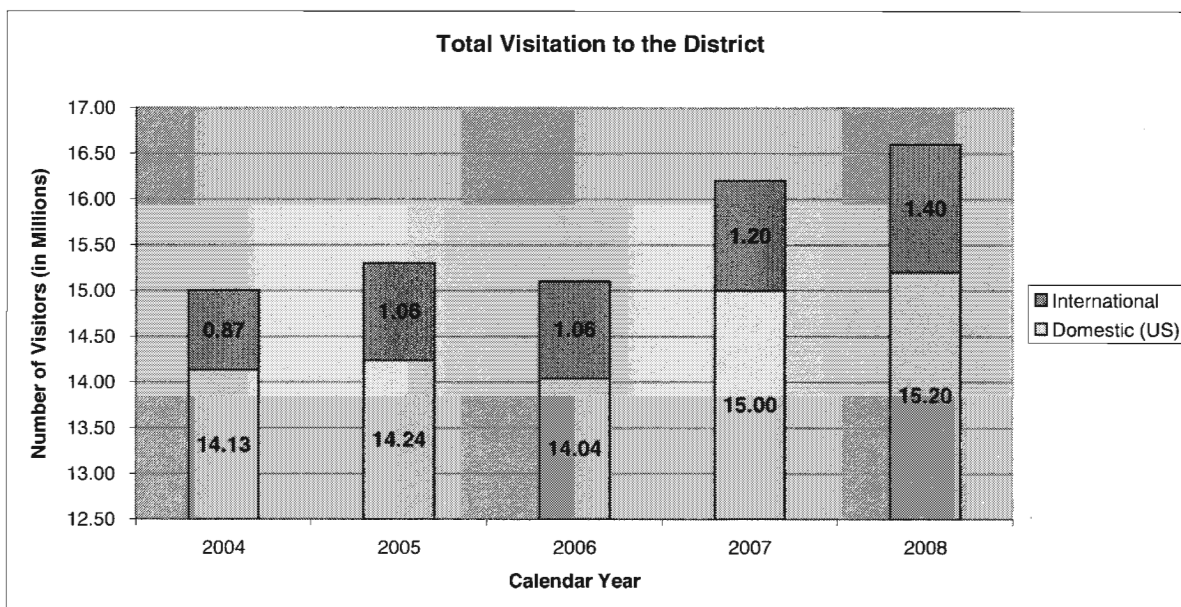
District law requires that the minimum wage rate for District employees be at least \$1.00 per hour greater than the Federal minimum wage. In July 2007, the federal minimum wage rate was increased to \$5.85 per hour from \$5.15 per hour, where it had been since September 1, 1997. The President signed into law an increase in the federal minimum wage in three steps: \$5.85 per hour beginning on July 24, 2007; \$6.55 per hour beginning on July 24, 2008, and \$7.25 per hour beginning on July 24, 2009. Accordingly, the District's minimum wage rate increased to \$7.55 per hour on July 24, 2008 and \$8.25 per hour on July 24, 2009.

### Tourism and Hospitality

Millions of U.S. citizens and international tourists visit the more than 400 museums and historical landmarks in the District each year. Popular attractions include sites along the National Mall, monuments to U.S. presidents, war memorials, and other museums.

According to the U.S. State Department's "Diplomatic List – Spring/Summer 2009," 188 foreign embassies and recognized diplomatic missions are located in Washington, D.C. In addition, a number of international organizations, such as the International Monetary Fund, the World Bank, the Inter-American Development Bank, and the Organization of American States, are also located in the District. The presence of these entities helps to boost tourism/visitation within the District. In calendar year 2008, approximately 15.2 million domestic visitors and 1.4 million international visitors traveled to the District. During calendar year 2008, the District was the eighth most visited destination in the U.S. for international travelers, with most coming from the United Kingdom, Germany, Latin America, Japan, India, South Korea, Denmark, Finland, Norway, Sweden, Australia, Italy, France, China, the Netherlands, Belgium, and France. **Chart 2** presents the trends in tourism for calendar years 2004 through 2008.

**Chart 2 – Trends in District Tourism (2004 – 2008)**



Source: Data compiled by Destination DC (formerly the Washington Convention and Tourism Corporation)

**Note:** Tourism data for calendar year 2009 are not yet available.

Direct visitor spending generated additional business activity in related industries (e.g., hotels, restaurants, retail) and continues to sustain the local and regional economy. The District's hospitality industry generated an estimated \$5.64 billion in visitor spending on hotels, retail, transportation and entertainment in 2008, which was an increase of 1.0% over the prior year. Hotel occupancy was approximately 74% at September 30, 2009 and was approximately 50% by the end of December 2009. Travel and tourism supports more than 71,000 full-time jobs in the District, generating approximately \$2.7 billion in wages.

### Construction

Development in the District continues to be strong in the retail sector. Major retail deliveries in the past year included a new Safeway and Yes! Organics. By the close of 2011, ten additional grocery stores are slated to open, including three Safeways, two Giant Foods, one Yes! Organic, and one Harris Teeter.

In addition, the D.C. Public Schools are undergoing an immense \$1.3 billion modernization effort to upgrade aging buildings and construct new schools by 2014. This major project is being implemented to better accommodate the needs of more than 44,000 students who are enrolled in the District's public schools. The D.C. Office of Public Education Facilities Modernization is overseeing the upgrades and new construction. Approximately \$264.8 million was budgeted in fiscal year 2009 for this effort.

In addition, several colleges and universities are located in the District, each requiring state-of-the-art facilities to meet the changing needs of the student population. Therefore, colleges and universities continue to add new academic centers and dormitories to accommodate the needs of a multi-talented and diverse student population.

Bond Rating

Rating agencies assess the credit quality of municipal issuers and assign a credit rating to the issuer based on the results of their analyses. Consequently, rating agencies provide vital information to investors regarding the relative risks associated with rated bond issues. An acceptable credit rating allows the issuer to access the market.

The three primary rating agencies that rate municipal debt are: (1) Fitch Ratings; (2) Moody's Investors Service; and (3) Standard & Poor's Rating Service. The District's bond ratings from these rating agencies for the past four years were as follows:

**Bond Rating History**  
**Last Four Fiscal Years**

General Obligation Bonds					Income Tax Secured Revenue Bond *	
	2006	2007	2008	2009		2009
<b>Fitch</b>	A	A+	A+	A+	<b>Fitch</b>	AA
<b>Moody's</b>	A2	A1	A1	A1	<b>Moody's</b>	Aa2
<b>S&amp;P</b>	A+	A+	A+	A+	<b>S&amp;P</b>	AAA

\* New for FY 2009

As presented above, the District's bond ratings have improved over the years. As a result, the District has been able to access the market (issue bonds) more cost-effectively.

During fiscal year 2009, the District established its Income Tax Secured Revenue Bond Fund and issued its first Income Tax Secured Revenue Bonds. In March and August 2009, the District issued Income Tax Secured Revenue Bonds in the amount of \$801,330 and \$270,455 respectively. The Income Tax Secured Revenue Bonds are special obligations of the District payable solely from the Trust Estate pledged under the indenture. The bonds are without recourse to the District, and are not a pledge of, and do not involve, the faith and credit or the taxing power of the District (other than the pledge of the available tax revenues made by the indenture and the Act). The bonds do not constitute a debt of the District, and do not constitute lending of the public credit for private undertakings. As of September 30, 2009, the credit ratings for the District's Income Tax Secured Revenue Bonds were as follows: (a) Fitch, AA; (b) Moody's, Aa2; and (3) Standard and Poor's, AAA.

**Other Factors Affecting the District's Financial Position**

The District, as the central urban location of a large metropolitan area, houses a disproportionately large share of the poor and needy population. The District's overall poverty rate of 16 percent and child poverty rate of 23 percent are significantly higher than the U.S average and that of neighboring counties in Maryland and Virginia. Unlike other urban jurisdictions, the District cannot pool resources across suburban areas to serve its urban poor. Yet, it must provide state-level services such as healthcare, housing and welfare largely through its own resources.

The District's service problems are exacerbated by the higher costs of service delivery. Labor costs in the District are 23 percent above the national average for public services, and the capital costs are 65 percent above the national average. This combination of a significant population in need of services and the high costs of service delivery result in undue strain on the financial resources of the District. Specifically, if the District were to offer a basket of public services that prevail as "average" among all the state and local governments, it would have to spend 31 percent more than the national average to deliver it.

The District's tax base has been externally restricted through federal actions. First, the federal government prohibits the taxation of federal real property and does not provide a Payment in Lieu of Taxes to compensate for the revenue forgone from this prohibition. Second, the Home Rule Act prohibits the District from taxing nonresident income. This is a significant reduction in the income tax base because approximately 70 percent of the workers in the District are nonresidents.

These restrictions on the revenue collections imply that the District's residents must bear a disproportionate share of the costs of public services, while the benefits generated by the District are shared by a much larger community. It also implies that under slower revenue growth scenarios, District services could become severely impaired.

The U.S. Government Accountability Office (GAO) has confirmed the District's assessment of these factors through the issuance of a report entitled, "District of Columbia – Structural Imbalance and Management Issues." The GAO's report, issued in May 2003, describes the impact of such factors as the high cost of living, high poverty and crime rates, and limited tax base on the District's financial operations and estimates the range of the District's structural deficit between \$470 million to \$1.143 billion annually. Although the GAO's report discusses conditions that existed several years ago, the District's financial operations continue to be restrained by these conditions.

## Long-Term Financial Planning

As a result of improved financial management practices, the District has been able to develop and operate within more disciplined budgets while generating and maintaining substantial cash reserves. Consequently, the District is positioned to efficiently and effectively address the challenges presented by the declining national economy.

District officials have developed a plan to maintain a strong, stable financial environment during the economic downturn, as summarized briefly below:

- Continued monitoring and analysis of quarterly revenue estimates with spending adjustments being made throughout the year, as necessary;
- Developing and implementing plans to minimize costs without sacrificing essential program services; and
- Identifying sound measures to enhance revenue streams.

## Major Initiatives

Many initiatives and projects have been completed or planned that will help to sustain the District's economy and produce strong financial results. Several of the District's major initiatives and projects are discussed briefly below:

- **Waterfront Station:** This is a new 2.5 million square foot mixed-use project on the site of the former Waterside Mall located at M and 4th Streets, S.W., adjacent to the Waterfront/SEU Metrorail station. The \$760 million Waterfront Station will ultimately consist of 1.2 million square feet of new office space, about 1,000 new residential units, underground parking and a minimum of 110,000 square feet of retail space. The office buildings have been designed and are being constructed to LEED Silver standards.

The office component is fully leased to the District of Columbia and will house workers for the Office of the Chief Financial Officer, Office of Planning, District Department of Transportation and the Department of Consumer and Regulatory Affairs. The retail component will include two existing retailers on the site—Safeway and CVS—along with several additional new dining and neighborhood service-related retail tenants. In all, approximately 85,000 square feet of retail space will open as a part of the project's first phase. The buildings are expected to be completed in March 2010.

- **The Park at the Yards:** This is a 5.4-acre public waterfront park overlooking the Anacostia River. The park is a key component of The Yards project, which will include the development of a dynamic urban neighborhood spanning 42-acres along the Anacostia Waterfront.

At a cost of \$42 million, The Park at the Yards will include a riverfront promenade, vast open lawns for community gatherings and outdoor events, gardens with benches and colorful plants, a riverfront courtyard enclosed on three sides by retail pavilions, a canal basin and waterfall, a pedestrian bridge, and the restoration of the historic Lumber Shed building. The District's Anacostia Riverwalk Trail will run through the park, providing vital pedestrian and bicycle links to the rest of the Anacostia waterfront.

Located between Nationals Park and the Navy Yard, The Park at the Yards is part of the largest public-private project in the District in decades—The Yards. When completed, The Yards will also accommodate approximately 2,700 new condos and apartments, 400,000 square feet of restaurants and assorted shops, 1.8 million square feet of office space, and the preservation of unique historical buildings already located on the site. The Yards is projected to house more than 3,700 new residents and create 7,700 jobs – most of them office jobs – generating approximately \$450 million in paychecks each year.



- **Reopening of Eastern Market:** In June 2009, the District celebrated the grand reopening of the historic Eastern Market. The event marks the completion of a \$22 million renovation after a fire partially damaged the market in April 2007. All of the original vendors that served the community at Eastern Market prior to the fire have returned.

Located in the historic district of Capitol Hill, Eastern Market is the oldest continually operating market in the District which offers residents and tourists daily produce, meat, cheese and bakery products, a weekend farmers market, and craft sales while also operating as an informal community center. The renovated market now has modern heating and air conditioning systems, free Wi-Fi internet access, new restrooms and sprinklers, and access ramps to comply with the Americans with Disabilities Act. The skylights and chimneys have been restored and new windows have been installed that protect against ultraviolet (UV) light. To reduce energy costs, the interior lights can be dimmed to adjust to days of sufficient natural light. A new fire monitoring system operates 24 hours a day and is programmed to automatically call 911 if a fire ever occurs on site.

- **Convention Center Headquarters Hotel:** The District and Marriott International have partnered to build a 1,167-room Marriott Marquis convention center headquarters hotel to support the Walter E. Washington Convention Center. In support of this project, in July 2009, the Council approved the public financing component for the hotel's construction. When completed, the hotel will include approximately 100,000 square feet of meeting space, a 30,000 square foot ballroom and two junior ballrooms, and approximately 400 parking spaces. The hotel is slated to open during the first quarter of 2013.
- **CityCenterDC (Old Convention Center Site):** CityCenterDC, an \$850 million retail, residential, and office project located on the site of the former Washington Convention Center, is being developed to reinvigorate the 10-acre area within 9<sup>th</sup>, H, and 11<sup>th</sup> Streets, and New York Avenue, N.W. The project will create a pedestrian-friendly neighborhood with 250,000 square feet of retail; more than 670 apartments and condos including at least 134 units of affordable housing; and 465,000 square feet of office space, parks, and entertainment areas.

This project is expected to: (1) generate 3,842 construction jobs and 3,885 direct permanent jobs; (2) generate more than \$30 million a year in direct tax revenues; (3) provide affordable housing for 20% of all units, and 80% of all units for those earning 30 percent, 60 percent and 80 percent of the areas median income, and; (4) create significant opportunities for Certified Business Entities (CBE). CBEs will also own 20 percent of developer equity, and at least 35 percent of construction and operations will go to CBE contractors. District residents will be given priority for at least 51 percent of all new jobs created in relation to the project.

- **New Communities:** The New Communities Initiative is a comprehensive partnership between the District government, neighborhoods, and other public and private stakeholders, designed to improve the quality of life for families and individuals living in four District Neighborhoods: Barry Farm, Lincoln Heights/Richardson Dwellings, Northwest One, and Park Morton. The New Communities Initiative provides resources needed to transform highly concentrated low-income neighborhoods into healthy, vibrant mixed-income neighborhoods.
- **Anacostia Waterfront Initiative:** The Anacostia Waterfront Initiative is a multi-agency effort to revitalize the areas around the waterfront of the Anacostia River, transforming them into a hub of economic development and community revitalization. The Anacostia Waterfront Initiative is one of the most ambitious development plans in the District's history. In partnership with 19 regional and federal agencies, this \$8 - \$10 billion project, which will span approximately 30 years, will promote: environmentally responsible development; transformation of the many diverse waterfront areas into commercial, residential, recreational, and open-space uses; development and conservation of park areas; and increased access to the waterfront, surrounding communities, and business corridors.
- **Great Streets:** The Great Streets Initiative is a partnership between the District Department of Transportation, the Office of the Deputy Mayor for Planning and Economic Development, the Office of Planning, the Department of Parks and Recreation, and Neighborhood Service Coordinators that targets major boulevards in the city to improve the condition of streets and roadways, promote local business enterprises, and improve the quality of life in District neighborhoods. This initiative uses a multidisciplinary approach to corridor improvement that combines investments in public space, strategic land use, public safety strategies, and economic development assistance.

The purpose of the Great Streets Initiative is to revitalize the Great Streets corridors, and make them unique community centers that meet the needs of District residents, business owners, workers, and visitors. More than \$200 million is being invested in new mixed use development projects, storefront improvements, transportation, streetscape, and transit improvements along seven targeted corridors including:



- **7<sup>th</sup> Street and Georgia Avenue, N.W.**  
(Mount Vernon Square to Eastern Avenue)
  - **Benning Road, N.E.**  
(Bladensburg Road to Southern Avenue)
  - **H Street, N.E.**  
(North Capitol Street to 17<sup>th</sup> Street, N.E.)
  - **Martin Luther King, Jr. Avenue, S.E. and South Capitol Street**  
(East of the Anacostia River, Good Hope Road to Southern Avenue)
  - **Pennsylvania Avenue, S.E.**  
(Second Street, S.E. to Southern Avenue)
  - **Minnesota Avenue**  
(Good Hope Road to Sheriff Road)
  - **Nannie Helen Burroughs Avenue, N.E.**  
(Minnesota Avenue to Eastern Avenue)
- **St. Elizabeth's West Campus:** The U.S. Department of Homeland Security (DHS) has been granted approval to build its headquarters on the west campus of St. Elizabeth's Hospital. This \$3.4 billion headquarters will be one of the largest construction projects in the Washington area since the Pentagon was built in the 1940s. When completed, the DHS headquarters will house approximately 14,000 employees. Other federal agencies will also be housed on this site including: the Transportation Security Administration, Customs and Border Protection, Immigration and Customs Enforcement, and the Federal Emergency Management Administration. The District anticipates that this project will be a catalyst that stimulates development along Martin Luther King, Jr. Avenue, S.E.

Additional information about these and other initiatives within the District may be obtained from the following:

**Office of the Deputy Mayor for Planning & Economic Development**

John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 317  
Washington, D.C. 20004  
Telephone: (202) 727-6880  
Website: <http://dcbiz.dc.gov>

**District Department of Transportation**

2000 14<sup>th</sup> Street, N.W., 6<sup>th</sup> Floor  
Washington, D.C. 20009  
Telephone: (202) 673-6813  
Website: <http://ddot.dc.gov>

**Office of Planning**

2000 14<sup>th</sup> Street, N.W., 4<sup>th</sup> Floor  
Washington, D.C. 20009  
Telephone: (202) 442-7600  
Website: <http://planning.dc.gov>

**Department of Parks and Recreation**

3149 16<sup>th</sup> Street, N.W.  
Washington, D. C. 20010  
Telephone: (202) 673-7647  
Website: <http://dpr.dc.gov>

**Department of Real Estate Services**

2000 14<sup>th</sup> Street, N.W., 8<sup>th</sup> Floor  
Washington, D. C. 20009  
Telephone: (202) 724-4400  
Website: <http://dres.dc.gov>

**U.S. General Services Administration**

1800 F Street, N.W.  
Washington, D.C. 20405  
Telephone: (202) 501-0705  
Website: [www.gsa.gov](http://www.gsa.gov)

## AWARDS AND ACKNOWLEDGMENTS

### Awards

GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the District of Columbia for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2008. The District has received this award for twenty-five of the last twenty-seven years. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards established for the preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

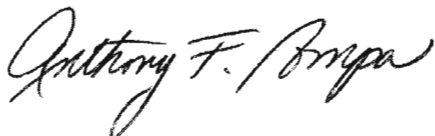
The District also earned an award from GFOA for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the fiscal year ended September 30, 2008 for the sixth consecutive year. The PAFR was prepared and submitted by the District for the first time for FY 2003. The PAFR presents the District's financial results in a format and language that are intended to be more easily understood by the general public. The PAFR is not required to present the same level of detail as the CAFR. It contains very few financial statements, less technical language, and more graphics and photos.

Both awards are valid for one fiscal year. The District believes that the FY 2009 CAFR continues to meet the Certificate of Achievement Program's requirements and it will be submitted to the GFOA to determine its eligibility for another certificate. The District also expects that the FY 2009 PAFR, which will be prepared within 30 days after the CAFR is completed, will conform to the Award for Popular Annual Financial Reporting Program requirements. It will also be submitted to the GFOA to determine its eligibility for another certificate.

### Acknowledgments

I would like to thank the hundreds of accounting and financial personnel throughout the District who have worked cooperatively with the Office of Financial Operations and Systems throughout the year. I greatly appreciate their efforts, which contribute significantly to the timely preparation of the CAFR. I want to thank my immediate staff, *Bill Slack, Diji Omisore, Tonja Lowe, Wilma Matthias, Vanessa Jackson*, and their respective team members. I am grateful for their dedicated efforts. I would also like to thank the Office of the Inspector General, and the District's independent auditors, *BDO Seidman, LLP*, assisted by *Bert Smith and Company*, for their efforts throughout the audit engagement.

Respectfully submitted,



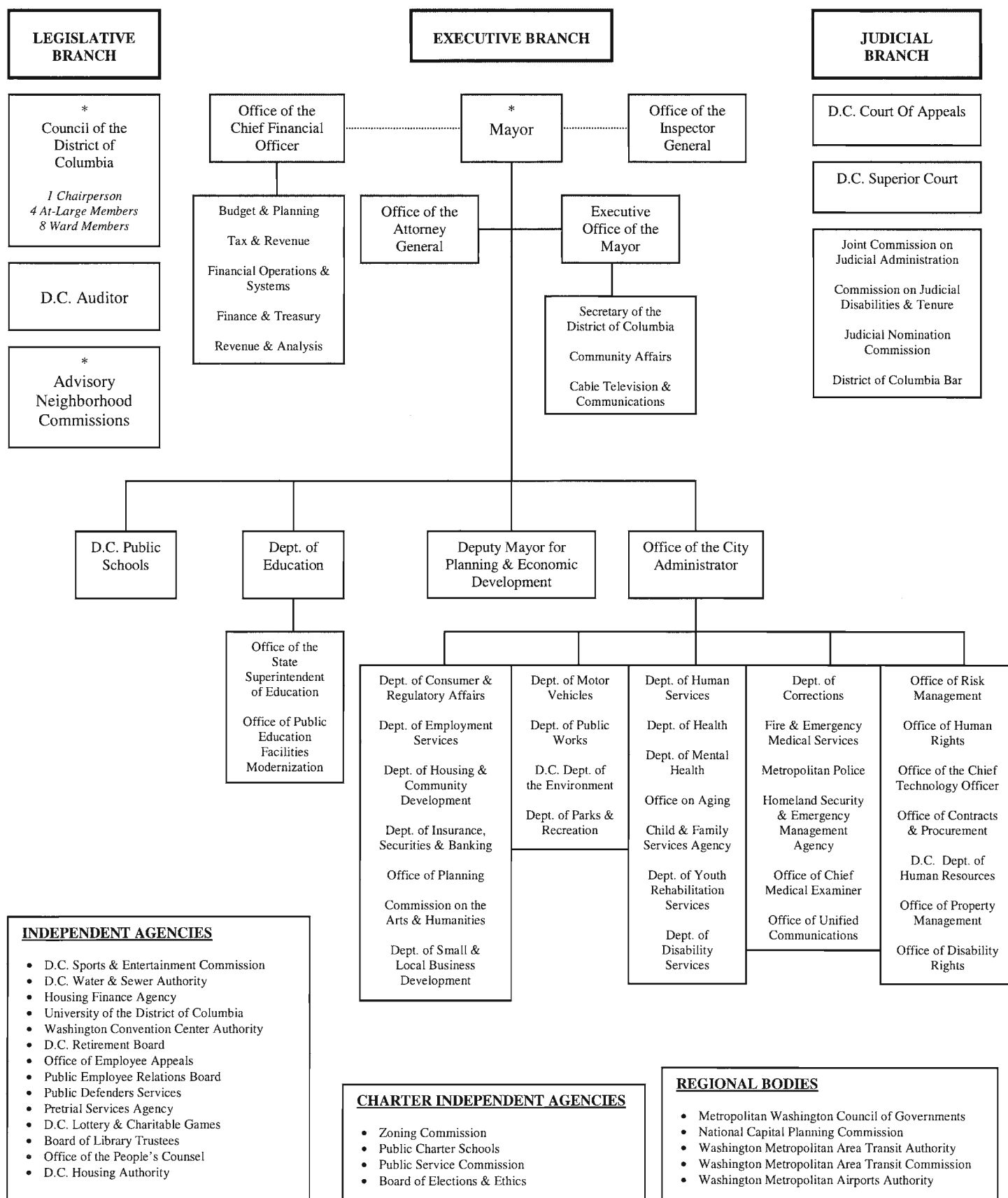
Anthony F. Pompa  
Deputy Chief Financial Officer  
Financial Operations and Systems

**DISTRICT OF COLUMBIA  
PRINCIPAL OFFICIALS  
September 30, 2009**

<b>Name</b>	<b>Position</b>	<b>First Took Office</b>	<b>Term Expires</b>
<b>Chief Executive Officer</b>			
Adrian M. Fenty	Mayor	2007	2011
<b>Council</b>			
Vincent C. Gray	Chairman	2007	2011
Kwame R. Brown	At Large	2005	2013
Michael A. Brown	At Large	2009	2013
David A. Catania	At Large	1997	2011
Phil Mendelson	At Large	1999	2011
Jim Graham	Ward 1	1999	2011
Jack Evans	Ward 2	1991	2013
Mary C. Cheh	Ward 3	2007	2011
Muriel Bowser	Ward 4	2007	2013
Harry Thomas, Jr.	Ward 5	2007	2011
Tommy Wells	Ward 6	2007	2011
Yvette M. Alexander	Ward 7	2007	2013
Marion Barry, Jr.	Ward 8	2005	2013
<b>House of Representatives</b>			
Eleanor Holmes Norton	Delegate	1991	2011

**Executive Officers**

Neil O. Albert	City Administrator
Natwar M. Gandhi	Chief Financial Officer
Peter Nickles	Attorney General
Carrie Kohns	Chief of Staff
Victor Reinoso	Deputy Mayor for Education
Valerie Santos	Deputy Mayor for Planning and Economic Development
Stephanie D. Scott, PhD	Secretary of the District of Columbia
Michelle Rhee	Chancellor for D.C. Public Schools
Charles J. Willoughby	Inspector General
Gordan McDonald	Deputy CFO, Budget and Planning
Anthony F. Pompa	Deputy CFO, Financial Operations and Systems
Lasana K. Mack	Deputy CFO, Finance and Treasury
Fitzroy Lee	Deputy CFO, Revenue Analysis
Stephen Cordi	Deputy CFO, Tax and Revenue
Cyril Byron, Jr.	Associate CFO, Economic Development and Regulation
Mohamed Mohamed	Associate CFO, Governmental Operations
George Dines	Associate CFO, Government Services
Deloras A. Shepherd	Associate CFO, Human Support Services
Angelique Hayes	Associate CFO, Public Safety and Justice
Noah Wepman	Agency CFO, D.C. Public Schools
Jay Young	Interim Director, D.C. Lottery



\* Elected Officials

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Government of the District of Columbia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

# CAFR 2009

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2009

### FINANCIAL SECTION



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

## **INDEPENDENT AUDITORS' REPORT**



**BDO Seidman, LLP**  
Accountants and Consultants

1250 Connecticut Avenue, NW, Suite 200  
Washington, D.C. 20036  
Telephone: (202) 261-3565  
Fax: (202) 261-3563

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Government of the District of Columbia** (the District), as of and for the year ended September 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's 2008 financial statements and, in our report dated January 30, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

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 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Government of the District of Columbia** as of September 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general and federal and private resources funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2010, on our consideration of the District's internal control 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control 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 considered in assessing the results of our audit.





Management's Discussion and Analysis on pages 21 through 40 and Required Supplementary Information on pages 120 and 121 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the other supplementary information as presented in the financial section, and the statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statements and schedules described as other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*BDO Seidman, LLP*

Washington, D.C.  
January 28, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2009

(Dollar amounts expressed in thousands)

The following is a discussion and analysis of the District of Columbia's (the District's) financial performance for the fiscal year ended September 30, 2009, which includes a narrative overview and analysis of the District's financial activities. This information should be read in conjunction with the transmittal letter, located in the Introductory Section of this report, and the District's basic financial statements and note disclosures, which follow this discussion and analysis.

### FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities as of September 30, 2009 by \$2,848,112. The District had negative unrestricted net assets totaling \$(479,940) at the end of fiscal year 2009.
- The District's total net assets decreased by \$(113,223). This decrease is attributable primarily to a significant increase in expenses of about \$743 million in 2009 compared to a much smaller increase in revenue and other sources of approximately \$513 million.
- As of September 30, 2009, the District's governmental funds reported combined ending fund balances of \$1,845,373, a decrease of \$(494,383) in comparison with the prior year.
- The District's total long-term liabilities increased by \$410,624, or 5.73% during fiscal year 2009. This increase resulted, in large part, from the District's issuance of Income Tax Secured Revenue Bonds. Although the District's general obligation bonds decreased by \$825,890, this decrease was offset by the issuance of \$1,071,785 in Income Tax Secured Revenue Bonds. Other contributing factors included: increases in liabilities for disability compensation totaling \$36,565; equipment financing totaling \$28,294; and accreted interest totaling \$23,580.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### Basic Financial Statements

In general, the purpose of financial reporting is to provide users of financial statements with information that will help them make decisions or reach conclusions about a reporting entity. Many parties use the District's financial statements; however, they do not always use them for the same specific purpose. In order to address the needs of as many financial statement users as reasonably possible, the District, in accordance with required reporting standards, presents: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements.

#### Government –Wide Financial Statements

Government-wide financial statements focus on the District's overall financial position and activities, and include a *statement of net assets* and a *statement of activities*. The District's government-wide financial statements report on the primary government and its component units. The primary government is further divided into governmental activities and business-type activities.

The purpose of the *statement of net assets* is to report all of the assets held and the liabilities owed by the District at the end of the fiscal year. The difference between the District's total assets and total liabilities is classified as net assets. Total net assets is comprised of three components: 1) *net assets invested in capital assets, net of related debt*; 2) *restricted net assets*; and 3) *unrestricted net assets (deficit)*. Although the District does not operate with the primary purpose of accumulating net assets, in general, increases or decreases in this amount is one of the measures of the District's financial position over time. Nonetheless, other factors, such as changes in population, the property tax base, infrastructure conditions, and other non-financial matters, must also be considered when assessing the District's overall financial health.

The purpose of the *statement of activities* is to present the District's revenues and expenses. The difference between revenues and expenses is reported as the change in net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement also include items that will result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The *statement of activities* summarizes both the gross and net cost of the governmental activities and business-type activities. Governmental activities show the District's basic functional services which are generally financed through taxes, intergovernmental revenues and other revenues. Business-type activities reflect enterprise operations where fees for services are expected to cover all or most of the costs of operations, including depreciation. Program or functional expenses are reduced by program-specific earned revenues, and by grants and contributions.

The District's government-wide financial statements are presented on pages 42 and 43 of this report.

### **Fund Financial Statements**

Unlike the government-wide financial statements, fund financial statements focus on specific District activities rather than the District as a whole. Specific funds are established to maintain managerial control over resources or to comply with legal requirements established by external parties, governmental statutes, or regulations. The District's fund financial statements are divided into three categories: (1) governmental funds; (2) proprietary funds; and (3) fiduciary funds.

**Governmental fund financial statements** consist of a balance sheet and a schedule of revenues, expenditures, and changes in fund balances. These statements are prepared using a basis of accounting which differs from that used to prepare the government-wide statements. Fund financial statements focus primarily on the sources, uses, and balances of current financial resources and use the modified accrual basis of accounting. However, government-wide financial statements focus on all of the District's economic resources and use the full accrual basis of accounting. Governmental fund financial statements have a short-term emphasis, and generally measure and account for cash and other assets that can easily be converted to cash. As such, these statements present the District's financial position at the end of the fiscal year and how the governmental activities were financed during the year.

The balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements; however, because different accounting bases are used to prepare fund financial statements and government-wide financial statements, there are often significant differences in the totals presented in these statements. Therefore, an analysis is presented at the bottom of the balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities column of the statement of net assets. In addition, there is an analysis following the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column of the statement of activities.

The District presents funds that are significant to the District (major funds) in separate columns and all other governmental funds are aggregated and reported in a single column (nonmajor funds).

The District's governmental fund financial statements are presented on pages 44 and 45 of this report.

**Proprietary fund financial statements** consist of a statement of net assets; statement of revenues, expenses, and changes in fund net assets; and statement of cash flows. These statements are prepared using the full accrual basis of accounting similar to that used to prepare the government-wide financial statements. The District's proprietary funds account for the activities of District entities that charge customers fees for services provided. The District's proprietary fund financial statements present the changes in financial position and condition of the District's two major proprietary funds, the D.C. Lottery & Charitable Games Board and the Unemployment Compensation Fund, and its one non-major proprietary fund, Nursing Home Services.

The District's proprietary fund financial statements are presented on pages 48 thru 50 of this report.

**Fiduciary fund financial statements** consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets. Assets held by the District for other parties (either as a trustee or as an agent), that cannot be used to finance the District's operating programs, are reported in the fiduciary funds. The District is responsible for ensuring that the activities reported in the fiduciary funds are consistent with each fund's intended purpose.

The District's fiduciary fund financial statements are presented on pages 51 and 52 of this report.

### Component Units

Combining financial statements, presented on pages 53 and 54, report the financial data for the District's discretely presented component units.

### **Notes to the Basic Financial Statements**

Notes to the Basic Financial Statements, beginning on page 55, present additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other postemployment benefits to District employees. Required supplementary information can be found on pages 119 thru 121 of this report.

Individual fund and combining statements in connection with nonmajor governmental funds and supporting schedules are presented immediately following the required supplementary information on postemployment benefits. Individual fund and combining statements and schedules can be found in the other supplementary information presented on pages 123 thru 149 of this report.

## **OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND OPERATIONS**

An indicator of the District's satisfactory financial performance during fiscal year 2009 is that expenditures were within budget. The District's overall financial position and operations for the past two years are summarized in **Tables 1 and 2** based on the information included in the government-wide financial statements presented on pages 42 and 43 of this report.

**Table 1 - Net Assets as of September 30, 2009**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Totals</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 3,483,849	\$ 4,016,319	\$ 451,471	\$ 501,051	\$ 3,935,320	\$ 4,517,370
Capital assets	8,114,819	7,243,637	16,012	16,747	8,130,831	7,260,384
Total assets	11,598,668	11,259,956	467,483	517,798	12,066,151	11,777,754
Long-term liabilities	7,545,839	7,128,989	35,153	41,379	7,580,992	7,170,368
Other liabilities	1,551,366	1,585,434	85,681	60,617	1,637,047	1,646,051
Total Liabilities	9,097,205	8,714,423	120,834	101,996	9,218,039	8,816,419
Net assets:						
Invested in capital assets, net of related debt	2,155,206	1,794,279	16,012	16,747	2,171,218	1,811,026
Restricted	852,061	1,156,213	304,773	374,282	1,156,834	1,530,495
Unrestricted	(505,804)	(404,959)	25,864	24,773	(479,940)	(380,186)
Total net assets	\$ 2,501,463	\$ 2,545,533	\$ 346,649	\$ 415,802	\$ 2,848,112	\$ 2,961,335

**Table 2 - Change in Net Assets for the year ended September 30, 2009**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>		
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>Variance</b>
Revenues:							
Program revenues:							
Charges for services	\$ 399,478	\$ 379,149	\$ 288,794	\$ 290,156	\$ 688,272	\$ 669,305	\$ 18,967
Operating grants and contributions	2,813,568	2,178,275	36,985	21,191	2,850,553	2,199,466	651,087
Capital grants and contributions	180,602	175,841	-	-	180,602	175,841	4,761
General revenues:							
Property taxes	1,951,345	1,787,365	-	-	1,951,345	1,787,365	163,980
Income and franchise taxes	1,478,068	1,755,894	-	-	1,478,068	1,755,894	(277,826)
Sales and use taxes	1,052,011	1,101,859	-	-	1,052,011	1,101,859	(49,848)
Other taxes	577,885	716,274	94,622	92,733	672,507	809,007	(136,500)
Non tax revenues	559,089	554,316	171,222	37,672	730,311	591,988	138,323
<b>Total revenues</b>	<b>9,012,046</b>	<b>8,648,973</b>	<b>591,623</b>	<b>441,752</b>	<b>9,603,669</b>	<b>9,090,725</b>	<b>512,944</b>
Expenses:							
Governmental direction and support	878,219	834,694	-	-	878,219	834,694	43,525
Economic development and regulation	470,567	499,644	-	-	470,567	499,644	(29,077)
Public safety and justice	1,407,166	1,384,517	-	-	1,407,166	1,384,517	22,649
Public education system	1,937,238	1,787,635	-	-	1,937,238	1,787,635	149,603
Human support services	3,598,570	3,285,325	-	-	3,598,570	3,285,325	313,245
Public works	553,233	586,649	-	-	553,233	586,649	(33,416)
Public transportation	230,499	214,905	-	-	230,499	214,905	15,594
Interest on long-term debt	336,536	293,339	-	-	336,536	293,339	43,197
Lottery and games	-	-	176,625	182,981	176,625	182,981	(6,356)
Unemployment compensation	-	-	370,775	150,237	370,775	150,237	220,538
Nursing home services	-	-	44,601	40,837	44,601	40,837	3,764
<b>Total expenses</b>	<b>9,412,028</b>	<b>8,886,708</b>	<b>592,001</b>	<b>374,055</b>	<b>10,004,029</b>	<b>9,260,763</b>	<b>743,266</b>
Special item	287,137	153,640	-	-	287,137	153,640	133,497
Transfer from lottery and games	68,775	70,300	(68,775)	(70,300)	-	-	-
Change in net assets	(44,070)	(13,795)	(69,153)	(2,603)	(113,223)	(16,398)	(96,825)
Net assets - Oct 1	2,545,533	2,559,328	415,802	418,405	2,961,335	2,977,733	(16,398)
<b>Net assets - Sept 30</b>	<b>\$ 2,501,463</b>	<b>\$ 2,545,533</b>	<b>\$ 346,649</b>	<b>\$ 415,802</b>	<b>\$ 2,848,112</b>	<b>\$ 2,961,335</b>	<b>\$ (113,223)</b>

Please refer to Note 1W – *Reconciliation of Government-Wide and Fund Financial Statements*, on page 68, for additional information on the differences between the two bases of accounting that the District used in this report.

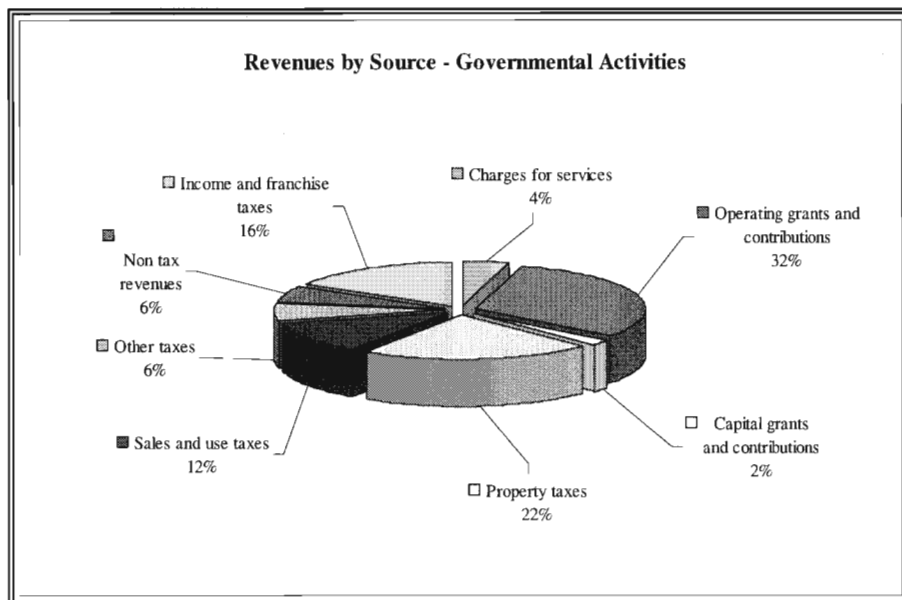
**Financial Analysis of the Government as a Whole (Government-Wide Financial Statements)**

- The District's combined net assets (government and business-type activities) decreased by \$(113,223) or -3.82%, from \$ 2,961,335 in fiscal year 2008 to \$2,848,112 in fiscal year 2009. This decrease in net assets resulted mainly from an increase of \$743,266 in expenses for governmental direction and support, public education, human support services, and unemployment compensation; and a lesser increase of \$512,944 in revenues.
- *Restricted net assets* are assets that are subject to use-constraints imposed either: (a) externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; or (b) by law, through constitutional provisions or by enabling legislation. Restricted net assets totaled \$ 1,156,834 in fiscal year 2009 and \$ 1,530,495 in fiscal year 2008, representing a decrease of \$ (373,661), or -24.41%. The decrease is the result of several factors. Due to continued economic declines in fiscal year 2009, the District paid \$220,538 more in unemployment benefits than in the prior year. Consequently, net assets restricted for future benefits decreased by \$69,509. Restricted net assets for other purposes, such as inventory, subsequent year's expenditures, and unexpended but available budget, decreased by \$345,151. These significant decreases were offset by smaller increases in other areas.
- Total net assets for governmental activities was \$2,501,463 in fiscal year 2009, which was \$(44,070), or -1.73% less than total net assets of governmental activities in fiscal year 2008. Although expenses increased by \$525,320 over the prior year, revenues increased by a lesser amount of \$363,073. There was a \$1,525 decrease in the amount transferred to the General Fund from the Lottery. In addition, in fiscal year 2009, the District received a Federal capital contribution of \$287,137. In the prior year, three component units were dissolved and the net assets of these entities were transferred to the District and recorded as a special item in the amount of \$153,640.
- As a result of the District using additional current resources to finance capital projects, absorption of Medicaid disallowances, and the use of available net assets to finance operations, there was a negative unrestricted net asset amount of \$(505,804) for governmental activities for fiscal year 2009. This amount, combined with the unrestricted net assets for business-type activities totaling \$25,864, resulted in negative total unrestricted net assets for fiscal year 2009 of \$(479,940). Compared to the prior year, total net assets decreased by \$(113,223) and the unrestricted deficit increased by \$(99,754).

The Lottery and Charitable Games Control Board (the Lottery), an enterprise fund of the primary government, transfers substantially all of its net income to the District at the end of each fiscal year. In fiscal years 2009 and 2008, the Lottery transferred \$ 68,775 and \$ 70,300 to the District's General Fund, respectively.

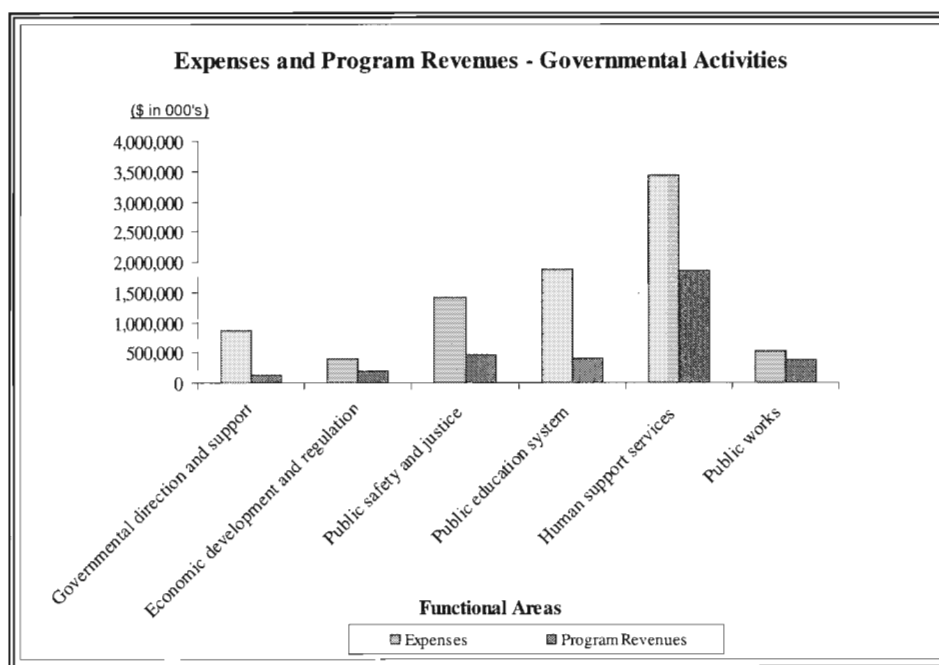
**Chart 1** graphically depicts the District's sources of revenues as presented in Table 2, *Change in Net Assets* for the year ended September 30, 2009, found on page 24.

**Chart 1 – Revenues by Source – Governmental Activities**



**Chart 2** displays both expenses and program revenues of selected governmental activities for the fiscal year. The governmental activities are: governmental direction and support, economic development and regulation, public safety and justice, public education system, human support services and public works.

**Chart 2 – Governmental Activities Expenses and Program Revenues**



## Reporting on the District's Most Significant Funds

Fund financial statements focus on major funds, instead of fund types. A governmental fund is classified as a major fund if the fund has revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) that are at least 10% of the corresponding totals for all governmental or enterprise funds and at least 5% of the aggregate amount for all governmental and enterprise funds for the same item. Major funds, as required by generally accepted accounting principles, are presented individually with nonmajor governmental funds combined in a single column. Detailed information for individual nonmajor governmental funds can be found in Other Supplementary Information, Exhibits B-1 and B-2, presented on pages 134 and 135 of this report.

### Governmental Funds

The District's governmental funds provide information that is useful when assessing the District's financing needs, such as data pertaining to near-term inflows, outflows, and balances of spendable resources. For instance, the amount of unreserved fund balance may serve as a useful measure of the government's net resources that are available for spending at the end of the fiscal year.

Most basic services are reported in the governmental funds, and are further classified as General, Federal and Private Resources, General Capital Improvements, Baseball Capital Project, and Nonmajor Governmental Funds. Please refer to Exhibits 2-a and 2-b presented on pages 44 and 45, for more detailed information about these funds.

- **Fund Balances:** The governmental funds reported a combined fund balance of \$1,845,373 in fiscal year 2009 and \$2,339,756 in fiscal year 2008, which represents a decrease of \$(494,383), or -21.1% over the prior year. The components of the combined fund balance are as follows:

**Table 3 – Comparison of FY 2009 and FY 2008 Fund Balance**

Governmental Fund	FY 2009 Balance	FY 2008 Balance	Dollar Variance	Percentage Variance
General	\$ 920,483	\$ 1,244,722	\$ (324,239)	-26.0%
Federal and Private Sources	142,566	83,794	58,772	70.1%
General Capital Improvements	406,854	586,934	(180,080)	-30.7%
Baseball capital project	3,549	19,602	(16,053)	-81.9%
Nonmajor governmental funds	371,921	404,704	(32,783)	-8.1%
<b>Total Fund Balance</b>	<b>\$ 1,845,373</b>	<b>\$ 2,339,756</b>	<b>\$ (494,383)</b>	<b>-21.1%</b>

- **Revenues:** Revenues of the general fund decreased by \$(217,277) in fiscal year 2009. The collection of taxes and other revenues decreased as a result of the decline in the economy. Property taxes increased by \$175,432, while sales and use and income and franchise taxes decreased moderately.

**Table 4 – Changes in Major General Fund Revenues (Taxes)**

Tax Category	Fiscal Year 2009	Fiscal Year 2008	Dollar Variance	Percentage Variance
Property	\$ 1,934,523	\$ 1,759,091	\$ 175,432	10.0%
Sales and Use	1,052,011	1,101,859	(49,848)	-4.5%
Income and Franchise	1,478,068	1,755,894	(277,826)	-15.8%
<b>Total (These Categories)</b>	<b>\$ 4,464,602</b>	<b>\$ 4,616,844</b>	<b>\$ (152,242)</b>	<b>-3.3%</b>



**Property tax.** There is a two year lag between the time real property values are assessed and when the revenue from the increased assessments is realized. Therefore, the increase in real property tax revenue in FY 2009 reflects the strength of the D.C. real estate market and higher assessments in 2007.

**Sales and use.** The decrease in the sales and use tax was attributable to the economic decline. All sales tax components – general sales, restaurants and bars, parking, off-premise liquor and accommodations declined in fiscal year 2009. Cigarette excise tax revenues increased because the tax rate increased; however, motor vehicle excise tax revenues decreased due to a sharp slowdown in the purchase of automobiles.

**Income and franchise.** Income tax collections through withholdings increased by \$17 million over the prior year. However, the District experienced sharp declines in corporate franchise tax revenues and deed recordation and deed transfer taxes. These declines were directly attributable to economic events, such as the collapse of major financial institutions, which severely affected capital markets and reduced corporate profits. In addition, the general slow down in the real estate market lowered prices and sharply lowered sales volume.

#### Dedicated Revenues

Portions of the District's tax revenue streams are dedicated for specific purposes. The dedicated portion of tax revenues is transferred out of the local fund, and is not available for general budgeting. In fiscal year 2009, the District dedicated a total of \$413,393 in tax revenues to fund the projects shown in **Tables 5a** and **5b**. There were \$197,730 non-budgetary dedicated tax revenues and \$215,663 budgetary dedicated tax revenues.

**Table 5a – Dedicated Local Tax Revenues**

<u>Tax Revenue</u>		<u>Non-Budgetary Dedicated Taxes</u>				
Source	Gross Collection	TIF	DDOT	Convention Center	Highway Trust Fund	Net Collection
Real Property	\$ 1,822,693	\$ (7,864)	\$ -	\$ -	\$ -	\$ 1,814,829
Public Space Rental	32,612	-	(32,612)	-	-	-
General Sales	973,410	(18,121)	(23,765)	(91,538)	-	839,986
Motor Fuel Tax	23,830	-	-	-	(23,830)	-
<b>Total</b>	<b>\$ 2,852,545</b>	<b>\$ (25,985)</b>	<b>\$ (56,377)</b>	<b>\$ (91,538)</b>	<b>\$ (23,830)</b>	<b>\$ 2,654,815</b>

**Table 5b – Dedicated Local Tax Revenues**

<u>Budgetary Dedicated Taxes</u>								
Source	Local Collection	Neighborhood Investment	Ballpark Fund	Nursing Facility Fund	School Modernization	HPTF	Healthy DC Fund	Available for General Fund Use
Personal Property	\$ 69,163	\$ (10,000)	-	-	-	-	\$ -	\$ 59,163
General Sales	839,986	-	(9,434)	-	(106,000)	-	-	724,552
Public Utility	151,046	-	(10,091)	-	-	-	-	140,955
Toll	-	-	-	-	-	-	-	-
Telecommunications	66,586	-	(2,949)	-	-	-	-	63,637
Insurance companies	57,417	-	-	-	-	-	(8,653)	48,764
Healthcare Provider	12,088	-	-	(12,088)	-	-	-	-
Baseball gross receipts	28,204	-	(28,204)	-	-	-	-	-
Deed Recordation	100,764	-	-	-	-	(15,958)	-	84,806
Deed Transfer	78,262	-	-	-	-	(12,286)	-	65,976
<b>Total</b>	<b>\$ 1,403,516</b>	<b>\$ (10,000)</b>	<b>\$ (50,678)</b>	<b>\$ (12,088)</b>	<b>\$ (106,000)</b>	<b>\$ (28,244)</b>	<b>\$ (8,653)</b>	<b>\$ 1,187,853</b>

- **Expenditures:** The District's general fund expenditures, excluding debt service, decreased by \$(139,426) over the previous year. Variances by program or function were as follows:

**Table 6 – General Fund Expenditure Variances by Function**

Program/ Functional Area	Fiscal Year 2009	Fiscal Year 2008	Dollar Variance	Percentage Variance
Governmental direction and support	\$ 589,492	\$ 663,674	\$ (74,182)	-11.2%
Economic development and regulation	339,783	361,866	(22,083)	-6.1%
Public safety and justice	984,892	1,044,456	(59,564)	-5.7%
Public education system	1,497,302	1,457,941	39,361	2.7%
Human support services	1,643,779	1,718,912	(75,133)	-4.4%
Public works	298,625	262,044	36,581	14.0%
Public transportation	230,499	214,905	15,594	7.3%
<b>Total Functional Expenditures</b>	<b>\$ 5,584,372</b>	<b>\$ 5,723,798</b>	<b>\$ (139,426)</b>	<b>-2.4%</b>

Explanations for significant variances are discussed further in the General Fund Budgetary Highlights section presented on pages 33 thru 39.

#### Capital Expenditures and Financing

The District's investments in capital improvements are based on need rather than available current year revenues. It is the District's financial policy to issue general obligation bonds to support the expenditures associated with its Capital Improvements Program. In order to minimize the cost of carrying debt, the District has instituted the practice of issuing bonds based on actual expenditures, in some cases, as well as based on the annual amount budgeted. In practice, agencies are authorized to spend their annual appropriated capital budget in advance of financing. The General Fund advances the amount of the funding, and is repaid with the proceeds from the bonds when issued. This allows the District to determine when it will enter the market to issue bonds, based upon cash flow needs, favorable market rates, and the total amount of municipal debt financing and the types of credits that are available. This flexibility helps to minimize borrowing costs and maximize the pool of potential investors for the District's debt issuances.

The District spent \$1,054,505 on general capital improvements which exceeded the general capital improvements revenues of \$182,789 by \$(871,716), which is reported as a deficiency in the capital projects fund. This deficiency was subsequently financed with a total of \$691,636 from bond proceeds and other financing sources. The net change in the general capital improvements fund balance was a decrease of \$(180,080).

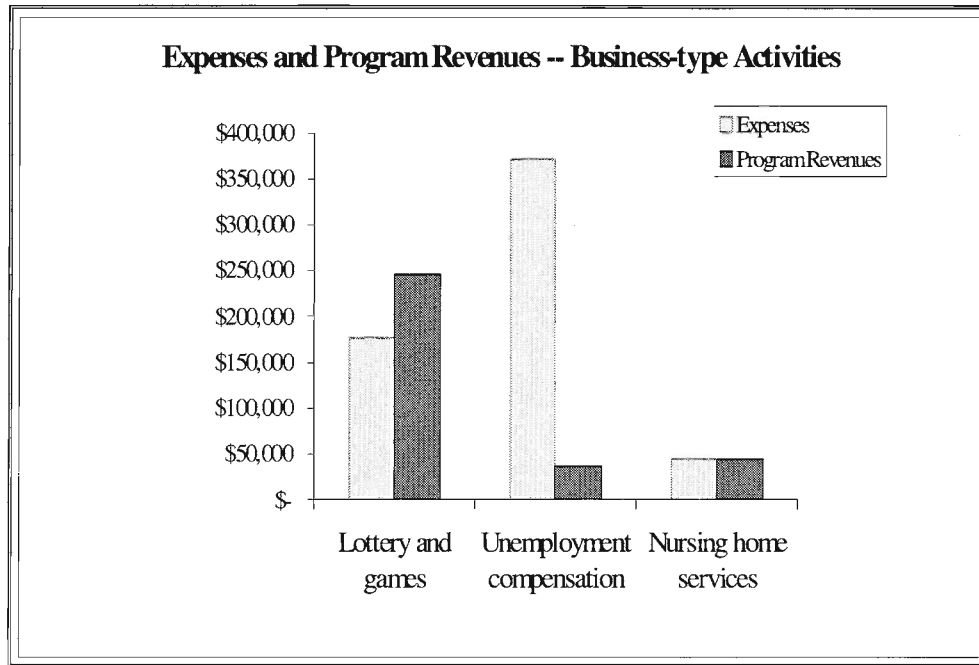
#### **Proprietary Funds**

The District currently has two major Proprietary Funds: the D.C. Lottery & Charitable Games Board (Lottery), and the Unemployment Compensation Fund (Unemployment). There is one nonmajor proprietary fund, Nursing Home Services, which includes the operations of the Washington Center for Aging Services, the Washington Center for Aging Services Center Care, and the JB Johnson Nursing Center.

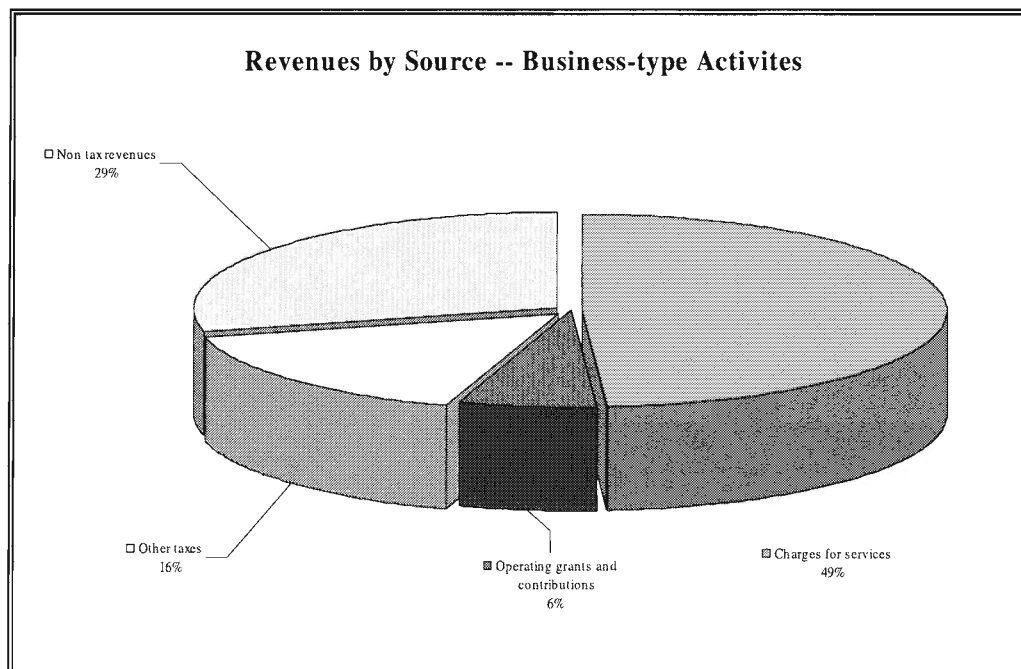
The total assets for the Lottery decreased by \$5,806, 10.3%, over the prior year, due to scheduled payments to long-term prize winners. Total assets for Unemployment decreased by \$35,534, or 8.3% due to increased payments of unemployment compensation benefits to eligible recipients. Total assets of Nursing Home Services decreased by \$343, or 0.80% over the prior year as a result of increased payments for contractual services. Overall total net assets of the District's proprietary funds decreased by \$69,153, or 16.6% over the prior year, due in large part, to these factors. Exhibits 3-a, 3-b, and 3-c on pages 48 thru 50 present the Statement of Net Assets – Proprietary Funds, Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds, and the Statement of Cash Flows, respectively.

**Charts 3 and 4** graphically present comparisons of the revenues and expenses of the two major proprietary funds: [Lottery & Games and Unemployment Compensation] and the one nonmajor proprietary fund [Nursing Home Services], based on information contained in the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds, shown on page 49 of this report.

**Chart 3 – Expenses and Program Revenues – Business-type Activities**



**Chart 4 – Revenues by Source – Business-type Activities**



## Fiduciary Funds

The *Trust and Agency Funds* are used to account for assets held by the District as trustee for individuals, private organizations, or other governments. The District is the *trustee* or *fiduciary* for its employees' pension plans and other postemployment benefits (OPEB). All fiduciary activities are reported in Exhibit 4-a, *Statement of Fiduciary Net Assets* and Exhibit 4-b, *Statement of Changes in Fiduciary Net Assets* on pages 51 and 52, respectively. Exhibits C-1 and C-2, presented on pages 138 and 139 respectively, provide additional information. These activities are excluded from the District's governmental and business-type activities because these resources are restricted and are not available to support the District's operations.

Private-purpose trust funds are used to report any trust arrangement not reported in the pension or investment trust funds under which principal and income benefit specific individuals, private organizations, or other governments. For instance, the District's 529 College Savings Investment Plan, which is designed to help families save for the higher education expenses of designated beneficiaries, is reported in the Private-Purpose Trust Fund.

The changes in the net assets of the Pension Trust Funds and OPEB Trust Fund are as follows:

**Table 7 – Variances in Net Assets of Pension and OPEB Trust Funds**

Trust Fund	Fiscal Year 2009	Fiscal Year 2008	Dollar Variance	Percentage Variance
Police and Firefighters Pension	\$ 2,524,994	\$ 2,476,726	\$ 48,268	1.9%
Teachers Pension	1,204,391	1,257,754	(53,363)	-4.2%
Other Postemployment Benefits	309,136	219,685	89,451	40.7%
<b>Total Net Assets (End of Year)</b>	<b>\$ 4,038,521</b>	<b>\$ 3,954,165</b>	<b>\$ 84,356</b>	<b>2.1%</b>

Although the value of equity investments decreased as a result of the precipitous decline in the stock market during the first quarter of fiscal year 2009, net assets of the fiduciary funds increased because of contributions and an increase in cash and cash equivalents. In addition, there were significant reductions in accounts payable and other current liabilities in these funds.

## Component Units

Component units are legally separate organizations for which the District is financially accountable. The District has five discretely presented component units: (1) Housing Finance Agency; (2) D.C. Sports and Entertainment Commission; (3) University of the District of Columbia; (4) Washington Convention Center Authority; and (5) D.C. Water and Sewer Authority. The District is financially accountable because the Mayor, with the consent of the Council, appoints the governing bodies of these organizations. In addition, the District has an obligation to provide financial support to the Washington Convention Center Authority, and the University of the District of Columbia.

Other component units have operations that are so intertwined with those of the primary government that they function, for all practical purposes, as an integral part of the primary government. These are reported as blended component units. A component unit should also be blended when the primary government and the component unit share a common governing body or when the component unit either: (1) provides service entirely or almost entirely to the primary government; or (2) otherwise exclusively or almost exclusively benefits the primary government although it does not provide services directly to it. The District has one blended component unit, the Tobacco Settlement Financing Corporation (Tobacco Corporation). The Tobacco Corporation is a blended component unit because it provides services exclusively to the District.

Each of the component units prepares its own independently audited financial statements, which are accompanied by their respective MD&A. Exhibits 5-a and 5-b on pages 53 and 54, respectively, present more detailed financial information on the District's component units.

### Short-Term Debt

The District issues short-term debt primarily to finance seasonal cash flow needs. This need occurs due to time lags between the receipt of taxes, grants and other revenues and the outflow of funds for governmental operations and required disbursements. The District issued \$400,000 in Tax Revenue Anticipation Notes (TRANs) on December 2, 2008, at an interest rate of 2.50%, priced to yield 1.09%. By law, the District must repay any short-term debt in its entirety by September 30 of the fiscal year in which the debt was incurred. Accordingly, the District repaid the TRANs on September 30, 2009.

### Long-Term Debt

On March 19, 2009, the District issued its Series 2009A and 2009B bonds in the principal amount of \$801,330, comprised of \$491,645 Income Tax Secured Revenue Bonds, Series 2009A and \$309,685 Income Tax Secured Revenue Refunding Bonds, Series 2009B. These bonds are special obligations of the District payable solely from the Trust Estate pledged under the Indenture. The bonds are without recourse to the District, and are not a pledge of, and do not involve, the faith and credit or the taxing power of the District (other than the pledge of the available tax revenues made by the Indenture and the Act), do not constitute a debt of the District, and do not constitute lending of the public credit for private undertakings as prohibited by District law. The Series 2009A and 2009B bonds were issued with interest rates ranging from 4.00% to 5.50% with a yield rate ranging from 1.32% to 5.32%.

On September 3, 2009, the District issued \$270,455 in Income Tax Secured Revenue Refunding Bonds, Series 2009C. The purpose of the issuance of the Series 2009C Bonds was to refund the District's Series 1999A and Series 1999B bonds. Like the Series 2009A and 2009B Bonds, the Series 2009C bonds are special obligations of the District payable solely from the Trust Estate pledged under the indenture. The bonds are without recourse to the District, and are not a pledge of, and do not involve, the faith and credit or the taxing power of the District (other than the pledge of the available tax revenues made by the indenture and the Act), do not constitute a debt of the District, and do not constitute lending of the public credit for private undertakings as prohibited by District law. The Series 2009C bonds were issued with interest rates ranging from 3.00% to 5.00% with a yield rate ranging from 1.04% to 4.44%.

The District's bond ratings have significantly improved over the years. As a result, the District has been able to either refinance (refund) outstanding debt or to issue new debt at more favorable rates. Lower interest rates translate into reduced debt service payments, resulting in a greater percentage of the District's budget being available for the provision of services and programs to District residents.

At September 30, 2009, the District had a total of \$6,173,643 in General Obligation Bonds, TIF Bonds, Ballpark Bonds, Qualified Zone Academy Bonds (QZAB), Tobacco Bonds, and Income Tax Secured Bonds outstanding. This represents an increase of \$222,849 over the prior year. The District's borrowing has been increasing over the past few years because of the continuing need and demand for infrastructure improvements, such as roads, streets, and bridges. **Table 8** presents the District's outstanding bonds as of September 30, 2009 and 2008.

**Table 8 – Outstanding Bonds at September 30, 2009 and 2008**

Long-Term Debt					
	2009	2008	Dollar Variance	Percentage Variance	
General Obligation Bonds	\$ 3,766,628	\$ 4,592,518	\$ (825,890)	-18.0%	
Ballpark Bonds	521,750	526,415	(4,665)	-0.9%	
TIF Bonds	96,197	100,664	(4,467)	-4.4%	
Qualified Zone Academy Bonds	6,044	6,713	(669)	-10.0%	
Tobacco Bonds	711,239	724,484	(13,245)	-1.8%	
Income Tax Secured Bonds	1,071,785	-	1,071,785	100.0%	
<b>Total</b>	<b>\$ 6,173,643</b>	<b>\$ 5,950,794</b>	<b>\$ 222,849</b>	<b>3.7%</b>	

The total debt per capita (D.C. residents) as of September 30, 2009 was \$11,081. This represents an increase of \$176, or 1.61% over the prior year. The result is due to the District's issuance of Income Tax Secured Revenue Bonds, refunding of outstanding debt, and population increases. Exhibit S-3C, on page 167, presents ratios of total outstanding debt for the last ten fiscal years. (**Note:** The debt per capita figure that was provided in the FY 2008 CAFR does not correspond to the per capita data presented in the FY 2009 CAFR because population estimates for Washington, D.C. have been adjusted).

### Capital Assets

The general capital improvements fund is used to account for the purchase or construction of capital assets financed by transfers, capital grants, and debt. Capital assets include, but are not limited to, land, buildings, police and fire equipment, office equipment, park facilities, roads, and bridges. In 2009, total capital assets increased by \$870,447 or 12%, over the prior year. Total overall capital assets continue to increase because the District is investing more resources in the construction of new and the rehabilitation of existing infrastructure, such as roads, streets, and bridges.

At September 30, 2009, total net capital assets (capital assets less depreciation) were \$8,130,831. Net capital assets of the governmental activities totaled \$8,114,819, and the net capital assets of the business-type activities totaled \$16,012. The governmental activities depreciation charges for fiscal year 2009 totaled \$304,354 compared to the prior year's amount of \$272,830. **Table 9** presents more detailed information on the District's net capital assets.

**Table 9 – Net Capital Assets as of September 30, 2009**

Asset Category	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 594,593	\$ 311,388	\$ 1,264	\$ 1,264	\$ 595,857	\$ 312,652
Buildings	3,035,188	2,591,551	12,000	13,061	3,047,188	2,604,612
Infrastructure	2,121,095	2,020,490	-	-	2,121,095	2,020,490
Equipment	502,960	486,163	2,748	2,422	505,708	488,585
Construction in progress	1,860,983	1,834,045	-	-	1,860,983	1,834,045
<b>Total net capital assets</b>	<b>\$ 8,114,819</b>	<b>\$ 7,243,637</b>	<b>\$ 16,012</b>	<b>\$ 16,747</b>	<b>\$ 8,130,831</b>	<b>\$ 7,260,384</b>

## REPORTING THE DISTRICT'S BUDGET

### Overview in Brief

D.C. Code § 47-392.01(c)(1)(A) requires the District to prepare a balanced budget each year. Consistent with D.C. Code § 47-392.02, the Mayor is required to submit the budget to Council for review, approval, and submission to Congress. The District's budget is subject to revision and veto by Congress and the President of the United States. As the budget moves through the budgetary process, there may be changes in both amounts and purposes. The Chief Financial Officer updates the District's revenue estimates and revises the expenditure budget to be consistent with the revised estimates.

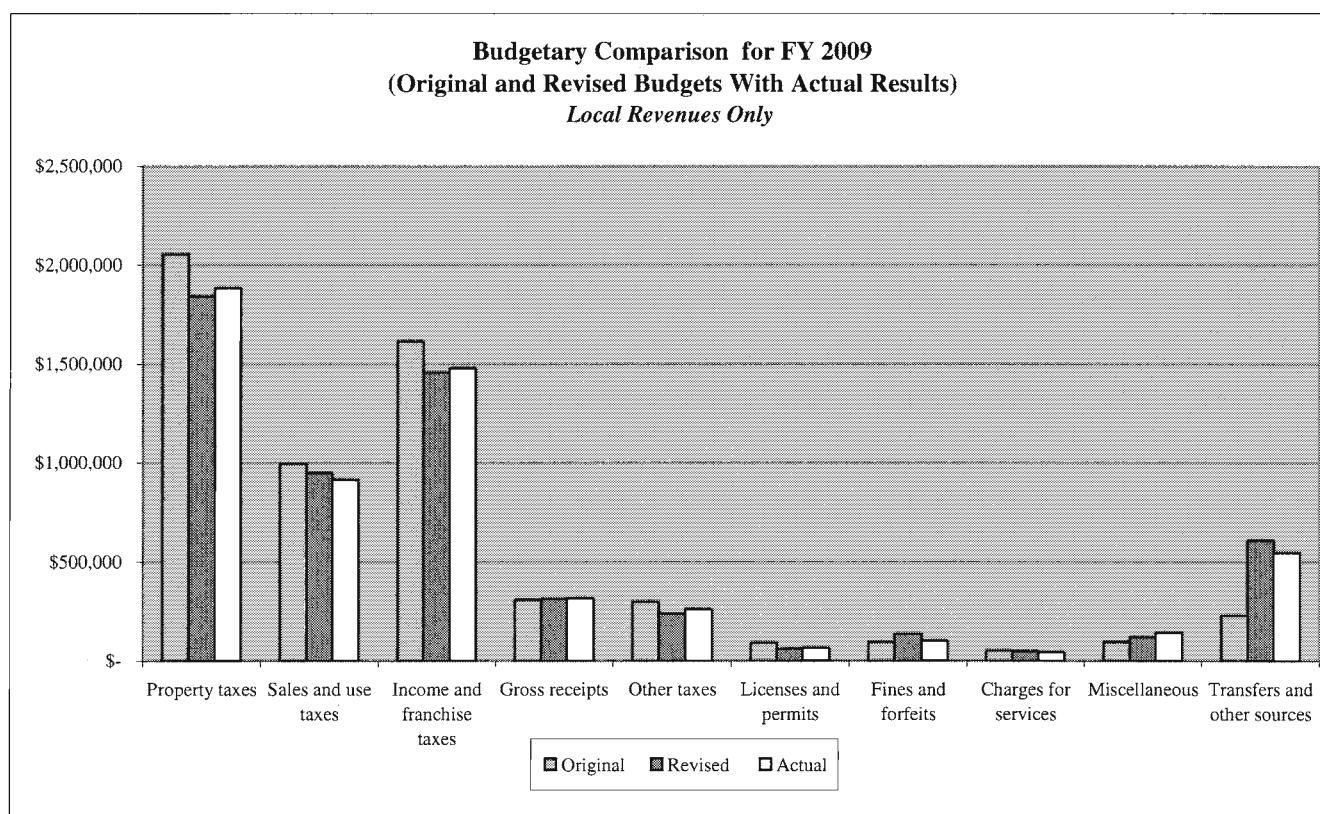
### General Fund Budgetary Highlights

The General Fund is the chief budgetary operating fund of the primary government. Total General Fund Revenues and Sources were originally budgeted to be \$6,365,394. This budgeted amount was subsequently revised to \$6,280,891, representing a decrease of \$84,503. Total General Fund Expenditures and Uses for fiscal year 2009 were originally budgeted as \$6,363,941. This budgeted amount was subsequently revised to \$6,275,928, representing a decrease of \$(88,013). General Fund revenues are derived from local and other sources. **Table 10** presents a summary of the General Fund's budget (original and revised) and actual results for the Local Source and Other Source components.

**Table 10 – General Fund Budget – Local and Other Sources**

	Local Source			Other Source			Totals		
	Original	Revised	Actual	Original	Revised	Actual	Original	Revised	Actual
Revenue and Sources	\$ 5,833,868	\$ 5,769,233	\$ 5,753,651	\$ 531,526	\$ 511,658	\$ 484,333	\$ 6,365,394	\$ 6,280,891	\$ 6,237,984
Expenditures and Uses	5,832,415	5,764,270	5,712,923	531,526	511,658	385,139	6,363,941	6,275,928	6,098,062
<b>Excess of Revenues and Sources Over Expenditures and Uses</b>	<b>\$ 1,453</b>	<b>\$ 4,963</b>	<b>\$ 40,728</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 99,194</b>	<b>\$ 1,453</b>	<b>\$ 4,963</b>	<b>\$ 139,922</b>

More than 90% of the revenues and expenditures of the General Fund relate to funding derived through local sources. Differences between the General Fund's original budget and final revised budget (local source only), and the General Fund's final budget and actual expenditures (local source only) for fiscal year 2009 are graphically presented in **Charts 5 and 6**. In addition, detailed budgetary schedules pertaining to the General Fund are presented on pages 47 and 129 through 131 in the Financial Section of this report.

**Chart 5 – Budgetary Comparison – General Fund Local Source Revenues**

#### Comparison of Original and Revised Budgets: Revenues and Sources

**Chart 5** presents a comparison of the original budget, revised budget, and actual results for the General Fund's local source revenues. Some of the factors contributing to the reduction in estimated revenues included the following:

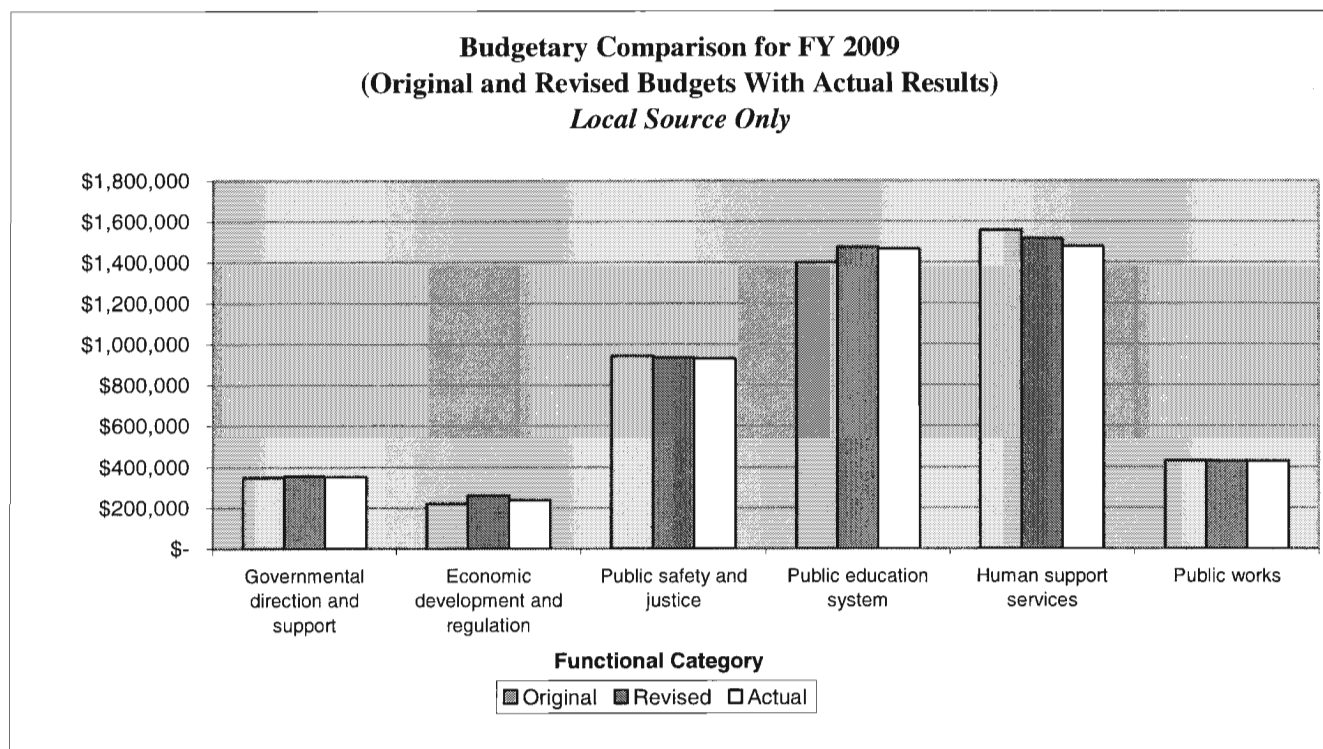
- Estimated real property tax revenues decreased by \$208,308 as a result of adjustments that were made based on an updated real property tax database, a lower collection rate, and more successful taxpayer appeals.
- The revenue estimate for general sales and use tax was revised downward by \$54,019 as data on cash collections began to show a downward trend in sales tax collections, reflecting the national and local recession.

- Estimated revenues from individual income tax were adjusted downward by \$96,804 as data on collections showed a significant increase in refunds and a decrease in payments received from taxpayers.
- The revenue estimates for unincorporated business tax was revised downward by \$48,970 as the real estate market deteriorated and unincorporated business tax collections declined sharply. Most of the revenue from the unincorporated business tax comes from the real estate sector.
- Estimated deed recordation tax revenues were lowered by \$18,557 because a review of cash collections data showed that the financial crisis and the resulting credit squeeze continued to depress markets.
- The revenue estimate for economic interests tax was decreased by \$15,000 as the effects of a new higher rate eliminated the incentive to organize real estate transactions to take advantage of a lower effective rate.
- Non-tax revenue estimates were revised upward: miscellaneous income was increased by \$15,615 to account for distributions pursuant to the tobacco master settlement agreement; fines and forfeitures were increased by \$40,113 due to increase in funding for traffic control officers and expanded automated enforcement; licenses and permits and charges for services were revised downward by \$30,969 and \$3,362 respectively, to reflect the effects of the recession.

#### Comparison of Original and Revised Budgets: Expenditures and Uses

Total General Fund Local Source expenditures and uses as originally budgeted were \$5,832,415, which was subsequently revised to \$5,764,270. Actual General Fund Local Source expenditures totaled \$5,712,923. **Chart 6** presents a comparison of the original budget, revised budget, and actual results for the General Fund's local source expenditures by function.

**Chart 6 – General Fund Local Source Expenditures (by Function)**



Throughout fiscal year 2009, the District assessed the impact of economic conditions on the District's operations. As revenue estimates were adjusted downward, plans for reducing spending were developed and budgeted expenditures were revised accordingly. A significant portion of the \$(88,013) variance between the original and revised budgets for expenditures and other uses is attributable to spending reductions which became necessary as the declining economy began to impact the District's revenue streams.



Comparison of Revised Budget and Actual Revenues and Sources

There was a variance of \$(42,907) between the General Fund's budgeted and actual revenues and other sources for fiscal year 2009. The General Fund's Local Source actual revenues were \$15,582 less than budgeted revenues. This variance was attributable, in part, to the following:

- Actual general sales tax revenues were \$15,759 less than the revised estimate, reflecting a deeper recession in the District than projected at the time the revised budget was prepared. The District's hospitality industry was impacted more severely than originally anticipated.
- Despite a weak economy and high unemployment among District residents, growth in withholding was stronger than expected, which resulted in the positive variance of \$23,581 in individual income tax. The apparent contradiction is likely due to a higher share of job losses among lower paid employees.
- Corporate franchise tax revenue was \$14,381 less than the estimate due mainly to significantly lower estimated payments having been received by the District, which reflects the impact of the recession on area businesses.
- Unincorporated business franchise tax revenue was \$12,425 greater than the estimate, which assumed greater exposure to the real estate market decline.
- The positive variance of \$11,750 for deed recordation tax and \$18,222 for deed transfer tax was due to a rebound in sales in the residential real estate market due to lower prices and federal credits. Tax revenues declined over the previous year but at a rate that was much less than projected.
- Due to revenue shortfalls, fund balances declined significantly which, when combined with historically low interest rates on short-term investments, caused interest income to be less than projected. Consequently, interest income was \$31,583 less than budgeted.
- In addition, fines and forfeits were \$33,667 less than projected due to unrealized revenues from new initiatives.

Comparison of Revised Budget and Actual Expenditures and Uses

There was a variance of \$(177,866) between budgeted and actual expenditures and other uses for fiscal year 2009. The General Fund's Local Source actual expenditures and uses were \$51,347 less than budgeted. Policy restrictions on spending, instituted as a result of the declining economy, contributed to the District's underspending in fiscal year 2009. The expenditures of three functions primarily accounted for the \$31,627 variance between revised local source budget and actual expenditures: Economic Development and Regulation; Public Safety and Justice; and Human Support Services.

Brief explanations related to these functions are provided below:

**Economic Development and Regulation:** The \$20,334 variance between the revised budget and actual expenditures in this functional area is attributable to several factors, some of which include: (a) the Summer Youth Program not spending a portion of available program funds during the fiscal period; (b) the Department of Housing and Community Development receiving less funding through the Community Development Block Grant Program and the HOME Grant Program, thus resulting in reduced spending; and (c) significant reductions in deed transfer and deed recordation taxes resulting in reductions in expenditures related to the Housing Production Trust Fund.

**Public Safety and Justice:** Several factors contributed to the \$5,522 variance between the revised budget and actual expenditures in this functional category. Some of the contributing factors included: (a) Homeland Security/Emergency Management had a reduction of \$309 in fixed costs; (b) a portion of the Presidential Inauguration costs budgeted for the Metropolitan Police Department was subsequently absorbed by the federal government; and (c) the Unified Communications Center (UCC) had significant savings in fixed costs, imposed 8.34% spending controls, and approximately 72% of the Presidential Inauguration costs budgeted for the UCC was absorbed by the federal government.

**Human Support Services:** The \$5,771 variance between the revised budget and actual expenditures in this functional area was due to several factors; however, the most prevalent was the imposition of spending controls for fiscal year 2009. In addition, the Department of Parks and Recreation experienced the following: (a) \$1.9 million reduction in spending by the child and adult care feeding program due to a decrease in the number of eligible program participants and a reduction in the number of sites served; (b) a \$1 million reduction in the summer feeding program due to a reduction in the number of sites served; (c) \$600 under-spending by the Parks and Facility Management Program due to a reduction in contractual services used by that program; and (d) \$500 in under-spending of local funds, due to the overestimation of funding provided to the Office of the Chief Technology Officer for telecommunications costs.

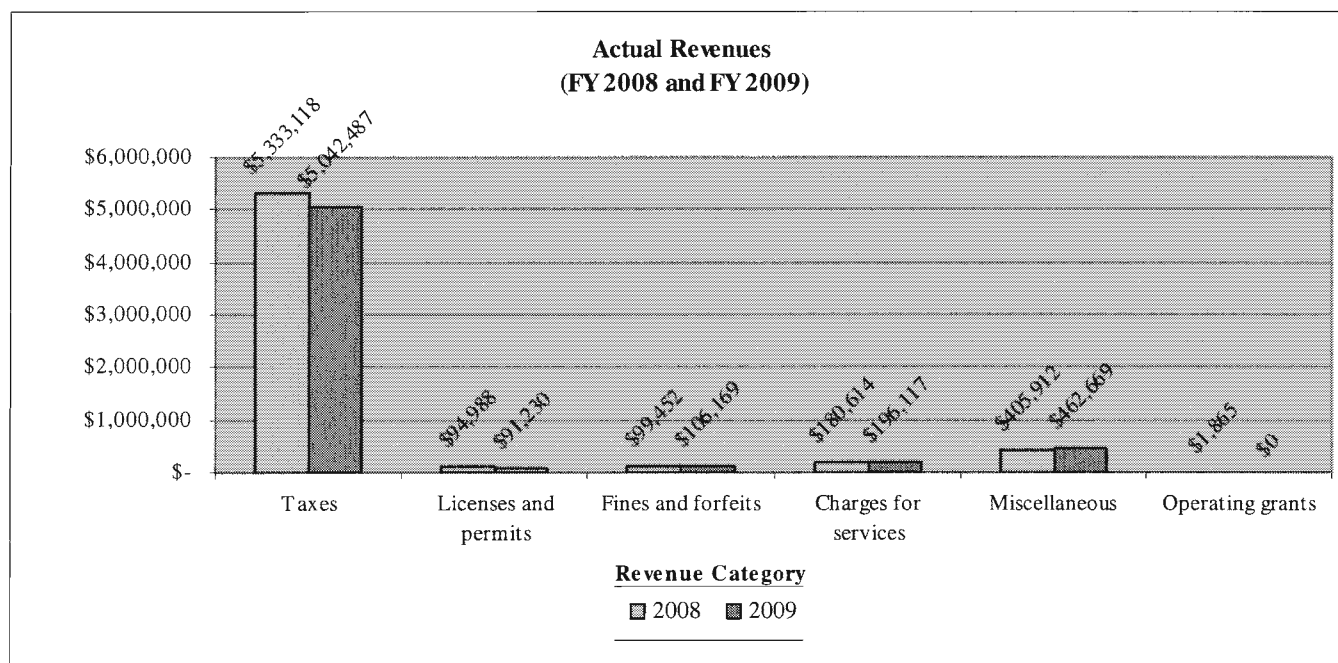
Some additional factors which resulted in the \$(177,866) variance include:

- The District Department of Transportation's actual expenditures were approximately \$19.2 million less than the revised budget because the agency limited its special purpose revenue funds (O-type) expenditures. This measure was implemented because actual revenue collection for the Unified Fund was significantly less than the certified amount used to establish budget authority.
- The District Department of the Environment underspent the agency's budget as a result of several factors, some of which included: (a) approximately \$5.4 million allocated to the Demand Side Management programs was not spent by PEPCO; (b) approximately \$1.6 million allocated for the Government Building Energy Efficiency Program was not spent by the Department of Real Estate Services; (c) due to process issues associated with the start up of a new program, approximately \$1.1 million remained in the Renewable Energy Incentive Program; and (d) approximately \$8 million in Storm Water funds were provided to other partnering agencies to implement energy-related projects, however, the targeted start dates for designated projects were delayed or rescheduled.
- Approximately \$6.5 million in intra-District funds from the District Department of Energy audits were received late and could not be utilized by the end of fiscal year 2009 and certain O-type revenues totaling \$2.7 million were also received too late in the fiscal year to obtain goods and services.
- Bond fiscal charges paid from bond proceeds were approximately \$10.6 million less than anticipated due to fewer bond financings.

Comparison of Annual Operating Results: Revenues and Sources (GAAP-Basis)

Actual General Fund revenues and other sources totaled \$6,646,606 in fiscal year 2009, as compared to \$6,888,791 in fiscal year 2008, representing a decrease of \$242,185. **Chart 7** presents a comparative summary of actual General Fund revenues for fiscal years 2009 and 2008.

**Chart 7 – Comparative Summary - General Fund Local Source Revenues**



The \$242,185 decrease in General Fund revenues and sources over the previous year was due, in part, to the following:

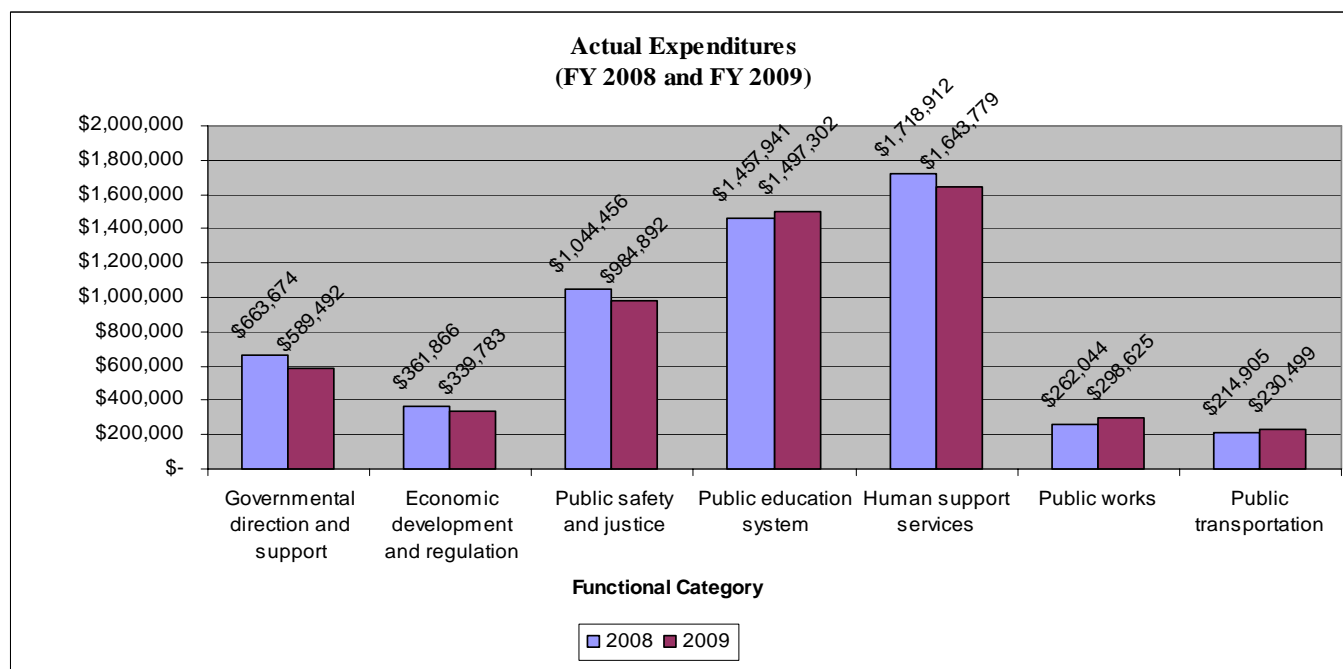
- The \$175,432 increase in property tax revenues over the previous year primarily reflects a “run up” in the commercial real property tax market over the last several years. Although the commercial real estate market has since slowed from its 2005 peak, FY 2009 real property tax revenue is based on price appreciation that occurred in calendar year 2007, before the general real estate slowdown impacted the Washington, D.C. market.

- Sales and use tax revenues declined \$49,848 in fiscal year 2009. Cigarette excise tax was \$13,720 higher than the fiscal year 2008 amount due to an increase in the tax rate to \$2.00 in fiscal year 2009. Motor vehicle excise tax was \$8,053 lower than the previous year's amount due to weak demand for automobiles.
- Income and franchise tax declined by \$277,826. Individual income tax revenue declined \$206,861 over the previous year. Although tax collections through withholding increased by 2% between 2008 and 2009, non-withholding tax collections, which are tied closely to the financial markets, declined sharply by 66%.
- Corporate franchise tax revenue was \$64,321 less in fiscal year 2009 than in the prior year, mainly due to the impact of economic events such as the collapse of major financial institutions, which severely affected capital markets and corporate profits suffered.
- An \$89,382 decline in fiscal year 2009 revenue as compared to the prior year for deed recordation tax and deed transfer tax reflects the general slowdown in the real estate markets, both in lower prices and sharply lower volume of sales.
- The increase in the tax rate for transfers of economic interest eliminated the incentive to structure real estate ownership through limited liability corporations. The tax rate increased to be equal to the sum of the deed recordation and deed transfer. The number of transactions declined significantly from fiscal year 2008 to fiscal year 2009, reducing the revenue by \$46 million, or 85%.

*Comparison of Annual Operating Results: Expenditures and Other Uses (GAAP-Basis)*

Actual General Fund expenditures and other uses totaled \$6,970,845 in fiscal year 2009, as compared to \$7,197,064 in fiscal year 2008, representing a decrease of \$226,219. **Chart 8** presents a comparative summary of actual General Fund expenditures and other uses (local source only) by function for fiscal years 2009 and 2008.

**Chart 8 – Comparative Summary – General Fund Local Source Expenditures (by Function)**



The noted decrease in expenditures and other uses was due, in part, to the following:

**Government Direction and Support:** Spending in this function decreased by \$74,182 over the prior year. In general, this variance is due to several factors including: (a) salary lapses resulting from timing delays between the departure and hiring of FTEs; (b) fixed costs savings refunded at the end of the fiscal year; (c) imposed spending restrictions; and (d) delays in initiating contractual services. Spending in local sources decreased by \$3,167 over the one-year period. Factors contributing to this variance include: (a) a decrease in spending of \$10,182 by the Office of the Chief Technology Officer; and (b) a \$10,000 decrease in Section 103 judgments. Other smaller variances such as \$816 variance in the Office of the City Administrator, \$527 in the Office of Finance and Resource Management, \$381 variance in the Office of Contracting and Procurement, also contributed to this one-year variance.

**Human Support Services:** Expenditures decreased in this functional category by \$75,133 over the one-year period between fiscal years 2008 and 2009, with local source expenditures decreasing by \$70,903. Factors contributing to this variance include: (a) a reduction of \$21,388 in expenditures made by the Child and Family Services Agency; and (b) reductions made possible through the streamlining of operations upon the creation of the Department of Healthcare Finance (DHCF). As a result of the creation of DHCF, the Department of Health's expenditures decreased by approximately \$567,314 but were offset by DHCF's expenditures totaling \$463,677. These decreases were offset by increases in other areas, such as \$27,484 at the Department of Human Services (DHS) and \$10,932 at the Department on Disability Services (DDS). The increase in spending by DHS was due, in part, to a \$12,000 increase for the New Initiative for Housing First; \$10,000 increase for Homeless Services; and \$3,500 increase in cash assistance expenditures.

**Public Safety and Justice:** Expenditures decreased by \$59,564 in this functional category between fiscal year 2008 and 2009, with \$47,379 of this decrease being in local sources. Factors contributing to this variance include: (a) a \$31,000 decrease in the Police and Firefighter Retirement System; and (b) a \$17,998 decrease in spending by the Metropolitan Police Department. Much of the variance is due to less funding being available in fiscal year 2009, and costs associated with employees taking advantage of the early retirement offered in fiscal year 2008.

## SUBSEQUENT EVENTS

### Short-Term Debt

On October 30, 2009, the District issued \$500,000 in Tax Revenue Anticipation Notes (TRANs) as a means of financing, on a short-term basis, the District's general governmental expenses in anticipation of receiving or collecting revenues for fiscal year 2010. These fixed rate TRANs were issued at an interest rate of 2.50% and mature on September 30, 2010. By law, the District must repay any short-term debt in its entirety by September 30 of the fiscal year of issuance.

### Income Tax Secured Revenue Bonds

On December 22, 2009, the District issued \$129,620 in Income Tax Secured Revenue Bonds, Series 2009D (Tax –Exempt) and \$501,290 in Income Tax Secured Revenue Bonds, Series 2009E (Federally Taxable –Build America Bonds –Direct Pay to Issuer). The proceeds of the Series 2009D and Series 2009E bonds will be used to: (a) provide funds for capital projects; (b) pay for financing costs; and (c) fund capitalized interest on the Series 2009D and Series 2009E bonds. These bonds will be payable from and secured by a security interest in and a statutory lien on the Trust Estate. The Series 2009D bonds were issued with interest rates ranging from 3.0% to 5.0% with a yield rate ranging from 0.770% to 2.680%. The Series 2009E bonds were issued with interest rates ranging from 4.343% to 5.541% with a yield rate ranging from 4.343% to 5.541%. A \$300,000 term bond, with an interest rate of 5.591% will be due on December 1, 2034, priced to yield 5.591%. The District is eligible to receive federal payments equal to 35% of interest cost under the Build America Bond program.

### Dissolution of a Component Unit

Pursuant to the Fiscal Year 2010 Budget Support Second Emergency Act Of 2009, D.C. Act 18-207, the Sports and Entertainment Commission was abolished effective October 1, 2009. Consequently, the event planning, community outreach and other administrative functions of the former Sports and Entertainment Commission merged with the Washington Convention Center Authority (WCCA) to form a new organization known as the Washington Convention and Sports Authority (WCSA). The Department of Real Estate Services (DRES), formerly known as the Office of Property Management, is responsible for the maintenance and upkeep of the RFK Stadium and D.C. Armory campuses.

**CONTACTING THE DISTRICT'S OFFICE OF THE CHIEF FINANCIAL OFFICER**

This CAFR is designed to provide the District's citizens, taxpayers, customers, vendors, investors, and creditors with a general overview of the District's finances and to demonstrate the effectiveness of the District's systems of accountability for the money it receives. If you have any questions regarding this report, suggestions for improvement, or need additional financial information, please contact:

The Office of the Chief Financial Officer  
The John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 209  
Washington, D.C. 20004  
(202) 727-2476  
[www.dccfo.com](http://www.dccfo.com)

## BASIC FINANCIAL STATEMENTS

The basic financial statements include the *Government-Wide Financial Statements*, *Governmental Fund Financial Statements*, *Proprietary Fund Financial Statements*, *Fiduciary Fund Financial Statements* and the *Component Unit Financial Statements*. These financial statements present different views of the District.

Following the basic financial statements are the *Notes to the Basic Financial Statements* which explain some of the information in the financial statements and provide more detail.

## Exhibit 1-a

District of Columbia  
Statement of Net Assets  
September 30, 2009  
(With Comparative Totals at September 30, 2008)  
(\$000s)

	Primary Government				
	Governmental	Business-Type	Totals		Component
	Activities	Activities	2009	2008	Units
ASSETS					
Cash and cash equivalents (unrestricted)	\$ 385,459	\$ 15,994	\$ 401,453	\$ 501,883	\$ 158,018
Investments (unrestricted)	-	5,627	5,627	5,915	183,176
Accrued interest receivable, net	-	-	-	171	-
Due from federal government	443,898	18,883	462,781	380,512	69,857
Taxes receivable, net	351,096	-	351,096	305,169	-
Accounts receivable, net	207,629	24,698	232,327	246,195	45,921
Other receivables	-	-	-	-	46,939
Due from primary government	-	-	-	-	14,151
Due from component units	26,016	-	26,016	14,339	-
Due from fiduciary funds	4,677	-	4,677	-	-
Internal balances	19,770	(19,770)	-	-	-
Inventories	11,431	-	11,431	16,841	9,369
Other current assets	1,107	646	1,753	1,560	1,068
Cash and cash equivalents (restricted)	1,609,298	366,403	1,975,701	2,534,953	312,348
Investments (restricted)	181,583	38,990	220,573	197,041	524,755
Other long term assets	142,192	-	142,192	209,558	597,254
Deferred charges	99,693	-	99,693	95,726	-
Net OPEB assets	-	-	-	7,507	-
Depreciable capital assets, net	5,659,242	14,748	5,673,990	5,113,687	3,075,258
Non-depreciable capital assets	2,455,577	1,264	2,456,841	2,146,697	453,804
Total assets	11,598,668	467,483	12,066,151	11,777,754	5,491,918
LIABILITIES					
Accounts payable	679,832	73,839	753,671	732,222	116,360
Compensation payable	178,646	3,145	181,791	147,019	25,540
Due to primary government	-	-	-	-	26,016
Due to component units	14,151	-	14,151	23,147	-
Due to fiduciary funds	-	-	-	5,522	-
Unearned revenues	280,975	492	281,467	358,947	85,446
Accrued liabilities	298,337	8,205	306,542	250,572	48,131
Accrued interest payable	88,736	-	88,736	71,434	-
Other current liabilities	10,689	-	10,689	57,188	51,493
Long-term liabilities:					
Due within one year	510,837	7,406	518,243	485,250	83,416
Due in more than one year	7,035,002	27,747	7,062,749	6,685,118	3,462,540
Total liabilities	9,097,205	120,834	9,218,039	8,816,419	3,898,942
NET ASSETS					
Invested in capital assets, net of related debt	2,155,206	16,012	2,171,218	1,811,026	1,076,962
Restricted for:					
Expendable					
Debt service	203,298	-	203,298	180,595	-
Benefit payments	-	304,773	304,773	374,282	-
Grants and contributions	142,566	-	142,566	175,754	-
Purpose restriction	104,626	-	104,626	175,488	-
Emergency reserves	284,316	-	284,316	330,238	-
Other	117,255	-	117,255	294,138	187,111
Nonexpendable	-	-	-	-	7,242
Unrestricted (deficit)	(505,804)	25,864	(479,940)	(380,186)	321,661
Total net assets	\$ 2,501,463	\$ 346,649	\$ 2,848,112	\$ 2,961,335	\$ 1,592,976

The accompanying notes are an integral part of this statement.

Exhibit 1-b

District of Columbia  
Statement of Activities  
For the Year Ended September 30, 2009  
(With Comparative Totals for the Year Ended September 30, 2008)  
(\$000s)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Units
	Expenses	Charges for Services, Fees, Fines & Forfeits	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Totals		
							2009	2008	
Primary government:									
Governmental activities:									
Governmental direction and support	\$ 878,219	\$ 16,531	\$ 83,057	\$ 20,999	\$ (757,632)		\$ (757,632)	\$ (784,986)	
Economic development and regulation	470,567	105,148	74,203	2,488	(288,728)		(288,728)	(290,889)	
Public safety and justice	1,407,166	71,787	392,031	-	(943,348)		(943,348)	(1,011,565)	
Public education system	1,937,238	294	402,667	7,000	(1,527,277)		(1,527,277)	(1,579,785)	
Human support services	3,598,570	9,599	1,832,008	6,919	(1,750,044)		(1,750,044)	(1,778,460)	
Public works	553,233	196,119	29,602	143,196	(184,316)		(184,316)	(199,514)	
Public transportation	230,499	-	-	-	(230,499)		(230,499)	(214,905)	
Interest on long-term debt	336,536	-	-	-	(336,536)		(336,536)	(293,339)	
Total governmental activities	9,412,028	399,478	2,813,568	180,602	(6,018,380)		(6,018,380)	(6,153,443)	
Business-type activities:									
Lottery and games	176,625	245,370	-	-		\$ 68,745	68,745	69,740	
Unemployment compensation	370,775	-	36,985	-		(333,790)	(333,790)	(129,046)	
Nursing home services	44,601	43,424	-	-		(1,177)	(1,177)	(3,402)	
Total business-type activities	592,001	288,794	36,985	-		(266,222)	(266,222)	(62,708)	
Total primary government	\$ 10,004,029	\$ 688,272	\$ 2,850,553	\$ 180,602	(6,018,380)	(266,222)	(6,284,602)	(6,216,151)	
Component units:									
Water and sewer authority	\$ 363,924	\$ 329,061	\$ -	\$ 27,752					\$ (7,111)
Convention center	99,001	16,595	-	-					(82,406)
Sports commission	12,910	5,311	-	-					(7,599)
Housing finance	76,466	7,069	-	-					(69,397)
University	130,611	20,784	29,109	5,388					(75,330)
Total component units	\$ 682,912	\$ 378,820	\$ 29,109	\$ 33,140					(241,843)
General revenues:									
Taxes:									
Property taxes					1,951,345	-	1,951,345	1,787,365	-
Sales and use taxes					1,052,011	-	1,052,011	1,101,859	-
Income and franchise taxes					1,478,068	-	1,478,068	1,755,894	-
Gross receipts taxes					315,976	-	315,976	302,873	-
Other taxes					261,909	94,622	356,531	506,134	-
Investment earnings					28,242	19,061	47,303	117,164	67,720
Miscellaneous					530,847	152,161	683,008	474,824	40,173
Subsidy from primary government					-	-	-	-	153,538
Special item					287,137	-	287,137	153,640	-
Transfer in (out)					68,775	(68,775)	-	-	-
Total general revenues, special item and transfers					5,974,310	197,069	6,171,379	6,199,753	261,431
Change in net assets					(44,070)	(69,153)	(113,223)	(16,398)	19,588
Net assets at October 1, as restated					2,545,533	415,802	2,961,335	2,977,733	1,573,388
Net assets at September 30					\$ 2,501,463	\$ 346,649	\$ 2,848,112	\$ 2,961,335	\$ 1,592,976

The accompanying notes are an integral part of this statement.



## Exhibit 2-a

District of Columbia  
Balance Sheet  
Governmental Funds  
September 30, 2009  
(With Comparative Totals at September 30, 2008)  
(\$000s)

	General	Federal & Private Resources	General Capital Improvements	Baseball Capital Project	Nonmajor Governmental Funds	Total Governmental Funds	
						2009	2008
<b>ASSETS</b>							
Cash and cash equivalents (unrestricted)	\$ 385,459	\$ -	\$ -	\$ -	\$ -	\$ 385,459	\$ 484,115
Accrued interest receivable	-	-	-	-	-	-	171
Due from federal government	19,856	379,154	44,888	-	-	443,898	380,512
Taxes receivable, net	351,096	-	-	-	-	351,096	305,169
Accounts receivable, net	96,450	78,377	1,999	-	30,803	207,629	224,491
Due from component units	24,489	-	-	1,527	-	26,016	14,339
Due from other funds	346,597	21,510	485	-	20,242	388,834	491,614
Inventories	10,221	1,210	-	-	-	11,431	16,841
Other current assets	1,066	-	-	-	41	1,107	997
Cash and cash equivalents (restricted)	397,058	133,775	739,621	2,022	336,822	1,609,298	2,112,154
Investments (restricted)	181,583	-	-	-	-	181,583	154,002
Other long term assets	58,994	15,537	500	-	67,161	142,192	209,558
<b>Total assets</b>	<b>\$ 1,872,869</b>	<b>\$ 629,563</b>	<b>\$ 787,493</b>	<b>\$ 3,549</b>	<b>\$ 455,069</b>	<b>\$ 3,748,543</b>	<b>\$ 4,393,963</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	369,504	122,022	173,230	-	15,076	679,832	682,445
Compensation payable	151,478	24,559	2,506	-	103	178,646	144,642
Due to other funds	30,406	129,468	204,028	-	485	364,387	486,400
Due to component units	14,127	-	24	-	-	14,151	23,147
Deferred revenue	194,873	94,048	823	-	67,384	357,128	417,975
Accrued liabilities	183,698	114,539	-	-	100	298,337	242,629
Other current liabilities	8,300	2,361	28	-	-	10,689	56,969
<b>Total liabilities</b>	<b>952,386</b>	<b>486,997</b>	<b>380,639</b>	<b>-</b>	<b>83,148</b>	<b>1,903,170</b>	<b>2,054,207</b>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
General fund purposes	703,694	-	-	-	-	703,694	957,977
Special revenue funds purposes	-	142,566	-	-	365,112	507,678	465,229
Capital project purposes	-	-	406,854	3,549	6,809	417,212	629,805
<b>Unreserved, designated, reported in:</b>							
General fund	216,789	-	-	-	-	216,789	200,020
<b>Unreserved, undesignated reported in:</b>							
General fund	-	-	-	-	-	-	86,725
<b>Total fund balances</b>	<b>920,483</b>	<b>142,566</b>	<b>406,854</b>	<b>3,549</b>	<b>371,921</b>	<b>1,845,373</b>	<b>2,339,756</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,872,869</b>	<b>\$ 629,563</b>	<b>\$ 787,493</b>	<b>\$ 3,549</b>	<b>\$ 455,069</b>		<b>\$ 4,393,963</b>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1a) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

8,114,819

Certain long term assets are not available to pay current period expenditures and are therefore deferred in the funds.

76,153

Adjustment for deferred charges.

99,693

Certain liabilities (such as bonds payable and accrued expenses) are not due and payable in the current period:

General obligation bonds	3,766,628
Income tax revenue bonds	1,071,785
Tobacco settlement bonds	711,239
TIF bonds & notes	96,197
Ballpark bonds	521,750
QZAB	6,044
Accrued interest payable	88,736
Capital leases	44,492
Other long-term liabilities	1,327,704

(7,634,575)

Net assets of governmental activities

\$ 2,501,463

The accompanying notes are an integral part of this statement.

Exhibit 2-b

**District of Columbia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2009**  
**(With Comparative Totals for the Year Ended September 30, 2008)**  
**(\$000s)**

	General	Federal & Private Resources	General Capital Improvements	Baseball Capital Project	Nonmajor Governmental Funds	Total Governmental Funds	
						2009	2008
<b>REVENUES</b>							
Taxes:							
Property taxes	\$ 1,934,523	\$ -	\$ -	\$ -	\$ -	\$ 1,934,523	\$ 1,759,091
Sales and use taxes	1,052,011	-	-	-	-	1,052,011	1,101,859
Income and franchise taxes	1,478,068	-	-	-	-	1,478,068	1,755,894
Gross receipts taxes	315,976	-	-	-	-	315,976	302,873
Other taxes	261,909	-	-	-	-	261,909	413,401
Fines and forfeitures	106,169	-	-	-	-	106,169	99,452
Licenses and permits	91,230	-	-	-	-	91,230	94,988
Charges for services	196,117	5,962	-	-	-	202,079	184,709
Investment earnings	18,435	891	42	1,694	7,180	28,242	95,847
Miscellaneous	444,234	12,871	2,145	-	64,796	524,046	457,747
Federal contributions	-	545,446	28,000	-	-	573,446	433,206
Operating grants	-	2,268,122	152,602	-	-	2,420,724	1,920,910
<b>Total revenues</b>	<b>5,898,672</b>	<b>2,833,292</b>	<b>182,789</b>	<b>1,694</b>	<b>71,976</b>	<b>8,988,423</b>	<b>8,619,977</b>
<b>EXPENDITURES</b>							
Current:							
Governmental direction and support	589,492	82,771	-	-	200	672,463	695,175
Economic development and regulation	339,783	65,357	-	-	-	405,140	461,707
Public safety and justice	984,892	396,981	-	-	-	1,381,873	1,369,907
Public education system	1,497,302	352,898	-	-	-	1,850,200	1,716,701
Human support service	1,643,779	1,841,488	-	-	-	3,485,267	3,222,979
Public works	298,625	33,270	-	-	56,818	388,713	416,982
Public transportation	230,499	-	-	-	-	230,499	214,905
Debt service:							
Principal	241,654	-	-	-	35,869	277,523	251,998
Interest	223,364	-	-	-	69,120	292,484	287,354
Fiscal charges	19,628	-	-	-	31	19,659	25,330
Capital outlay	-	-	1,054,505	17,747	58,719	1,130,971	1,390,415
<b>Total expenditures</b>	<b>6,069,018</b>	<b>2,772,765</b>	<b>1,054,505</b>	<b>17,747</b>	<b>220,757</b>	<b>10,134,792</b>	<b>10,053,453</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(170,346)</b>	<b>60,527</b>	<b>(871,716)</b>	<b>(16,053)</b>	<b>(148,781)</b>	<b>(1,146,369)</b>	<b>(1,433,476)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Debt issuance	2,742	-	488,903	-	-	491,645	664,105
Refunding debt issuance	580,140	-	-	-	-	580,140	675,895
Premium on sale of bonds	36,601	-	13,597	-	-	50,198	36,282
Payment to refunded bond escrow agent	(607,640)	-	-	-	-	(607,640)	(675,385)
Equipment financing program	-	-	62,068	-	-	62,068	36,479
Transfers in	121,651	-	127,068	-	198,920	447,639	477,829
Transfers out	(294,187)	(1,755)	-	-	(82,922)	(378,864)	(407,529)
Sale of capital assets	6,800	-	-	-	-	6,800	726
<b>Total other financing sources (uses)</b>	<b>(153,893)</b>	<b>(1,755)</b>	<b>691,636</b>	<b>-</b>	<b>115,998</b>	<b>651,986</b>	<b>808,402</b>
Special item	-	-	-	-	-	-	175,250
<b>Net change in fund balances</b>	<b>(324,239)</b>	<b>58,772</b>	<b>(180,080)</b>	<b>(16,053)</b>	<b>(32,783)</b>	<b>(494,383)</b>	<b>(449,824)</b>
Fund balances at October 1	1,244,722	83,794	586,934	19,602	404,704	2,339,756	2,789,580
Fund balances at September 30	\$ 920,483	\$ 142,566	\$ 406,854	\$ 3,549	\$ 371,921	\$ 1,845,373	\$ 2,339,756

The accompanying notes are an integral part of this statement.

## Exhibit 2-c

**District of Columbia**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended September 30, 2009**  
**(\$000s)**

Net change in fund balances - total governmental funds	\$	(494,383)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		871,182
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Deferred property tax revenues which were earned but whose current financial resources are not available for the purpose of recognition in the governmental funds were recognized in the government-wide financial statements. This is the amount deferred property taxes increased in the governmental funds between 2008 and 2009.		16,822
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which bond proceeds exceeded repayments.		(268,719)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount that other long term liabilities decreased in the current period.		(168,972)
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Change in net assets of governmental activities	\$	(44,070)
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*The accompanying notes are an integral part of this statement.*

Exhibit 2-d

District of Columbia  
Budgetary Comparison Statement  
For the Year Ended September 30, 2009  
(\$000s)

	General Fund				Federal and Private Resources				Totals			
	Budget		Actual	Variance Positive (Negative)	Budget		Actual	Variance Positive (Negative)	Budget		Actual	Variance Positive (Negative)
	Original	Revised			Original	Revised			Original	Revised		
<b>Revenues and Sources:</b>												
Taxes:												
Property taxes	\$ 2,055,688	\$ 1,842,882	\$ 1,883,992	\$ 41,110	\$ -	\$ -	\$ -	\$ -	\$ 2,055,688	\$ 1,842,882	\$ 1,883,992	\$ 41,110
Sales and use taxes	995,345	948,648	915,099	(33,549)	-	-	-	-	995,345	948,648	915,099	(33,549)
Income and franchise taxes	1,615,218	1,456,443	1,478,068	21,625	-	-	-	-	1,615,218	1,456,443	1,478,068	21,625
Other taxes	606,647	549,717	577,251	27,534	-	-	-	-	606,647	549,717	577,251	27,534
Total taxes	5,272,898	4,797,690	4,854,410	56,720	-	-	-	-	5,272,898	4,797,690	4,854,410	56,720
Licenses and permits	91,861	60,892	65,924	5,032	-	-	-	-	91,861	60,892	65,924	5,032
Fines and forfeits	94,969	135,082	101,415	(33,667)	-	-	-	-	94,969	135,082	101,415	(33,667)
Charges for services	51,412	48,050	44,092	(3,958)	-	-	-	-	51,412	48,050	44,092	(3,958)
Miscellaneous	94,256	119,316	141,739	22,423	-	-	-	-	94,256	119,316	141,739	22,423
Other sources	464,873	424,627	454,764	30,137	-	-	-	-	464,873	424,627	454,764	30,137
General obligation bonds	15,000	15,000	3,340	(11,660)	-	-	-	-	15,000	15,000	3,340	(11,660)
Federal contributions	-	-	-	-	136,051	158,823	149,668	(9,155)	136,051	158,823	149,668	(9,155)
Operating grant	-	-	-	-	2,164,314	2,227,557	2,076,547	(151,010)	2,164,314	2,227,557	2,076,547	(151,010)
Fund balance released from restrictions	205,228	574,092	476,558	(97,534)	-	23,134	23,134	-	205,228	597,226	499,692	(97,534)
Interfund transfer-from lottery and games	71,000	70,300	68,775	(1,525)	-	-	-	-	71,000	70,300	68,775	(1,525)
Interfund transfer-others	3,897	35,842	26,967	(8,875)	-	-	-	-	3,897	35,842	26,967	(8,875)
Total revenues and other sources	6,365,394	6,280,891	6,237,984	(42,907)	2,300,365	2,409,514	2,249,349	(160,165)	8,665,759	8,690,405	8,487,333	(203,072)
<b>Expenditures and Other Uses:</b>												
Governmental direction and support	401,675	387,582	376,941	10,641	25,197	28,594	27,981	613	426,872	416,176	404,922	11,254
Economic development and regulation	359,876	400,331	356,173	44,158	99,929	107,477	66,035	41,442	459,805	507,808	422,208	85,600
Public safety and justice	1,013,226	1,005,112	984,216	20,896	262,997	105,952	80,712	25,240	1,276,223	1,111,064	1,064,928	46,136
Public education system	1,431,099	1,398,731	1,380,766	17,965	269,828	334,426	268,366	66,060	1,700,927	1,733,157	1,649,132	84,025
Public education AY10 expenditure	-	102,727	102,727	-	-	-	-	-	-	102,727	102,727	-
Human support services	1,587,953	1,551,383	1,505,900	45,483	1,580,357	1,744,492	1,634,929	109,563	3,168,310	3,295,875	3,140,829	155,046
Child & family services medicaid write off	-	-	32,055	(32,055)	-	-	-	-	-	-	32,055	(32,055)
Public works	602,285	603,734	560,511	43,223	23,232	33,782	33,257	525	625,517	637,516	593,768	43,748
Emergency planning and security costs	-	-	-	-	-	10,714	10,714	-	-	10,714	10,714	-
Workforce investments	26,691	1	-	1	-	-	-	-	26,691	1	-	1
Wilson building	4,058	4,058	4,008	50	-	-	-	-	4,058	4,058	4,008	50
Account receivable write off	-	-	4,513	(4,513)	-	-	-	-	-	-	4,513	(4,513)
Repay bonds and interest	459,727	438,682	438,383	299	-	-	-	-	459,727	438,682	438,383	299
Repay revenue bonds and interest	6,000	2,500	2,144	356	-	-	-	-	6,000	2,500	2,144	356
Bond fiscal charge	15,000	15,000	4,382	10,618	-	-	-	-	15,000	15,000	4,382	10,618
Interest on short term borrowing	9,000	4,544	4,538	6	-	-	-	-	9,000	4,544	4,538	6
Certificates of participation	32,791	32,541	32,270	271	-	-	-	-	32,791	32,541	32,270	271
Settlements and judgments fund	21,477	17,326	17,325	1	-	-	-	-	21,477	17,326	17,325	1
Presidential inauguration	-	-	-	-	38,825	44,077	44,077	-	38,825	44,077	44,077	-
Baseball tax transfer	50,044	50,044	50,044	-	-	-	-	-	50,044	50,044	50,044	-
Community health fund transfer	-	93,073	93,073	-	-	-	-	-	-	93,073	93,073	-
Equipment lease operating	43,033	38,533	38,378	155	-	-	-	-	43,033	38,533	38,378	155
Pay-go capital	125,014	22,189	20,002	2,187	-	-	-	-	125,014	22,189	20,002	2,187
Schools modernization fund	8,613	8,613	8,613	-	-	-	-	-	8,613	8,613	8,613	-
District retiree health contribution	81,100	81,100	81,100	-	-	-	-	-	81,100	81,100	81,100	-
Cash reserve	46,000	-	-	-	-	-	-	-	46,000	-	-	-
Non-departmental agency	39,279	18,124	-	18,124	-	-	-	-	39,279	18,124	-	18,124
Total expenditures and other uses	6,363,941	6,275,928	6,098,062	177,866	2,300,365	2,409,514	2,166,071	243,443	8,664,306	8,685,442	8,264,133	421,309
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES -- BUDGETARY BASIS</b>	<b>\$ 1,453</b>	<b>\$ 4,963</b>	<b>\$ 139,922</b>	<b>\$ 134,959</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 83,278</b>	<b>\$ 83,278</b>	<b>\$ 1,453</b>	<b>\$ 4,963</b>	<b>\$ 223,200</b>	<b>\$ 218,237</b>

The accompanying notes are an integral part of this statement.

## Exhibit 3-a

District of Columbia  
Statement of Net Assets  
Proprietary Funds  
September 30, 2009  
(With Comparative Totals at September 30, 2008)  
(\$000s)

	Lottery and Games	Unemployment Compensation	Nonmajor Proprietary Fund	Totals	
				2009	2008
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents (unrestricted)	\$ 7,680	\$ -	\$ 8,314	\$ 15,994	\$ 17,768
Investments (unrestricted)	-	-	5,627	5,627	5,915
Due from federal government	-	18,883	-	18,883	-
Accounts receivable, net	7,292	9,587	7,819	24,698	21,704
Due from other funds	-	-	-	-	402
Other current assets	9	-	637	646	562
Cash and cash equivalents (restricted)	-	366,403	-	366,403	422,799
Total current assets	14,981	394,873	22,397	432,251	469,150
Noncurrent assets:					
Investments (restricted)	35,153	-	3,837	38,990	43,039
Capital assets, net	478	-	15,534	16,012	16,747
Total noncurrent assets	35,631	-	19,371	55,002	59,786
<b>Total assets</b>	<b>50,612</b>	<b>394,873</b>	<b>41,768</b>	<b>487,253</b>	<b>528,936</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	2,472	70,330	1,037	73,839	49,777
Accrued compensated absences	764	-	2,381	3,145	2,377
Due to other funds	-	19,770	-	19,770	11,138
Deferred revenue	180	-	312	492	303
Accrued liabilities	8,173	-	32	8,205	7,943
Other current liabilities	-	-	-	-	217
Long term liabilities due within one year	7,406	-	-	7,406	8,631
Total current liabilities	18,995	90,100	3,762	112,857	80,386
Noncurrent liabilities					
Long term liabilities due in more than one year	27,747	-	-	27,747	32,748
Total noncurrent liabilities	27,747	-	-	27,747	32,748
<b>Total liabilities</b>	<b>46,742</b>	<b>90,100</b>	<b>3,762</b>	<b>140,604</b>	<b>113,134</b>
<b>NET ASSETS</b>					
Invested in capital assets	478	-	15,534	16,012	16,747
Restricted - expendable	-	304,773	-	304,773	374,282
Unrestricted	3,392	-	22,472	25,864	24,773
<b>Total net assets</b>	<b>\$ 3,870</b>	<b>\$ 304,773</b>	<b>\$ 38,006</b>	<b>\$ 346,649</b>	<b>\$ 415,802</b>

The accompanying notes are an integral part of this statement.

Exhibit 3-b

District of Columbia  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2009  
(With Comparative Totals for the Year Ended September 30, 2008)  
(\$000s)

	Lottery and Games	Unemployment Compensation	Nonmajor Proprietary Fund	Totals	
				2009	2008
<b>Operating revenues:</b>					
Employer taxes	\$ -	\$ 94,622	\$ -	\$ 94,622	\$ 92,733
Charges for services	245,370	-	43,424	288,794	290,156
Benefit contributions	-	36,985	-	36,985	21,191
Miscellaneous	-	-	919	919	826
<b>Total operating revenues</b>	<u>245,370</u>	<u>131,607</u>	<u>44,343</u>	<u>421,320</u>	<u>404,906</u>
<b>Operating expenses:</b>					
Benefits	-	370,775	-	370,775	150,237
Prizes, agents commission & advertising	148,274	-	-	148,274	155,460
Personnel services	12,132	-	5,545	17,677	15,601
Contractual services	16,085	-	28,440	44,525	43,051
Depreciation	134	-	2,220	2,354	2,351
Miscellaneous	-	-	8,396	8,396	7,355
<b>Total operating expenses</b>	<u>176,625</u>	<u>370,775</u>	<u>44,601</u>	<u>592,001</u>	<u>374,055</u>
<b>Operating income (loss)</b>	<u>68,745</u>	<u>(239,168)</u>	<u>(258)</u>	<u>(170,681)</u>	<u>30,851</u>
<b>Nonoperating revenues:</b>					
Interest and investment revenue	79	18,417	565	19,061	21,317
Federal contribution	-	151,242	-	151,242	15,529
<b>Total nonoperating revenue</b>	<u>79</u>	<u>169,659</u>	<u>565</u>	<u>170,303</u>	<u>36,846</u>
<b>Income (loss) before transfers</b>	<u>68,824</u>	<u>(69,509)</u>	<u>307</u>	<u>(378)</u>	<u>67,697</u>
Transfer out	(68,775)	-	-	(68,775)	(70,300)
<b>Change in net assets</b>	<u>49</u>	<u>(69,509)</u>	<u>307</u>	<u>(69,153)</u>	<u>(2,603)</u>
Total net assets at October 1	3,821	374,282	37,699	415,802	418,405
Total net assets at September 30	<u>\$ 3,870</u>	<u>\$ 304,773</u>	<u>\$ 38,006</u>	<u>\$ 346,649</u>	<u>\$ 415,802</u>

The accompanying notes are an integral part of this statement.

## Exhibit 3-c

**District of Columbia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2009**  
**(With Comparative Totals for the Year Ended September 30, 2008)**  
**(\$000s)**

	<b>Lottery and Games</b>	<b>Unemployment Compensation</b>	<b>Nonmajor Proprietary Fund</b>	<b>Totals</b>	
				<b>2009</b>	<b>2008</b>
<b>Operating activities:</b>					
Cash receipts from customers/employers	\$ 244,666	\$ 130,616	\$ 40,446	\$ 415,728	\$ 398,202
Other cash receipts	388	-	1,029	1,417	973
Cash payments to vendors	(26,362)	-	(39,873)	(66,235)	(63,611)
Cash payments to employees/claimants	(6,459)	(345,847)	-	(352,306)	(137,793)
Other cash payments, including prizes	(143,172)	-	-	(143,172)	(151,405)
Net cash provided by (used in) operating activities	69,061	(215,231)	1,602	(144,568)	46,366
<b>Noncapital financing activities:</b>					
Intergovernmental grants	-	143,559	-	143,559	15,529
Interfund transfers out	(68,775)	(3,141)	-	(71,916)	(70,300)
Net cash provided by (used in) noncapital financing activities	(68,775)	140,418	-	71,643	(54,771)
<b>Capital and related financing activities:</b>					
Acquisitions of capital assets	(247)	-	(1,370)	(1,617)	(1,947)
Net cash used in capital and related financing activities	(247)	-	(1,370)	(1,617)	(1,947)
<b>Investing activities:</b>					
Receipts of interest and dividends	79	18,417	565	19,061	21,317
Net proceeds from related party	-	-	(800)	(800)	2,000
Sales of investments	-	-	(1,889)	(1,889)	4,134
Net cash provided by (used in) investing activities	79	18,417	(2,124)	16,372	27,451
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	118	(56,396)	(1,892)	(58,170)	17,099
<b>Cash and cash equivalents at October 1</b>	7,562	422,799	10,206	440,567	423,468
<b>Cash and cash equivalents at September 30</b>	\$ 7,680	\$ 366,403	\$ 8,314	\$ 382,397	\$ 440,567
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 68,745	\$ (239,168)	\$ (258)	\$ (170,681)	\$ 30,852
Depreciation	134	-	2,220	2,354	2,351
Decrease (increase) in assets:					
Accounts receivable	(194)	(1,994)	(2,976)	(5,164)	(5,635)
Allowance for uncollectible	-	-	2,761	2,761	1,876
Deposits	-	-	(356)	(356)	(45)
Other current assets	6	-	61	67	(28)
Increase (decrease) in liabilities:					
Accounts payable	65	25,931	(342)	25,654	16,531
Accrued liabilities	202	-	492	694	(417)
Deferred revenue	(123)	-	-	(123)	154
Other current liabilities	226	-	-	226	727
<b>Net cash provided by (used in) operating activities:</b>	\$ 69,061	\$ (215,231)	\$ 1,602	\$ (144,568)	\$ 46,366

The accompanying notes are an integral part of this statement.

## Exhibit 4-a

**District of Columbia**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2009**  
**(\$000s)**

	<b>Pension/OPEB Trust Funds</b>	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents - restricted	\$ 307,807	\$ -	\$ 91,814
Investments - restricted:			
Equities	2,282,169	81,756	-
Fixed income securities	893,655	36,147	-
Real estate	192,645	-	-
Private Equity	543,921	-	-
Collateral for securities lending transactions	470,807	-	-
Accounts receivable	-	288	-
Due from federal government	2,272	-	-
Benefit contribution receivables	2,795	-	-
Due from other funds	8,219	-	206
Other receivables	-	-	8,115
Other current assets	123,235	-	-
Capital assets	22	-	-
Total assets	<u>4,827,547</u>	<u>118,191</u>	<u>100,135</u>
<b>LIABILITIES</b>			
Accounts payable	9,478	264	8,169
Securities lending collateral	482,328	-	-
Due to other funds	5,963	-	7,139
Other current liabilities	291,257	-	84,827
Total liabilities	<u>789,026</u>	<u>264</u>	<u>\$ 100,135</u>
<b>NET ASSETS</b>			
Held in trust for pension and OPEB benefits and other purposes	<u>\$ 4,038,521</u>	<u>\$ 117,927</u>	

*The accompanying notes are an integral part of this statement.*



## Exhibit 4-b

**District of Columbia**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended September 30, 2009**  
**(\$000s)**

	<b>Pension/OPEB Trust Funds</b>	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 187,100	\$ -
Plan members	55,605	22,913
Total contributions	<u>242,705</u>	<u>22,913</u>
Investment earnings (losses):		
<i>From investment activities</i>		
Net decrease in fair value of investments	(173,611)	(1,212)
Other revenue	2,473	-
Interest and dividends	95,943	2,274
Total investment gain (loss)	<u>(75,195)</u>	<u>1,062</u>
Less - investment expenses	<u>(12,262)</u>	<u>(971)</u>
Net gain (loss) from investing activities	<u>(87,457)</u>	<u>91</u>
<i>From securities lending activities</i>		
Securities lending income	8,522	-
Less: securities lending expenses	<u>(3,637)</u>	<u>-</u>
Net income from securities lending activities	<u>4,885</u>	<u>-</u>
Net investment gain (loss)	<u>(82,572)</u>	<u>91</u>
<b>Total additions</b>	<u>160,133</u>	<u>23,004</u>
<b>DEDUCTIONS</b>		
Benefits	67,390	-
Administrative expenses	8,387	336
Distributions to participants	<u>-</u>	<u>6,537</u>
<b>Total deductions</b>	<u>75,777</u>	<u>6,873</u>
<b>Change in net assets</b>	<u>84,356</u>	<u>16,131</u>
Net assets at October 1	<u>3,954,165</u>	<u>101,796</u>
Net assets at September 30	<u>\$ 4,038,521</u>	<u>\$ 117,927</u>

*The accompanying notes are an integral part of this statement.*

Exhibit 5-a

District of Columbia  
Discretely Presented Component Units  
Combining Statement of Net Assets  
September 30, 2009  
(With Comparative Totals at September 30, 2008)  
(\$000s)

	Water and Sewer	Convention Center	Sports Commission	Housing Finance	University	Totals	
						2009	2008 Restated
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash and cash equivalents (unrestricted)	\$ 75,123	\$ 7,240	\$ 8,908	\$ 25,435	\$ 41,312	\$ 158,018	\$ 164,206
Investments (unrestricted)	90,982	87,351	-	4,843	-	183,176	176,017
Receivables, net:							
Accounts	37,624	699	1,001	-	6,597	45,921	42,082
Other	28,617	-	-	11,778	6,544	46,939	31,133
Due from federal government	69,857	-	-	-	-	69,857	91,418
Due from primary government	4,400	8,438	-	-	1,313	14,151	23,147
Inventories	9,369	-	-	-	-	9,369	8,187
Other current assets	588	-	230	-	250	1,068	900
Restricted cash	247,327	-	2,138	62,093	790	312,348	99,552
Restricted investments	29,975	73,046	-	388,222	33,512	524,755	892,290
Total current assets	<u>593,862</u>	<u>176,774</u>	<u>12,277</u>	<u>492,371</u>	<u>90,318</u>	<u>1,365,602</u>	<u>1,528,932</u>
<b>Noncurrent Assets:</b>							
Loans receivable	-	-	-	578,307	357	578,664	531,032
Other	9,800	6,116	-	2,377	297	18,590	17,584
Total long term assets	<u>9,800</u>	<u>6,116</u>	<u>-</u>	<u>580,684</u>	<u>654</u>	<u>597,254</u>	<u>548,616</u>
<b>Capital assets, net</b>							
Property and equipment	2,369,105	630,166	12,407	1,989	61,591	3,075,258	2,865,467
Non-depreciable capital assets	400,826	44,004	-	573	8,401	453,804	445,778
Total assets	<u>3,373,593</u>	<u>857,060</u>	<u>24,684</u>	<u>1,075,617</u>	<u>160,964</u>	<u>5,491,918</u>	<u>5,388,793</u>
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>							
Payables:							
Accounts	98,730	7,875	1,227	2,323	6,205	116,360	105,729
Compensation	13,316	324	563	197	11,140	25,540	22,505
Due to primary government	1,251	-	2,218	-	22,547	26,016	14,339
Accrued liabilities	32,700	11,381	550	-	3,500	48,131	38,950
Deferred revenue	25,940	2,488	283	46,360	10,375	85,446	36,096
Current maturities	13,846	12,160	-	57,410	-	83,416	124,135
Other current liabilities	29,200	719	-	17,119	4,455	51,493	131,716
Total current liabilities	<u>214,983</u>	<u>34,947</u>	<u>4,841</u>	<u>123,409</u>	<u>58,222</u>	<u>436,402</u>	<u>473,470</u>
<b>Noncurrent Liabilities:</b>							
Long term debt:							
Bonds payable	1,252,778	465,625	-	847,105	-	2,565,508	2,513,143
Other long-term liabilities	20,795	8,651	-	457	-	29,903	31,605
Refundable advances	-	791	-	-	559	1,350	1,227
Deferred revenue	865,779	-	-	-	-	865,779	795,960
Total long term liabilities	<u>2,139,352</u>	<u>475,067</u>	<u>-</u>	<u>847,562</u>	<u>559</u>	<u>3,462,540</u>	<u>3,341,935</u>
Total Liabilities	<u>2,354,335</u>	<u>510,014</u>	<u>4,841</u>	<u>970,971</u>	<u>58,781</u>	<u>3,898,942</u>	<u>3,815,405</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	806,276	187,015	12,407	1,272	69,992	1,076,962	1,042,400
Restricted - expendable	44,710	73,045	146	68,644	566	187,111	175,043
Restricted - nonexpendable	-	-	-	-	7,242	7,242	7,242
Unrestricted	<u>168,272</u>	<u>86,986</u>	<u>7,290</u>	<u>34,730</u>	<u>24,383</u>	<u>321,661</u>	<u>348,703</u>
Total Net Assets	<u>\$ 1,019,258</u>	<u>\$ 347,046</u>	<u>\$ 19,843</u>	<u>\$ 104,646</u>	<u>\$ 102,183</u>	<u>\$ 1,592,976</u>	<u>\$ 1,573,388</u>

The accompanying notes are an integral part of this statement.

## Exhibit 5-b

**District of Columbia**  
**Discretely Presented Component Units**  
**Combining Statement of Activities**  
**For the Year Ended September 30, 2009**  
**(With Comparative Totals for the Year Ended September 30, 2008)**  
**(\$000s)**

	Water and Sewer	Convention Center	Sports Commission	Housing Finance	University	Totals	
						2009	2008 Restated
<b>Expenses</b>	\$ 363,924	\$ 99,001	\$ 12,910	\$ 76,466	\$ 130,611	\$ 682,912	\$ 637,901
<b>Program Revenues:</b>							
Charges for services, fees, fines & forfeits	329,061	16,595	5,311	7,069	20,784	378,820	368,201
Operating grants and contributions	-	-	-	-	29,109	29,109	24,774
Capital grants and contributions	27,752	-	-	-	5,388	33,140	50,140
<b>Net Expense</b>	<u>(7,111)</u>	<u>(82,406)</u>	<u>(7,599)</u>	<u>(69,397)</u>	<u>(75,330)</u>	<u>(241,843)</u>	<u>(194,786)</u>
<b>General Revenues:</b>							
Investment earnings	2,285	139	21	64,316	959	67,720	70,902
Miscellaneous	3,337	3,624	6,444	18,585	8,183	40,173	31,597
Subsidy from primary government	-	91,468	-	-	62,070	153,538	154,263
<b>Total general revenues</b>	<u>5,622</u>	<u>95,231</u>	<u>6,465</u>	<u>82,901</u>	<u>71,212</u>	<u>261,431</u>	<u>256,762</u>
<b>Change in net assets</b>	(1,489)	12,825	(1,134)	13,504	(4,118)	19,588	61,976
<b>Net assets at October 1, as restated</b>	<u>1,020,747</u>	<u>334,221</u>	<u>20,977</u>	<u>91,142</u>	<u>106,301</u>	<u>1,573,388</u>	<u>1,511,412</u>
<b>Net assets at September 30</b>	<u>\$ 1,019,258</u>	<u>\$ 347,046</u>	<u>\$ 19,843</u>	<u>\$ 104,646</u>	<u>\$ 102,183</u>	<u>\$ 1,592,976</u>	<u>\$ 1,573,388</u>

The accompanying notes are an integral part of this statement.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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# NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

(Dollar amounts expressed in thousands)

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. BACKGROUND AND HISTORY OF GOVERNMENTAL UNIT

#### General Operations

The District of Columbia (the District) was created on March 30, 1791, and became the nation's capital on December 1, 1800, in accordance with Article 1, section 8, clause 17 of the United States Constitution. This portion of the Constitution empowered Congress to establish the seat of government for the United States. On January 2, 1975, Congress granted the District a Home Rule Charter, which became effective through the enactment of the District of Columbia Self-Government and Governmental Reorganization Act, Public Law 93-198.

The District is a municipal corporation, which operates under an elected Mayor-Council form of government. Accordingly, an Act of the Council, other than a budget request act, becomes law unless Congress and the President disapprove it after it has been adopted. Citizens of the District have the right to vote for the President and Vice-President of the United States but not for members of Congress. The District does, however, have an elected non-voting Delegate to the United States House of Representatives.

Due to its unique organizational structure (i.e., not a part of any other state government), the District provides a broad range of services to its residents, including those normally provided by a state. These services include: public safety and protection; fire and emergency medical services; human support and welfare services; public education; and many others.

### B. FINANCIAL REPORTING ENTITY

A financial reporting entity consists of a primary government and its component units. The primary government is the District of Columbia, including all of the agencies that make up its legal entity. The criteria used to determine if organizations are to be included as component units within the District's reporting entity are as follows:

- The District holds the corporate powers of the organization.

- The District appoints a voting majority of the organization's board.
- The District is able to impose its will on the organization.
- The organization has the potential to impose a financial burden on, or provide financial benefit to the District.
- The organization is fiscally dependent on the District.
- It would be misleading to exclude the organization from the District's financial statements.

Based on the application of the aforementioned criteria, the District's financial statements include five discretely presented component units: Water and Sewer Authority, Washington Convention Center Authority, Sports and Entertainment Commission, Housing Finance Agency, and the University of the District of Columbia. These organizations are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the District.

The Mayor, with the consent of the Council, appoints the governing bodies of the Water and Sewer Authority, Washington Convention Center Authority, Sports and Entertainment Commission, Housing Finance Agency, and the University of the District of Columbia. In addition, the District has an obligation to provide financial support to the Housing Finance Agency, the Sports and Entertainment Commission, and the University of the District of Columbia and must approve certain transactions of and certain tax revenues dedicated to the Washington Convention Center Authority. The Water and Sewer Authority is responsible for the payment of certain District long-term debt, issued before that Authority's creation, to finance capital improvements. For that reason, and because the Water and Sewer Authority is an independent authority established under its enabling legislation, this entity is included as a component unit of the District of Columbia.

Information on how to obtain financial statements for each discretely presented component unit is available at the following locations:

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****D.C. Sports and Entertainment Commission**

c/o General Manager  
 Washington Convention Center Authority  
 801 Mount Vernon Place, N.W.  
 Washington, D. C. 20001

**D.C. Water and Sewer Authority**

General Manager  
 5000 Overlook Avenue, S.W.  
 Washington, D. C. 20032

**Housing Finance Agency**

Executive Director  
 815 Florida Avenue, N.W.  
 Washington, D. C. 20001

**University of the District of Columbia**

President  
 Van Ness Campus  
 4200 Connecticut Avenue, N.W.  
 Washington, D. C. 20008

**Washington Convention Center Authority**

General Manager  
 801 Mount Vernon Place, N.W.  
 Washington, D. C. 20001

The District established the District of Columbia Tobacco Settlement Financing Corporation (the Tobacco Corporation) as a special purpose, independent instrumentality of the District government. The Tobacco Corporation is a blended component unit because it provides services exclusively to the District. The District also appoints all members of the governing body of the Tobacco Corporation. Its members are authorized to modify or approve the Tobacco Corporation's budget, and appoint, hire, reassign, or dismiss those persons responsible for the organization's day-to-day operations (management). In addition, the District is able to impose its will on this organization.

Separate audited financial statements for the Tobacco Corporation are available at the Office of the Chief Financial Officer, 1275 K Street, N.W., Sixth Floor, Washington, D.C. 20005.

**C. RELATED ORGANIZATIONS**

A related organization is one for which the primary government is responsible but not *financially accountable*. The District of Columbia Housing Authority and the District of Columbia Courts are related organizations because the District is not financially accountable for them. Although the Mayor appoints a

voting majority of the Housing Authority's governing board, the District's accountability for this organization does not extend beyond such appointments. The Mayor does not appoint the members of the Courts' Joint Committee on Judicial Administration; however, the Courts are considered related organizations because they provide the District with judicial services normally associated with state and local governments.

**D. JOINT VENTURE**

The District is a participant with other local jurisdictions in a joint venture to plan, construct, finance and operate a public transit system serving the Metropolitan Washington Area Transit Zone, which includes the District of Columbia; the cities of Alexandria, Falls Church, Fairfax, Manassas and Manassas Park and the counties of Arlington, Fairfax, Loudoun and Prince William in Virginia; and Montgomery, Anne Arundel and Prince George's in Maryland. The Washington Metropolitan Area Transit Authority (WMATA) was created in February 1967 for that purpose. WMATA is governed by a six member Board and six alternates, comprised of two Directors and two alternates from Maryland, Virginia and the District of Columbia. The Directors and alternates for Virginia are appointed by the Northern Virginia Transportation Commission from among its members; for the District of Columbia, by the Council from its members and mayoral nominees; and for Maryland, by the Washington Suburban Transit Commission from among its members. The District does not have explicit measurable equity interest in the joint venture; accordingly, the District does not include the financial activities of the joint venture in its financial statements. Further information regarding this joint venture is discussed in Note 12 on page 112.

**E. BASIS OF PRESENTATION**

*Government-Wide Financial Statements* – The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. Because assets of fiduciary funds are held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements. Governmental activities of the primary government, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The government-wide statements are comprised of the following:

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- *Statement of Net Assets* – The Statement of Net Assets displays the financial position of the District (governmental and business-type activities) and its discretely presented component units. The District reports all capital assets, including infrastructure, in the government-wide Statement of Net Assets. The net assets of a government is broken into these three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.
- *Statement of Activities* – The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include fines and forfeitures, charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The District also reports depreciation expense, the cost of “using up” capital assets, in the Statement of Activities.

*Fund Financial Statements* - Fund accounting is used to demonstrate legal compliance and to segregate transactions related to certain District functions or activities. Each fund represents a separate accounting entity and the transactions in each fund are summarized in a separate set of self-balancing accounts which include assets, liabilities, fund equity, revenues and expenses/expenditures.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

**Governmental Funds** are used to account for all of the District's general activities. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Funds and the discretely presented component units) are accounted for in the Governmental Funds.

The District reports the following major governmental funds:

- *General Fund*, used to account for all financial resources not accounted for in other funds.
- *Federal and Private Resources Fund*, used to account for proceeds of intergovernmental grants and other federal payments, private grants and private contributions that are legally restricted to expenditure for specified purposes.
- *General Capital Improvements Fund*, used to account for the purchase or construction of capital assets financed by operating transfers, capital grants or debt proceeds.
- *Baseball Capital Project Fund*, used to account for the construction of the new baseball stadium.

*Non-Major Governmental Funds* include six Special Revenue Funds: (1) Tax Increment Financing (TIF) Program Fund; (2) Tobacco Settlement Financing Corporation (TSFC) Fund; (3) Community Health Care Financing Fund; (4) Housing Production Trust Fund; (5) PILOT Special Revenue Fund, and (6) Baseball Project Fund. Other Non-Major Governmental Funds include the Highway Trust Fund, a capital project fund, and a Debt Service Fund.

**Proprietary Funds** are used to account for activities similar to those found in the private sector. The costs (including depreciation) of providing goods or services primarily or solely to the public on a continuing basis are financed or recovered primarily through user charges, and the determination of net income is necessary or useful for sound financial administration. The District's proprietary funds include two major enterprise funds and one nonmajor proprietary fund, which are discussed below:

- *Lottery and Games Fund* - used to account for revenues from lotteries and daily numbers games operated by the District and from the issuance of licenses to conduct bingo games and raffles, and related prizes, expenses and capital outlays. Gaming activities are administered by the Lottery and Charitable Games Control Board consisting of five members appointed by the Mayor with the consent of the Council.
- *Unemployment Compensation Fund* - used to account for the accumulation of financial resources to be used for benefit payments to unemployed former employees of the District and federal governments and of private employers in the District. Resources

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

are contributed by private employers at rates fixed by law, and by the District and federal governments on a reimbursable basis. The administrative costs of the program are accounted for in the General Fund.

- *Non-Major Proprietary Fund* - used to account for the operations of the Washington Center for Aging Services, the Washington Center for Aging Services Center Care, and the JB Johnson Nursing Center.

**Fiduciary Funds** are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and other governments. The District reports the following fiduciary funds:

- *Pension Trust Funds* - report the activities of the District's retirement system, which accumulates financial resources for pension benefit payments to eligible District employees.

*Other Postemployment Trust Fund* - used to report assets that are accumulated and benefits that are paid for postemployment healthcare and life insurance.

- *Private Purpose Trust Fund* - used to report trust arrangements not reported in pension trust funds "under which principal and income benefit individuals, private organizations, or other governments." The District uses this fund to account for the amounts held in its tax-advantaged 529 College Savings Investment Plan, which was established to help families save for the higher education expenses of designated beneficiaries. This Plan is available to District residents and non-District residents nationwide.
- *Agency Funds* - report those resources held by the District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Fiduciary funds are not included in the government-wide financial statements because the resources cannot be used for operations of the government.

### *Prior year comparative information*

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended September 30, 2008, from which such summarized information was derived.

## **F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental entities as established by GASB.

### **Government-Wide Financial Statements**

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Therefore, the Statement of Net Assets reports all assets (including receivables regardless of when collected and capital assets, such as heavy trucks, and infrastructure (highways and bridges)) and liabilities regardless of when payment is due. The Statement of Activities, which includes all revenues and expenses, regardless of when cash is respectively received or paid, reports program revenues, which are revenues derived directly from a specific governmental function and are reported by the function that generates the revenue. Charges for goods or services, grant revenues, and fines are reported as program revenues. Tax revenues are classified as general revenues in the Statement of Activities. The Statement of Activities also reports governmental activities expenses, including governmental fund expenditures (those which are not eliminated or reclassified) and current year depreciation on capital assets. The effect of interfund activity has been eliminated from the government-wide financial statements.

### **Fund Financial Statements**

#### *Governmental Funds*

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus, only current assets and current liabilities are normally included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Unreserved fund balance represents a measure of available, spendable resources.

Under the modified accrual basis of accounting, revenues of governmental funds are recognized in the year they become susceptible to accrual (both measurable and available) to pay current fiscal year liabilities. The District considers property taxes to be available if they are collected within 60 days of the fiscal year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues, with the exception



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

of expenditure-driven grants, which are recognized when all eligibility criteria and compliance requirements have been met and the related amounts are earned.

GASB Interpretation No. 6 (GASBI 6) requires that expenditures and liabilities such as debt service, compensated absences, claims and judgments, and special termination benefits be recorded in the governmental fund statements only when they mature or become due for payment within the period. Otherwise, such activity is recorded in the government-wide financial statements as incurred.

### *Proprietary Funds, Trust Funds, and Component Units*

The proprietary funds, pension and OPEB trust funds, private purpose trust funds, and discretely presented component units are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Net assets of the proprietary funds is segregated into capital assets, net of related debt; restricted; and unrestricted components. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned and expenses are recognized in the fiscal year incurred. The related operating statements of proprietary funds present increases (revenues) and decreases (expenses) in net assets. Operating statements of pension and private purpose trust funds present additions and deductions in fiduciary net assets.

Proprietary funds classify revenues and expenses as either operating or nonoperating. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The District also has the option of following private-sector guidance issued after November 30, 1989, for its business-type activities and enterprise funds and component units. As allowed by GASB Statement No. 20, the District has elected to follow only those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB), issued prior to December 1, 1989.

The Pension Trust Fund and Other Postemployment

Benefits (OPEB) Trust Fund recognize additions to net assets from participants' contributions when due, District contributions when due and a formal commitment for payment has been made, net investment income as earned, and expenditures for benefits and refunds when due and payable. The Private Purpose Trust Fund recognizes additions to net assets when participants' contributions are received.

### **Revenue Recognition (by Type or Source)**

Those revenues which are susceptible to accrual are taxes, federal contributions and grants, charges for services and investment income.

#### *Property Taxes*

Property taxes are recognized as revenue in the tax year for which they are levied, provided they are available. Real property taxes are levied as of October 1 on property values assessed as of the preceding January 1. The tax levy is due and collectible in two equal installments on March 31 and September 15. After these dates, the bill becomes delinquent and the District may assess penalties and interest. Real property taxes attach as an enforceable lien on property as of October 1 of the year after levy.

In the District, the personal property tax is self-assessed. The District requires a personal property tax return for the tax year beginning July 1 and ending June 30 each year to be filed on or before July 31 of that tax year. The return should report the remaining cost (current value) of all tangible personal property that has taxable sites in the District of Columbia as of July 1. Property taxes are levied after the returns are filed. However, if a taxpayer fails to pay property taxes when due, the District does not have a legal claim to the taxpayer's property until after July 31. Failure to pay the levied taxes may result in the District's eventual seizure of the taxpayer's property. The revenue budget for the Personal Property Tax is formulated with the understanding that 25% of collections are to be allocated to the current fiscal year, while the remaining 75% are to be allocated to the immediate subsequent fiscal year.

#### *Other Revenues Susceptible to Accrual*

Sales and use taxes are recognized as revenue when the sales or uses take place. Interest on investments is recognized when earned. Charges for services are recorded as revenues when services are provided.

#### *Intergovernmental Revenues*

Intergovernmental revenues are amounts derived through agreements with other governments. In general, these

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

revenues are comprised of contributions and grants made by the federal government to the District. Contributions are recognized as revenue when received. Generally, entitlements and shared revenues are recognized as revenue at the time of receipt or earlier, if measurable and available. Resources arising from grants are usually subject to certain eligibility requirements; therefore, most grant revenues are recognized as revenue only when the conditions of the grant are met. Grant funds received before all eligibility requirements are met are recorded as deferred revenue.

### *Revenues Not Susceptible to Accrual*

Licenses and permits and fines and forfeitures are not considered susceptible to accrual because they are not both measurable and available to finance expenditures of the current period. Licenses and permits and fines and forfeitures are recorded as revenue when received in cash because they are generally not measurable until received.

### *Food Stamps*

The District participates in the federal government's food stamp program, which is designed to increase the food purchasing power of economically disadvantaged residents. The District mainly uses the Electronic Benefits Transfer (EBT) system that allows program beneficiaries to charge their qualifying food purchases, thereby eliminating the need for paper stamps. Revenues and expenditures are reported in the federal and private resources fund when the underlying transaction (the food purchase) occurs.

## **G. BASIS OF BUDGETING AND BUDGETARY CONTROL POLICIES**

### **Process**

On or about March 20 of each year, the Mayor submits to the Council an all sources budget for the General Operating Fund for the fiscal year commencing the following October 1. The Council holds public hearings and adopts the budget through passage of a budget request act. The Mayor may not forward and the Council may not adopt any budget for which expenditures and other financing uses exceed revenues and other financing sources. A project-length financial plan is adopted for the General Capital Improvements Fund. On or about June 1 of each year, the Mayor approves the adopted budget and forwards it to the President of the United States for review. Early in June of each year, the President submits the reviewed budget to Congress which conducts public hearings and enacts the budget through passage of an appropriations bill.

### **Appropriations Act**

The legally adopted budget is the annual appropriations public law (Appropriations Act) enacted by Congress and signed by the President. The Appropriations Act authorizes expenditures at the function level or by appropriation title, such as Public Safety and Justice, Human Support Services, or Public Education. Congress must enact a revision that alters the total expenditures of any function. The District may request a revision to the appropriated expenditure amounts provided in the Appropriations Act by submitting to the President and Congress a request for a supplemental appropriation.

Pursuant to the Reprogramming Policy Act (D. C. Official Code §47-363 (2001), as amended), the District may reallocate budget amounts within an appropriation title. The appropriated budget amounts in the Budgetary Comparison Statement (Exhibit 2-d) include all approved reallocations. This statement reflects budget to actual comparisons at the function level (or appropriation title). Appropriated actual expenditures and uses may not legally exceed appropriated budgeted expenditures and uses at the function level as shown in this statement. A negative expenditure variance in the budgetary comparison statement for a particular function is a violation of the federal Anti-Deficiency Act (31 U.S.C. §§1341, 1342, 1349, and 1351) and the District of Columbia Anti-Deficiency Act (D.C. Official Code §§47-355.01-355.08, (2001)). Also, a violation of the D.C. Anti-Deficiency Act exists if there is a negative expenditure variance for a particular purpose or object of expenditure within an appropriation.

The Appropriations Act specifies expenditures and net operating results but does not specify revenue amounts. The legally adopted revenue budget is based primarily on the revenue estimates submitted to the President and Congress as modified through legislation.

By law, the budgetary general fund includes both the general fund and the federal and private resources fund as presented in the budgetary comparison statement in Exhibit 2-d. Additionally, the budgetary basis of accounting used to prepare this statement differs from the GAAP-basis general fund and federal and private resources fund statements presented in Exhibit 2-b due to other basis and entity differences, as follows:

- *Basis Differences* - These are differences that arise because the basis of budgeting differs from the basis of accounting prescribed by GAAP as indicated in Note 1X on page 70.
- *Entity Differences* - These differences result from the inclusion or exclusion of certain activities for

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

budgetary purposes as opposed to those included or excluded on a GAAP basis as indicated in Note 1X on page 70.

### Budgetary Controls

The District maintains budgetary controls designed to monitor compliance with expenditure limitations contained in the annual appropriated budget approved by Congress. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within the General Fund.

### Encumbrances

Encumbrance accounting is employed in the governmental funds. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the required portion of an appropriation. Encumbrances outstanding at year-end do not constitute expenditures or liabilities for GAAP or budgetary purposes. All encumbrances lapse in the General Fund at year end, and may automatically be re-appropriated and re-encumbered as part of the subsequent year's budget. However, generally, encumbered amounts do not lapse at year-end in the Capital Projects Fund, Special Revenue Fund, or Federal and Private Resources Fund.

## H. CASH AND INVESTMENTS

### Cash

Cash from the governmental and proprietary funds and certain component units is pooled unless prohibited by law. The cash management pool is considered to be cash because it is used as a demand deposit account by each participating fund and component unit. If a fund overdraws its share of the pooled cash, that fund reports a liability (Due To) to the general fund, which is deemed to have loaned the cash to the overdrawn fund. The General Fund reports a receivable (Due From) from the overdrawn fund.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in such a short period of time that their values are effectively immune from changes in interest rates. The District's cash management pool is considered a cash equivalent. For an investment to be considered a cash equivalent, it must mature no more than three months after the date it is purchased.

### Investments

Any cash that is not needed for immediate disbursement is used to purchase investments. The District purchases legally authorized investments consistent with the provisions of the Financial Institutions Deposit and Investment Amendment Act of 1997 (D.C. Law 12-56), which became effective March 18, 1998. At September 30, 2009, the District invested primarily in securities backed by U.S. government agencies with the implicit guarantee of the federal government. Such investments are considered to be the equivalents of cash. The Pension Trust Funds are authorized to invest in fixed income, equity securities and other types of investments. Also, the Private Purpose Trust Fund is authorized to invest in eight portfolios which are comprised of equities, balanced fund, and fixed income securities.

Money market investments must be in compliance with the requirements of Rule 2a-7 (17 CFR 270.2a-7) under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.). Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, which approximates fair value. Other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Asset-backed securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar investments. Investment purchases and sales are recorded as of the trade date. These transactions are not finalized until the settlement date. Cash received as collateral on securities lending transactions and investments made with such are reported as assets and as related liabilities for collateral received.

## I. INVENTORY

Inventory reported in the governmental funds consists of materials and supplies held for consumption. Inventory on hand at year-end is stated at cost (generally using the weighted average method.) The District utilizes the consumption method to account for inventory whereby materials and supplies are recorded as inventory when purchased and as expenditures/expenses when they are consumed.

The inventories in the proprietary fund and discretely presented component units also consist of materials and supplies and are recorded at the lower of weighted average cost or market.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****J. RESTRICTED ASSETS**

Certain governmental and proprietary funds, component units, and all fiduciary fund assets are restricted as to use by legal or contractual requirements. Any excess of restricted assets over liabilities payable from restricted assets is reported as part of the restricted net assets in the government-wide, proprietary, and fiduciary financial statements and as "reserved" fund balance in the governmental fund financial statements, to indicate the portion of the net assets or fund balance that is available for restricted purposes only. Restricted assets also represent cash deposited in bank accounts legally restricted for certain purposes such as the payment of bond principal and interest or the payment of fiscal charges on long-term debt.

**K. PREPAID ITEMS AND DEFERRED CHARGES**

Prepaid items are payments made by the District in the current fiscal year for services to be received in the subsequent fiscal year. Such advance payments are recorded as prepaid charges at the time of prepayment and recognized as expenditures/expenses when the related services are received.

In governmental funds, long-term debt premiums (discounts) and issuance costs are recognized in the current period as other finance sources (uses) and fiscal charges, respectively. In the government-wide financial statements, long-term debt premiums (discounts) and issuance costs are capitalized and amortized over the term of the related debts using the outstanding balance method.

**L. RECEIVABLES AND PAYABLES**

Taxes receivable are taxes levied by the District, including interest and penalties on delinquent taxes, which have not been collected, canceled or abated, less the portion of the receivables estimated not to be collectible. Accounts receivable are amounts owed by customers for goods or services sold. Intergovernmental receivables are amounts owed by other governments to the District.

Accounts payable are amounts owed to vendors for goods or services purchased and received. Intergovernmental payables are amounts owed to other governments.

**M. TRANSFERS AND OTHER TRANSACTIONS BETWEEN FUNDS**

Interfund transactions are categorized as: (a) revenues and expense/expenditure transactions consisting of temporary interfund transactions which include reimbursements and quasi-external transactions; or (b) reallocation of resources, transactions including temporary interfund loans, advances or operating transfers. Reimbursements between funds occur when expenditures/expenses made from one fund are properly applicable to another fund.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds." All other outstanding balances between funds are also reported as "due to/from other funds." Any remaining balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Short-term amounts owed between the primary government and a discretely presented component unit is classified as "Due to/from primary government" and "Due to/from component unit" on the Statement of Net Assets.

Transfers are included in the results of operations of both the governmental and proprietary funds. Accordingly, transfers are reported in the "Other Financing Sources (Uses)" section of the Statement of Revenues, Expenditures, and Changes in Fund Balance (Governmental Funds) and in the "Transfers" section in the Statement of Revenues, Expenses, and Changes in Net Assets (Proprietary Funds).

**N. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and land improvements (infrastructure) such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items, are reported in the applicable governmental or business-type activities or component units columns in the government-wide financial statements and proprietary fund financial statements. All purchased capital assets are stated at cost when historical records are available and at estimated historical cost when no historical records exist. In the case of the initial capitalization of general infrastructure acquired prior to fiscal years ended after June 30, 1980, the District elected to include all such items regardless of their acquisition date.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assets acquired through capital leases are stated at the lesser of the present value of the lease payments or the fair value of the asset at the date of lease inception. Donated capital assets are stated at their estimated fair market value on the date received. The cost of maintenance and repairs that does not add to the value of the assets or materially extend asset lives is not capitalized. Betterments are capitalized over the remaining useful lives of the related capital assets. For capitalized purchases in the governmental funds, expenditures are recorded in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units' financial statements.

For assets constructed with long-term debt, interest is capitalized in the government-wide financial statements for business-type activities and proprietary funds. The amount of interest to be capitalized is calculated by offsetting interest expense incurred on tax-exempt debt from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period.

### Capitalization and Depreciation Policies

Capitalized assets have an original cost of \$5 (five thousand dollars) or more per unit. Depreciation is calculated on each class of depreciable property using the straight-line method. Estimated useful lives for capital assets are shown in **Table 1** by category.

**Table 1 – Estimated Useful Lives (by Asset Category)**

	<u>Useful Life</u>
Sewer Lines	45 years
Buildings	50 years
Equipment	5-12 years
Land Improvements	30-40 years

### O. CAPITAL LEASES

Leased property having elements of ownership is recorded in the government-wide and proprietary fund financial statements. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are also recorded in these financial statements.

### P. COMPENSATED ABSENCES

#### Benefit Accumulation Policies

The District's policy allows employees to accumulate unused sick leave, with no maximum limitation. Vacation (annual) leave may be accumulated up to 240 hours, regardless of the employee's length of service, while there is no limit to the amount of compensatory in-lieu-of paid overtime that may be accumulated.

#### Accrual

The District records vacation leave as an expenditure and related liability in the governmental fund financial statements only to the extent that the compensated absences have matured or come due for payment. Accumulated annual leave that has not matured by the end of the current fiscal year is reported in the government-wide financial statements. Accumulated annual leave of the proprietary funds and discretely presented component units is recorded as an expense and liability as the benefits accrue to employees.

The District does not record a liability for accumulated rights to receive sick pay benefits. At the time of retirement, however, unused sick leave can be used to determine employees' years of service. District employees earn sick leave credits that are considered termination payments at the time of retirement. For instance, one month would be added to the years and months of service of employees who have accumulated 22 days of sick leave in the Civil Service Retirement System or in the District Retirement Program.

The District estimates the sick leave liability at fiscal year end based on the number of employees who are currently eligible for retirement and sick leave payments upon separation, or who are expected to become eligible in the future to receive such payments.

### Q. LONG-TERM LIABILITIES

Pursuant to Section 603 of the District of Columbia Home Rule Act, as amended, no long-term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all general obligation debt to exceed 17% of the total General Fund revenues of the fiscal year in which the debt is issued. The legal debt limitation is calculated annually by dividing maximum annual principal and interest by current-year total general fund revenues (excluding revenue and debt of the Water and Sewer Authority, pursuant to the Home Rule Act.)

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

In addition, consistent with the Limitation on Borrowing and Establishment of Operating Cash Reserve Act of 2008 (D.C. Code § 47-335.02), the Council shall not approve a District Bond Issuance if the applicable annual debt service on the District bond issuance would cause the debt service on all District bonds in the fiscal year in which the District bonds are issued, or in any of the three succeeding fiscal years, to exceed 12% of General Fund expenditures, in any applicable fiscal year.

General obligation bonds, revenue bonds and other long-term liabilities directly related to and intended to be paid from proprietary funds or discretely presented component units are included in the accounts of such funds. All other long-term indebtedness of the District, such as disability compensation, compensated absences, employee separation incentives and accreted interest liabilities, which have been incurred but not financed, are reported in the government-wide financial statements. Such obligations are to be paid through the District's general fund.

The District will begin paying principal on its 1994B Capital Appreciation Bonds (CABs) in June 2012, and will make such payments annually through June 2014. There are no periodic interest payments due. The CABs accrete to their full value at maturity. Interest is accreted and recorded annually using rates ranging from 6.00% to 6.65%. Accreted interest is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements. The accreted value of such bonds is the current value, plus the interest that has been accumulating on the bonds.

The District pays principal on its 2002 Mandarin TIF Capital Appreciation Bonds (CABs) annually. The CABs accrete to their full value at maturity. Interest is accreted and compounded semi-annually using rates ranging from 4.26% to 5.91%. Accreted interest is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements. The accreted value of such bonds is the current value, plus the interest that has been accumulating on the bonds.

The District will pay principal on its 2006 Tobacco Capital Appreciation Bonds (CABs) in June 2046 and June 2055. There are no periodic interest payments due. The CABs accrete to their full value at maturity. Interest is accreted and recorded annually using rates ranging from 6.25% to 7.25%. Accreted interest is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements. The accreted value of such bonds is the current value, plus the interest that has been accumulating on the bonds.

**R. NEW ACCOUNTING STANDARDS ADOPTED**

During the fiscal year ended September 30, 2009, the District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

*Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations*

Issued on December 1, 2006, this Statement identifies the circumstances under which a government is to estimate its expected outlays for pollution remediation if it knows a site is polluted. Liabilities and expenses are to be estimated using "an expected cash flows" measurement technique, which is used by environmental professionals. This statement also requires state and local governments to disclose in the notes to the financial statements information about their pollution obligations associated with clean-up efforts. Implementation of this Statement had no material impact on the District's fiscal year 2009 financial statements.

*Statement No. 52, Land and Other Real Estate Held as Investments by Endowments*

Issued in November 2007, this statement requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. Implementation of this Statement had no material impact on the District's fiscal year 2009 financial statements.

*Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Issued in March 2009, this statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

*Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*

Issued in March 2009, this statement incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This statement



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

addresses three issues not included in the GASB authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

### *Governmental Accounting Standards Board Technical Bulletin (GASBTB 2008-1), Determining the Annual Required Contribution Adjustment for Postemployment Benefits*

Issued on December 15, 2008, this technical bulletin clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment.

This technical bulletin applies to situations in which the actuarial valuation separately identifies the actual amount that is included in the ARC related to the amortization of past employer contribution deficiencies or excess contributions to a pension or other postemployment benefit (OPEB) plan. Statements 27 and 45 required a procedure for estimating the amount. This technical bulletin encourages use of the actual amount, if known, in place of the estimation procedure for purposes of the ARC adjustment.

### S. NEW ACCOUNTING PRONOUNCEMENTS

The District plans to implement the following pronouncements as required by the established implementation dates or earlier, when deemed feasible.

#### *Statement No. 51, Accounting and Financial Reporting for Intangible Assets*

Issued in June 2007, this statement provides that intangible assets must possess the following characteristics:

- Lack of physical substance;
- Be non-financial in character; and
- Have an initial useful life extending beyond a single reporting period.

The Statement further provides that recognition of intangible assets is only appropriate when they are

either separable (e.g. can be sold, transferred, or licensed) or represent contractual or other legal rights regardless of transferability or separability. The requirements are mandated to be effective for financial statements for periods beginning after June 15, 2009, the District's fiscal year 2010. Retroactive implementation is only required for intangible assets acquired in fiscal years ending after June 30, 1980.

#### *Statement No. 53, Accounting and Financial Reporting for Derivative Instruments*

Issued in June 2008, this statement requires governments to measure most derivative instruments at fair value in financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. This statement provides specific criteria to be used by governments to determine whether a derivative instrument results in an effective hedge. Changes in fair value for effective hedges that are achieved with derivative instruments are to be recognized in the reporting period to which they relate. Changes in the fair value of these hedging derivative instruments do not affect current investment revenue, but are reported as deferrals in the statement of net assets or the balance sheet. Derivative instruments that either do not meet the criteria for an effective hedge or are associated with investments that are already reported at fair value are to be classified as investment derivative instruments for financial reporting purposes. Changes in fair value of those derivative instruments are reported as part of investment revenue in the current reporting period. This statement is effective for financial statements for reporting periods beginning after June 15, 2009.

#### *Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*

Issued in March 2009, this statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is being made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

This statement also provides guidance for classifying

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

stabilization amounts on the face of the balance sheet and requires disclosure of certain information about certain stabilization arrangements in the notes to the financial statements. The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified in this statement.

This statement is effective for financial statements for periods beginning after June 15, 2010, the District's fiscal year 2011, although early implementation is encouraged.

### T. RESTRICTED NET ASSETS AND FUND BALANCE RESERVATIONS AND DESIGNATIONS

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as:

- *Invested in Capital Assets, Net of Related Debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* - This category presents net assets subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Non-expendable restricted net assets represent the portion of net assets that must be held in perpetuity in accordance with donor stipulations.
- *Unrestricted Net Assets* - This category represents net assets of the District not restricted for any project or other purpose.

It is the policy of the District to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

In the governmental fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The amount of fund balance that is available for future operations is presented as "unreserved." Reservations of fund balance represent amounts that are legally or statutorily identified for

specific purposes or portions that are not appropriable for expenditure. These reserved fund balances are imposed by the Congress of the United States and by contractual commitments to external entities. Designations of fund balance represent management's intent to fund future projects, but do not represent a legal or statutory requirement to do so.

As of September 30, 2009, the District had established the following fund balance reservations and restricted net assets (see **Tables 45a and 45b** on page 111):

#### Reservations

*Reserve for Long-Term Assets* - This portion of fund balance represents those long-term assets that are not available for appropriation and expenditure.

*Reserve for Emergency and Contingency Cash Reserve Fund* - This portion of fund balance represents amounts that, in accordance with legislative mandate, are held in an emergency and contingency cash reserve fund, to be used for unanticipated and non-recurring, extraordinary needs of an emergency nature.

*Reserve for Debt Service-Bond Escrow* - This portion of fund balance represents that portion of investments held in escrow that are available for future debt service obligations or requirements.

*Reserve for Subsequent Year's Expenditures* - This portion of fund balance represents amounts to be used to finance certain non-recurring policy initiatives and other expenditures included in the FY 2010 budget approved by the District Council and Congress.

*Reserve for Inventory* - This portion of fund balance represents amounts not available for appropriation or expenditure because the underlying asset (inventory) is not an available financial resource for appropriation or expenditure.

*Reserve for Budget* - This portion of fund balance represents unused FY 2009 Budget Reserve amounts that are available until expended.

*Reserve for Purpose Restrictions* - This portion of fund balance represents resources from grants and other revenues with limitations on how the District may expend the funds.

*Reserve for Student Enrollment* - This portion of fund balance is reserved for payments to public charter schools in the event that enrollment exceeds projections used in developing the Uniform Per Student Funding Formula.



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reserve for Capital Projects* - This portion of fund balance is reserved for the purpose of executing capital projects.

*Reserve for PILOT* - This portion of fund balance is reserved for payment of future debt service associated with the Anacostia Waterfront Corporation PILOT revenue bonds.

*Reserve for Tobacco Settlement* - This portion of the District's fund balance is reserved for the purpose of paying future debt service and related expenses associated with the Tobacco Corporation's issuance of Tobacco Settlement Asset-Backed Bonds in fiscal years 2001 and 2006.

*Reserve for Tax Increment Financing Program* - This portion of fund balance is reserved for debt service on Tax Increment Financing Bonds and Notes.

*Reserve for Housing Production Trust Fund* - This portion of fund balance is reserved to provide financial assistance to developers for the planning and production of low, very low, and extremely low income housing and related facilities.

*Reserve for Community Healthcare* - This portion of fund balance is reserved to promote healthcare and the delivery of healthcare-related services in the District.

*Reserve for Baseball* - This portion of fund balance represents the available resources for baseball stadium construction.

*Reserve for Highway Projects* - This portion of fund balance is reserved for the purpose of executing federal highway projects.

### Designation

This is the portion of unreserved fund balance that is intended for future use in accordance with the District's self-imposed limitations through council legislation.

### Restricted Net Assets

*Restricted for Future Benefits* - This portion of net assets represents the resources available for benefit payments from the Pension and Private Purpose Trust Funds and Unemployment Compensation Fund.

### U. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 9 and

pursuant to D.C. Code §1-622, employees hired after September 30, 1987, who subsequently retire may be eligible to continue their healthcare benefits. Furthermore, in accordance with D.C. Code §1-623, these employees may convert their group life insurance to individual life insurance. The expense of providing such benefits to employees hired prior to October 1, 1987, is paid by the federal government and the District has no liability for these costs. However, the District provides health and life insurance benefits to retirees first employed by the District after September 30, 1987. The District pays 75% of the cost of health insurance, and 33% of the cost of life insurance, for eligible retirees. The District also pays 75% of the premium for a retiree's spouse and dependent health insurance coverage. The District records a liability in its government-wide financial statements for its portion of the cost of postemployment benefits. A liability for such benefits is not recorded in the fund statements. Historically, the District funded the OPEB Plan on a pay-as-you-go basis, but began funding on an actuarial basis in fiscal year 2008.

As of September 30, 2009, there were 3,675 pre-87 (Civil Service) and 14,269 post-87 (D.C. Defined Contribution) employees who were eligible for such benefits. Of those eligible as of September 30, 2009, there were 298 OPEB Plan participants receiving such benefits, consisting of 254 teachers, police, and firefighters, and 44 general District retirees. During fiscal year 2009, \$3,505 was paid from the OPEB Plan for the associated insurance carrier premiums and other administrative costs.

### V. 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 and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

### W. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

**Explanation of certain differences between the governmental funds balance sheet and governmental activities on the government-wide statement of net assets**

The governmental funds balance sheet includes reconciliation between fund balances - total governmental

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

funds, and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that certain liabilities, including deferred revenue, are not reported under the modified accrual basis of accounting, but are reported in the government-wide financial statements. The difference in deferred revenue of \$76,153 between the two statements is a reconciling item, which is attributable to the modified accrual basis of accounting having been used to recognize property tax revenues in the governmental funds. The accrual basis of accounting is used to record revenues in the government-wide financial statements.

**Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and governmental activities on the government-wide statement of activities**

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

The details of the \$871,182 difference related to capital outlay are as follows:

Capital outlay capitalized	\$ 916,973
Less:	
Depreciation expense	(304,354)
Capital asset additions	18,343
Transfer and dispositions	(46,917)
Capital asset additions - land swaps	287,137
<b>Net Adjustment</b>	<b>\$ 871,182</b>

Deferred property tax revenues which were earned but not currently available financial resources for the purpose of recognition in the governmental funds were recognized in the government-wide financial statements. Such revenues were \$16,822 more in the statement of activities than in the Statement of Revenues, Expenditures and Changes in Fund Balances.

The details of the \$(268,719) difference related to long-term liabilities are as follows:

Bonds issued	\$ (1,071,785)
Equipment financing program	(62,068)
Premium on long-term debt	(50,198)
Less:	
G.O. Bonds current and advance refunding	601,585
Principal payments on G.O. bonds	224,305
Principal payments on other long term debt	46,958
Principal payments on equipment financing program	33,774
Principal payments on capital lease	7,911
Fiscal charges -net	799
<b>Net Adjustment</b>	<b>\$ (268,719)</b>

The details of the \$(168,972) difference related to the change in accrued liabilities are as follows:

Annual leave	\$ (12,071)
Future disability benefits	(36,565)
CAB interest accretion	(23,580)
Grant disallowances	(10,265)
Accrued interest	(17,302)
Claims and judgments	(2,935)
Unfunded pension expenses	(819)
Net OPEB liability	(49,608)
Severance pay	(15,827)
<b>Net Adjustment</b>	<b>\$ (168,972)</b>

# NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## X. BUDGETARY COMPARISON STATEMENT –RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

The following presents the reconciliation of the budgetary basis operating results as shown GAAP basis.

	<b>GENERAL FUND</b>	<b>FEDERAL AND PRIVATE RESOURCES</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS</b>	\$ 139,922	\$ 83,278
<b>Basis differences:</b>		
Inventory is recorded using the purchase method for budgetary purposes and the consumption method on a GAAP basis	(5,648)	238
Transfers - other financing sources	9,126	-
Sale of DC Village to WMATA	6,425	-
Debt related adjustments	1,045	-
Fund balance released from restrictions - a funding source for budgetary purposes but not revenue on a GAAP basis	(476,558)	(23,134)
State education loan program	-	(1,610)
Other	(423)	-
<b>Entity differences:</b>		
Operating surplus from enterprise funds that are excluded on a budgetary basis	1,872	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES - GAAP BASIS</b>	<b>\$ (324,239)</b>	<b>\$ 58,772</b>

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Y. RESTATEMENT****Component Unit***Housing Finance Agency*

Change in Accounting Policy – To the extent the Multifamily (Conduit Bond) Program continues to be disclosed on the face of the Housing Finance Agency's financial statements, the Agency has changed the way it accounts for the cost of bond issuance under the Multifamily (Conduit Bond) Program. Instead of recording the deferred credit and capitalizing the costs of issuance and amortizing them over time, the Agency will record the receipt of the cost of issuance funds as an escrow and reduce the escrow as the cost of issuance items are paid. The Agency elected this treatment as a more conservative way to associate the costs incurred by the borrowers in connection with consummating loans payable relating to the respective indentures within the Multifamily (Conduit Bond) Program.

The effect of this change in accounting policy is as follows:

October 1, 2008, as previously reported	\$ 1,582,374
DCHFA Accounting Policy Change	(8,986)
<b>October 1, 2008, restated</b>	<b><u>\$ 1,573,388</u></b>

**NOTE 2. CASH AND INVESTMENTS****A. CASH**

The District of Columbia follows the practice of pooling cash and cash equivalents for some of its governmental funds and component units in order to provide better physical custody and control of cash; to enhance operating efficiency; and to maximize investment opportunities. Of \$3,247,141 within the custody of the District, in accordance with District policies, substantially all deposits as of September 30, 2009 were insured or collateralized with securities held by the District or by its agent in the District's name. At September 30, 2009, the carrying amount of cash for the primary government and fiduciary funds was \$2,776,775 and the bank balance was \$2,514,091. The carrying amount of cash (deposits) for the component units was \$470,366 and the bank balance was \$471,949.

**B. INVESTMENTS**

The Treasurer is authorized by District laws to invest funds in a manner that will preserve principal and meet the District's anticipated daily cash requirements, while maximizing investment earnings. The District purchases legally authorized investments consistent with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56), which became effective March 18, 1998. The District's current investment policy limits investments to obligations of the

United States and agencies thereof, prime commercial paper, bankers' acceptances and repurchase agreements fully collateralized in obligations of the United States government and agency securities. During the fiscal year, the District's investments (other than those held by the Retirement Board) consisted primarily of money market funds and/or obligations backed by the United States government or its agencies. The Retirement Board is authorized to invest in a variety of investments including fixed income, equity securities and other types of investments. As prescribed in D.C. Code §1-907.01 (2001 Ed), the Retirement Board may not invest in debt instruments of the District, the Commonwealth of Virginia, or the State of Maryland governments, political subdivisions thereof, or any entity subject to control by them; debt instruments fully guaranteed by those governments; real property in those jurisdictions; or debt instruments secured by real property in those jurisdictions.

The District's investments and those of its discretely presented component units are subject to interest rate, credit, custodial credit, and foreign currency risks as described below:

- *Interest Rate Risk* - The District limits exposure to fair value losses arising from rising interest rates by investing in U.S. government and agency securities and money market funds with original maturities of 90 days or less. The Retirement Board also limits its

## NOTE 2. CASH AND INVESTMENTS

exposure by requiring its fixed income managers to construct and actively manage a portfolio of fixed income and related securities that maintains a weighted average duration within +/-2 years of the duration of the fixed income benchmark.

- **Credit Risk** - The District invests in obligations of the United States government, agency securities, prime commercial paper rated A-1 by Standard and Poor's Corporation or Prime-1 by Moody's, banker's acceptances, and repurchase agreements. During the fiscal year, the District's investments (other than those held by the Retirement Board) were limited to U.S. government and agency securities and money market funds with original maturities of 90 days or less. For the Retirement Board, fixed income managers are permitted to invest in eligible long-term instruments rated investment grade (top four ratings) by nationally recognized rating organizations.
- **Custodial Credit Risk** - Custodial credit risk occurs in the event that investment securities are uninsured and/or not registered in the name of the government, and there is failure of the counterparty. In such a case, the government will not be able to recover the value of its investments or collateral securities held in the possession of an outside party. The District had no custodial credit risk exposure during the fiscal year. All District investments in fiscal year 2009 were collateralized. All collateral for investments is held in the District's name by the Federal Reserve in a custodial account. Any funds not invested at the end of the day are placed in overnight investments in the District's name.
- **Foreign Currency Risk** - As a general policy of the Retirement Board, investment managers with authority to invest in securities denominated in a foreign currency may reduce exposure to currency risk by systematically hedging foreign currency positions back to U.S. dollars through the foreign currency markets. Because the forward exchange rate is seldom equal to the spot exchange rate, forward hedging gains and losses may arise.

At September 30, 2009, other than the Retirement Board, the District had no exposure to foreign currency risk. At the end of fiscal year 2009, the Retirement Board held investments that were denominated in a currency other than the United States Dollar, as follows:

	Asset Class				
	Cash	Equities	Fixed Income	Swaps	Total
Australian Dollar	\$ 1,695	\$ 26,371	\$ 8,543	\$ (267)	\$ 36,342
Canadian Dollar	110	22,315	-	-	22,425
Swiss Franc	43	37,127	-	-	37,170
Danish Krone	90	5,144	-	-	5,234
Euro	1,424	233,083	21,621	-	256,128
Pound Sterling	127	76,495	-	-	76,622
Hong Kong Dollar	66	32,808	-	-	32,874
Japanese Yen	1,347	123,930	3,188	-	128,465
Norwegian Krone	409	4,918	-	-	5,327
New Zealand Dollar	49	225	-	-	274
Swedish Krona	1,312	15,362	-	-	16,674
Singapore Dollar	55	6,384	-	-	6,439
Mexican Peso	3	-	-	(4)	(1)
Brazilian Real	-	-	1,442	(14)	1,428
<b>Total Foreign Currency</b>	<b>\$ 6,730</b>	<b>\$ 584,162</b>	<b>\$ 34,794</b>	<b>\$ (285)</b>	<b>\$ 625,401</b>

- **Concentration of Credit Risk** - The District's investment policy does not allow for an investment in any one institution that is in excess of twenty-five percent of the District's total investment. At September 30, 2009, the District was in compliance with this policy.

### Asset Impairment

At September 30, 2009, the District recognized an impairment loss totaling \$4,569 related to its investment in certain mortgage-backed securities, in the aggregate.

The purchase cost and market value of these securities, in the aggregate, were \$29,971 and \$17,139, respectively. The total value of the mortgage-backed securities is less than 1% of the total investment holdings. Market values for the mortgage-backed securities are based on pricing provided by an independent valuation service.

The District has determined this impairment to be other than temporary because the decline in value has existed for an extended period of time, and is directly related to adverse conditions that are specific to these securities (among other securities in the marketplace). Various dynamics in the credit-market environment and the illiquidity of mortgage-backed securities have resulted in declines in the market values of these securities. The District has no current plans to sell these securities. The District expects to continue to receive timely principal and interest payments on these securities, and most of them are rated in the highest rating category (AAA). As such, the District may recoup some or all of the impairment amount. Mortgage-Backed Securities (MBS) are prohibited by the current Investment Policy however all existing MBS positions were "grandfathered" into the overall investment portfolio and no additional such investments shall be entered into.

**NOTE 2. CASH AND INVESTMENTS****Table 2a – Cash and Investments Detail**

	<u>Total Carrying Value</u>
<b>INVESTMENTS</b>	
<b>Primary Government:</b>	
U. S. government securities	\$ 173,510
Corporate securities	9,464
Mutual funds	<u>43,226</u>
<b>Total Primary Government</b>	\$ 226,200
<b>Fiduciary Funds:</b>	
Pension trust funds investments held by Board's agent in Board's name:	
Equity securities	2,282,169
Fixed income securities	893,655
Real estate	192,645
Private equity	543,921
Private purpose trust funds investments	<u>117,903</u>
<b>Total Fiduciary Funds</b>	4,030,293
<b>Component Units:</b>	
U. S. government securities	392,134
Corporate securities	60,727
Investment contracts	94,673
Mutual funds	<u>160,397</u>
<b>Total Component Units</b>	<u>707,931</u>
<b>Total reporting entity investments</b>	<u>\$ 4,964,424</u>
<b>CASH BALANCES</b>	
Primary government	\$ 2,377,154
Fiduciary Funds	399,621
Component units	<u>470,366</u>
<b>Total cash balances</b>	<u>\$ 3,247,141</u>

**Table 2b – Reconciliation of the District's deposit and investment balances**

Total investments per Table 2a			\$ 4,964,424
Total cash balances			<u>3,247,141</u>
<b>Total</b>			<u>\$ 8,211,565</u>

	<u>Exhibit 1-a</u>	<u>Exhibit 4-a</u>	<u>Total</u>
Cash and cash equivalents	\$ 559,471	\$ -	\$ 559,471
Investments	188,803	-	188,803
Cash and cash equivalents (restricted)	2,288,049	399,621	2,687,670
Investments (restricted)	745,328	4,030,293	4,775,621
<b>Total</b>	<u>\$ 3,781,651</u>	<u>\$ 4,429,914</u>	<u>\$ 8,211,565</u>

## NOTE 2. CASH AND INVESTMENTS

### Derivative Financial Instruments

Derivatives are generally defined as contracts in which the value depends on, or derives from, the value of an underlying asset, reference rate, or index. Structured financial instruments are also defined as derivatives, such as mortgage-backed securities, asset-backed securities, and floating rate notes. Other common types of derivatives used by governments include interest rate and commodity swaps, interest rate locks, and forward contracts.

#### Interest Rate Swap Agreements

##### Objectives

Part of the District's debt strategy is to have a diversified portfolio of fixed-rate and variable-rate debt to take advantage of market fluctuations. In order to manage its exposure to interest rates, the District has executed Interest Rate Swap Agreements in connection with existing debt issuances as discussed below.

##### Terms

#### 2004B Swap

On December 8, 2004, the District entered into a series of floating-to-fixed rate swaps in connection with its \$38,250 General Obligation Bonds, Series 2004B (2004B Swap). The original total notional amount of the swaps was \$38,250. Under the terms of the swaps, scheduled to terminate in 2014, 2015, 2016 and 2020, the District pays fixed-rates of 4.598%, 4.701%, 4.794% and 5.121%, respectively, and receives variable rate payments equivalent to the Consumer Price Index (CPI) published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor. The notional value of the swap and the principal amount of the associated debt service begin to decline in fiscal year 2014.

#### 2002B Swap

On October 15, 2002, the District entered into a floating-to-fixed rate swap in connection with its \$224,300 Multimodal General Obligation Bonds, Series 2002B (2002B Swap). The original notional amount of the swap was \$224,300. Under the terms of the swap, scheduled to terminate in 2027, the District pays a fixed-rate of 3.615% and receives variable rate payments equivalent to Bond Market Association Municipal Swap Index (BMA) until December 1, 2004, and at 67% of London Interbank Offer Rate (LIBOR) thereafter.

On May 21, 2008 the District issued the Series 2008C Bonds to refund the District's Series 2002B Bonds. The

swap agreement entered into by the District in connection with the Series 2002B Bonds (the 2002 Swap) was, for federal tax purposes, identified on the District's books with the Series 2002B Bonds. While the issuance of the Series 2008C Bonds resulted in the deemed termination of the 2002 Swap for federal tax purposes, the 2002 Swap has not actually been terminated by the District and remains in effect for the Series 2008C Bond. The notional value of the swap and the principal amount of the associated debt service begin to decline in fiscal year 2020.

#### 2002D Swap

On October 31, 2002, the District entered into a floating-to-fixed rate swap in connection with its \$124,995 Multimodal General Obligation Refunding Bonds, Series 2002D (2002D Swap). The original notional amount of the swap was \$124,995. Under the terms of the swap, scheduled to terminate in 2031, the District pays a fixed-rate of 3.617% and receives variable rate payments equivalent to the BMA Swap Index until December 1, 2004 and at 67% of LIBOR thereafter. The notional value of the swap and the principal amount of the associated debt service begin to decline in fiscal year 2015.

In August 2009, the District novated the Series 2002D Interest Rate Swap Agreement from the original counterparty, Lehman Brothers Commercial Bank, to Wachovia Bank, N.A. The 2002D Swap original terms for rates and payments remain in effect.

#### 2001C/D Swap

On December 6, 2001, the District entered into a floating-to-fixed rate swap in connection with its \$214,155 Multimodal General Obligation Bonds, Series 2001C and its \$69,715 Multimodal General Obligation Refunding Bonds, Series 2001D (2001C/D Swap). The original notional amount of the swap was \$283,870. Two firms, Bear, Stearns & Co. Inc. (Bear Stearns) and UBS AG, negotiated the split of this swap transaction. As a result, Bear Stearns and UBS AG received 62.5% and 37.5% of the notional amount of the swap, respectively. Under the terms of the swap, scheduled to terminate in 2029, the District pays a fixed-rate of 4.004% and receives variable rate payments equivalent to BMA until June 2, 2003, and at 67% of LIBOR thereafter. The notional value of the swap and the principal amount of the associated debt service began to decline in fiscal year 2003.

On June 2, 2003, the District entered into an enhanced interest rate swap agreement for the 2001C/D Bond issue (2001C/D Enhanced Swap). Based on the 2001C/D Enhanced Swap, the District pays the counterparty 67% of LIBOR and the counterparty pays the District a variable rate as a percentage of the actual LIBOR reset

**NOTE 2. CASH AND INVESTMENTS**

each month. The purpose of this swap is to reduce the basis risk to the District by providing a closer match between the District underlying variable rate bonds and the variable rate swap receipt from the counterparty. Only the net difference in interest payments is actually exchanged between the counterparties.

In April 2009, the District novated the Bear Stearns' 2001C/D Swap portion and the 2001C/D Enhanced Swap to J.P. Morgan Chase & Co. Inc. The original terms for rates and payments remain in effect.

**2006 NCRC Swap**

On February 6, 2006, the National Capital Revitalization Corporation (NCRC) a former component unit of the District which has since been dissolved, entered into an interest rate cap agreement with SMBC Derivative Products Limited, in connection with the bonds issued ("the Bonds") for the construction of a parking garage under which NCRC, in return for payment of a premium, will receive payments from the counterparty in an amount by which the interest rate on the NCRC Bonds exceeds 8.57%. The notional amount is equal to the principal amount of the NCRC Bonds. Since the issuance of the NCRC Bonds, the District has, pursuant to statute, in fiscal year 2007 abolished NCRC and assumed its assets and obligations, including the payment of the NCRC Bonds, from the specific revenue streams pledged as security for the Bonds.

**2007 AWC Swap**

In connection with the issuance of the Anacostia Waterfront Corporation (AWC) Bonds in September 2007, the AWC, former component unit of the District which has since been dissolved, entered into a swap agreement with Wachovia Bank, N.A. which has a current notional amount of \$102,970 and provides for a fixed rate payment by the District at 4.46%. The AWC also entered into a floating to fixed interest rate swap with Wachovia Bank, N.A., under which the AWC pays a fixed rate and receives a variable rate which matches the rate on the bond purchased by Wachovia Bank, N.A. The notional amount of the swap is equal to the principal amount of the AWC Bonds. The District has, pursuant to statute, in fiscal year 2007 abolished AWC and assumed its assets and obligations, including the payment of the AWC Bonds, from the specific revenue streams pledged as security for the Bonds.

*Fair Market Value*

As of September 30, 2009, the 2004B, 2002B, 2002D, 2001C/D Swaps; 2006 NCRC Swap; and 2007 AWC Swap had fair market values as shown in **Table 3**:

**Table 3 – Swap Fair Market Values**

2004B Swaps	\$(2,493)
2002D Swap	(16,710)
2008C/2002B Swap	(34,593)
2001C/D (Enhanced Swap) (JP Morgan Chase Bank)	(326)
2001C/D (JP Morgan Chase Bank)	(22,982)
2001C/D (UBS AG)	(13,691)
2006 NCRC Swap	20
2007 AWC Swap	(8,558)
<b>Total</b>	<b>\$(99,333)</b>

The market value was provided by the counterparty to each respective swap and confirmed by the District's Financial Advisor, Phoenix Capital Partners, LLP.

*Credit Risk*

The fair market values of the swaps represent the District's obligation to the respective counterparties if the swaps were terminated. As of September 30, 2009, the District was exposed to minimal credit risk of \$20 because a portion of the swaps had a positive fair value. For the most part, the District was not exposed to credit risk because the swaps had negative fair values. Should the counterparties to these transactions fail to perform according to the terms of the applicable swap contracts, the District faces a maximum possible loss equivalent to the fair market value of the swaps in the aggregate, which was \$(99,333) at the close of fiscal year 2009.

Standard & Poor's and Moody's rated the counterparty to each swap as of September 30, 2009, as presented in **Table 4**.

**Table 4 – Swap Counterparty Credit Ratings**

Swap	Counterparty	Credit Rating
2004B	JP Morgan Chase & Co.	A+/Aa3
2002D	Wachovia Bank	AA/Aa2
2008C/2002B	Morgan Stanley	A/A2
2001C/D	JP Morgan Chase Bank	AA/Aa1
2001C/D	UBS AG	A+/Aa2
2006 NCRC	SMBC Capital Markets, Inc.	A+/Aa2
2007 AWC	Wachovia Bank	AA/Aa2



**NOTE 2. CASH AND INVESTMENTS***Basis Risk*

The District is subject to basis risk if the variable payment received from the counterparty does not equal the rate on the bonds.

*Termination Risk*

The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement defines an "additional termination event." That is, the swap may be terminated if the counterparty or its Credit Support Provider, or the District has one or

more outstanding issues of rated unsecured, unenhanced senior debt and none of such issues has a rating of at least (i) Baa3 or higher as determined by Moody's Investors Service, Inc., (ii) BBB-, or higher as determined by Standard & Poor's Ratings Service, or (iii) an equivalent investment grade rating determined by a nationally recognized rating service acceptable to both parties.

*Swap Payments and Associated Debt*

Using interest rates as of September 30, 2009, principal and interest requirements of the fixed-rate debt and net swap payments are shown in **Table 5**. As rates vary, net swap payments will vary. As the principal on the variable rate bonds matures, each swap's notional amount likewise diminishes, or amortizes as well.

**Table 5 – Swaps Interest Requirements**

Primary Government Year Ending September 30	Governmental Activities			
	General Obligation		Interest Rate Swaps, Net	Total
	Principal	Interest		
2010	\$ 7,635	\$ 3,837	\$ 21,534	\$ 33,006
2011	7,945	3,807	21,241	32,993
2012	27,660	3,776	20,936	52,372
2013	8,370	3,667	19,874	31,911
2014	17,825	3,633	19,553	41,011
2015-2019	102,920	12,899	90,059	205,878
2020-2024	267,335	7,226	61,365	335,926
2025-2029	177,965	1,619	14,389	193,973
2030-2034	7,980	48	416	8,444
Total	\$ 625,635	\$ 40,512	\$ 269,367	\$ 935,514

Retirement Board Derivatives

During 2009, the Pension Trust Funds, in accordance with the policies of the Retirement Board, and through the Pension Trust Funds' investment managers who have full discretion over investment decisions, invested in various derivative instruments either to increase potential earnings or to hedge against potential losses. These derivatives included asset-backed securities (ABS), collateralized mortgage-backed securities (CMOs), mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, inflation index bonds, forward mortgage-backed securities (TBAs), foreign currency forward and futures contracts, equity index futures, bond futures, bond options, currency options, swaps, swaptions, and warrants.

Derivative instruments generally contain exposure to credit risk, market risk, and/or legal risk. Credit risk is the exposure to the default of another party to the transaction (counterparty), or to the creditworthiness of derivative securities, such as mortgage-backed, asset-backed, floating rate, and stripped securities. Market risk is the exposure to changes in the market, such as a change in interest rates, currency exchange rates, or a change in the price or principal value of a security. The Retirement Board believes that all contracts entered into are legally permissible in accordance with the policy of the Board.

The Pension Trust Funds used ABS, CMOs, mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, and TBAs primarily to increase potential returns. ABS and mortgage-backed pools and securities, with higher credit and market risks,

**NOTE 2. CASH AND INVESTMENTS**

offer higher potential yields than comparable duration U.S. Treasury notes. CMOs, with higher market risks, also offer higher potential yields than comparable duration U.S. Treasury notes, although the market risks may be higher or lower than comparable mortgage-backed pools. Market risk for asset-backed and mortgage-backed pools and securities is managed by monitoring the duration of the investments. Credit risk is managed by monitoring credit ratings, the underlying collateral for each security and any related guarantee. These and all other risks mentioned herein are monitored and managed by the Retirement Funds' external investment managers who purchase such securities and notes on behalf of the District Retirement Funds.

Floating rate notes (securities which pay an interest rate tied to an index) are subject to market risk to the extent of the movement of the underlying index in relation to market rates. A downward movement in the underlying index would negatively impact the interest income received on the security. Upward movements in interest rates do not adversely affect floating rate notes as they do fixed rate notes, allowing floating rate notes to function as a hedge against upward changes in interest rates.

The Pension Trust Funds invested in structured notes with step-up coupons that offer higher yields than comparable U.S. Treasury notes in exchange for higher market and/or credit risks. Securities with step-up coupons pay interest according to a pre-set series of interest rates which start at one rate and then step-up to higher rates on specific dates. The Pension Trust Funds also invested in stripped/zero coupon bonds, which are purchased at a discount and do not pay any interest.

TBAs (sometimes referred to as "dollar rolls") are used by the Pension Trust Funds as an alternative to holding mortgage-backed securities outright to raise the potential yield and to reduce transaction costs. The selected TBAs are used because they are expected to behave the same in duration and convexity as mortgage-backed securities with identical credit, coupon and maturity features. Credit risk is managed by limiting these transactions to primary dealers. Market risk for this type of security is not significantly different from the market risk for mortgage-backed securities.

Foreign currency forward, futures contracts and foreign currency options are generally used by the Pension Trust Funds for defensive purposes. These contracts hedge a portion of the Pension Trust Funds' exposure to particular currencies on occasion when significant adverse short-term movement in exchange rate levels is expected.

Foreign currency forward and futures contracts can pose market risk when the maximum potential loss on a

particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the foreign exchange rates underlying the contracts used by the Pension Trust Funds. Credit risk is managed by limiting transactions to counterparties with short-term credit ratings of A1 or P1 or by trading on organized exchanges. Market risk for currency options is limited to the purchase cost. Credit risk is managed by limiting transactions to counterparties with investment grade ratings or by trading on organized exchanges.

Equity index futures were also used by the Pension Trust Funds in order to gain exposure to equity markets in a more efficient and liquid manner than directly investing in all of the underlying equity securities. Equity index futures may pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the equities markets underlying the contracts used by the Pension Trust Funds. The notional amounts of the contracts are not included in the derivatives holdings disclosed. Credit risk is managed by dealing with member firms of the futures exchanges.

Exchange-traded and over-the-counter bond futures and options are used by the Retirement Funds to gain exposure to fixed income markets in a more efficient and liquid manner than by purchasing the underlying bonds. Market risk for these options is limited to purchase cost. Credit risk is managed by limiting transactions to counterparties with investment grade ratings or by trading with member firms of organized exchanges.

Warrants are used by the Pension Trust Funds to gain equity exposure and to enhance performance. Warrants are often distributed by issuers to holdings of common stock and bonds, and are held for the same fundamental reasons as the original common stock and/or bond holdings. Market risk is limited to the purchase cost. Credit risk is similar to the underlying equity and/or bond holdings. Again, all such risks are monitored and managed by the Pension Trust Funds' external investment managers who have full discretion over such investment decisions.

The Pension Trust Funds also hold derivative instruments indirectly by participating in pooled, commingled, or short-term funds that hold derivatives. Information regarding any risks associated with these holdings is not generally available.

At September 30, 2009, the Pension Trust Funds' portfolio included \$403,776 of derivative investments, or 11% of the pension investment portfolio. The proportion of derivative investments varied at times throughout the year.

## NOTE 2. CASH AND INVESTMENTS

Derivative investments by type at September 30, 2009, are shown in **Table 6**.

**Table 6 – Derivative Investments by Type**

<u>Derivative Instrument Type</u>	
Asset-backed securities	\$ 64,027
Collateralized mortgage obligations	51,499
Mortgage-backed security pools and securities	286,150
Swaps	1,865
Options	235
<b>Total Derivatives</b>	<b>\$ 403,776</b>

### C. SECURITIES LENDING

During fiscal year 2009, the master custodian, at the direction of the Retirement Board, loaned the Pension Trust Funds equity and fixed income securities and received collateral in the form of cash (United States and foreign currency), securities issued or guaranteed by the United States government, the sovereign debt of foreign countries and irrevocable letters of credit issued by a bank insured by the Federal Deposit Insurance Corporation (FDIC). The collateral could not be pledged or sold unless the borrower defaulted on the loan. Borrowers were required to deliver and maintain collateral for each loan in an amount equal to (i) at least 102% of the market value of the loaned securities in the United States; or (ii) 105% of the market value of the loaned securities in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States.

The Retirement Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool (the Quality D Fund).

Because the Quality D Fund does not meet the requirements of Securities and Exchange Commission Rule 2a-7 of the Investment Company Act of 1940, the master custodian has valued the Fund's investments at fair value for reporting purposes.

The Quality D Fund is not registered with the Securities and Exchange Commission. The master custodian, and consequently the investment vehicles it sponsors (including the Quality D Fund), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Funds' position in the Quality D Fund is not the same as the value of the Pension Trust Funds' shares.

There was no involuntary participation in an external investment pool by the Quality D Fund and there was no income from one fund that was assigned to another fund by the master custodian during fiscal year 2009.

During the fiscal year ended September 30, 2009, shares in the Quality D Fund purchased with cash collateral by the lending agent declined in value, resulting in an unrealized loss of \$11,521.

During fiscal year 2009, the Retirement Board did not restrict the amount of the loans that the master custodian made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses resulting from a default of the borrowers or the master custodian during 2009.

The Quality D Fund invests cash collateral from loans of U.S. and non-U.S. equities, U.S. corporate fixed income securities, U.S. Government securities and sovereign debt. It had a weighted average maturity of 46.90 days and an average expected maturity of 270.65 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral.

Investments are restricted to issuers with a short-term credit rating not lower than A1/P1, or long-term ratings not lower than A-/A3, or the equivalent thereof. The Quality D Fund may invest in other investment vehicles managed by the master custodian provided they conform to fund guidelines. On September 30, 2009, the Board had no credit risk exposure to borrowers. The collateral held (comprised of cash) and the market value of securities on loan for the Board was \$482,328 and \$468,081, respectively, as of September 30, 2009.

The collateral held is included in cash and investments shown in Table 2a and Exhibit 4-a, and the securities on

**NOTE 2. CASH AND INVESTMENTS**

loan are reported at their carrying amounts also in Table 2a and Exhibit 4-a.

Net security lending income is composed of three components: gross income, broker rebates, and agent fees. Gross income is equal to earnings on cash collateral received in a security lending transaction. A broker rebate is the cost of using that cash collateral. Agent fees represent the fees paid to the agent for administering the lending program. Net security lending income is equal to gross income less broker rebates and agent fees. Security lending income for fiscal year 2009 was recorded on a cash basis which approximated the accrual basis. For the year ending September 30, 2009, securities lending income was \$8,522 and securities lending expense was \$3,637, resulting in net securities lending income of \$4,885.

**NOTE 3. RESTRICTED ASSETS**

At September 30, 2009, restricted assets of the primary government, component units, and fiduciary funds totaled \$7,463,291 as summarized in **Table 7**.

**Table 7 – Summary of Restricted Assets**

The bond escrow accounts include bond escrow for capital lease payment of \$10,923.

Governmental Funds/Governmental Activities						
	General	Federal & Private Resources	General Capital Improvements	Baseball	Non-Major	Total
Bond Escrow Accounts	\$ 231,864	\$ -	\$ -	\$ -	\$ -	\$ 231,864
Public Transportation	-	-	739,621	-	10,758	750,379
Emergency Cash Reserves	284,316	-	-	-	-	284,316
Others	62,461	133,775	-	2,022	326,064	524,322
<b>Total</b>	<b>\$ 578,641</b>	<b>\$ 133,775</b>	<b>\$ 739,621</b>	<b>\$ 2,022</b>	<b>\$ 336,822</b>	<b>\$ 1,790,881</b>

Proprietary Funds/Business-Type Activities						
	Lottery & Games	Unemployment Compensation	Nonmajor	Total	Fiduciary Funds	Component Units
Bond Escrow Accounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 802,801
Unpaid Prizes	35,153	-	-	35,153	-	-
University Endowment	-	-	-	-	-	33,512
Benefits	-	366,403	-	366,403	4,429,914	-
Other	-	-	3,837	3,837	-	790
<b>Total</b>	<b>\$ 35,153</b>	<b>\$ 366,403</b>	<b>\$ 3,837</b>	<b>\$ 405,393</b>	<b>\$ 4,429,914</b>	<b>\$ 837,103</b>

**NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES****A. RECEIVABLES**

Receivables are valued at their estimated collectible amounts. These receivables are presented in various funds as shown in **Table 8**.

**Table 8 – Receivables**

	General	Federal & Private Resources	General Capital Improvements	Nonmajor Governmental Funds	Lottery & Games	Unemployment Compensation	Nonmajor Proprietary Fund	Fiduciary Funds
Gross Receivable:								
Taxes	\$ 501,355	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-	-	-
Accounts	249,131	308,127	8,135	30,803	7,292	19,855	11,390	11,198
Federal	19,856	379,154	44,888	-	-	18,883	-	2,272
<b>Total gross receivable</b>	<b>770,342</b>	<b>687,281</b>	<b>53,023</b>	<b>30,803</b>	<b>7,292</b>	<b>38,738</b>	<b>11,390</b>	<b>13,470</b>
Less-allowance for uncollectibles	302,940	229,750	6,136	-	-	10,268	3,571	-
<b>Total net receivable</b>	<b>\$ 467,402</b>	<b>\$ 457,531</b>	<b>\$ 46,887</b>	<b>\$ 30,803</b>	<b>\$ 7,292</b>	<b>\$ 28,470</b>	<b>\$ 7,819</b>	<b>\$ 13,470</b>

**B. INTERFUND TRANSFERS**

**Table 9** shows a summary of interfund transfers for the fiscal year ended September 30, 2009.

**Table 9 – Summary of Interfund Transfers**

TRANSFER FROM (Out)	TRANSFER TO (In)	PURPOSE	AMOUNT
General Fund	Highway Trust Fund	Motor fuel Taxes dedicated to the Highway Trust Fund	\$ 23,830
General Fund	Highway Trust Fund	Transfer funds for DDOT	11,628
General Fund	PILOT Special Revenue Fund	Dedicated taxes	10,057
General Fund	Community Healthcare Fund	Dedicated taxes	18,840
General Fund	Capital Projects	PAYGO - Capital projects financed by the General Fund	75,935
General Fund	Capital Projects	Taxes imposed for capital projects	51,133
General Fund	Baseball Special Revenue	Taxes imposed for the Baseball Stadium Project	50,678
General Fund	Tax Increment Financing Program	Tax imposed to pay debt service on economic development projects	25,985
General Fund	Housing Production Trust Fund	Housing Production Trust Fund	26,101
Lottery and Games	General Fund	D.C. Lottery and Games excess revenues, after operating cost, to the General Fund	68,775
Tobacco Settlement Corp.	General Fund	Fund balance transfer	23,068
Baseball Special Revenue	Baseball Debt Service	Funds for debt service payments	31,801
Tax Increment Financing Program	General Fund	Fund balance transfer	28,053
Federal and Private Resources	General Fund	Reimbursement for General Fund expenses	1,755
<b>TOTAL INTERFUND TRANSFERS</b>			<b>\$ 447,639</b>

**NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES****C. RECEIVABLES AND PAYABLES BETWEEN FUNDS AND COMPONENT UNITS**

Due to/due from and interfund receivable and payable balances for each fund and individual component unit at September 30, 2009, are shown in **Table 10**.

**Table 10 – Summary of Due To /Due From and Interfund Balances**

Fund or Component Unit	Primary Government/ Component Units		Interfund	
	Receivables	Payables	Receivables	Payables
General	\$ 24,489	\$ 14,127	\$ 346,597	\$ 30,406
Federal & Private Resources	-	-	21,510	129,468
General Capital Improvements	-	24	485	204,028
Capital Projects, Highway Trust Fund	-	-	6,013	485
Baseball Capital Projects	1,527	-	-	-
Baseball Special Revenue	-	-	4,152	-
Housing Production Trust Fund	-	-	10,077	-
Unemployment Compensation	-	-	-	19,770
Pension/OPEB Trust Funds	-	-	8,219	5,963
Agency Fund	-	-	206	7,139
Water and Sewer Authority	4,400	1,251	-	-
Sports and Entertainment Commission	-	2,218	-	-
Washington Convention Center	8,438	-	-	-
University of the District of Columbia	1,313	22,547	-	-
<b>Total</b>	<b>\$ 40,167</b>	<b>\$ 40,167</b>	<b>\$ 397,259</b>	<b>\$ 397,259</b>

The above balances represent the impact of transactions among the funds and component units which will be settled during fiscal year 2010.

**NOTE 5. CAPITAL ASSETS****Capital Outlays**

Capital outlays totaled \$1,130,971 for the fiscal year ended September 30, 2009, which are reported in the General Capital Improvements, Baseball Capital Project and Other Nonmajor Governmental Funds. As construction progresses, the cumulative expenditures are capitalized as construction in progress in the Governmental Activities column of the Government-Wide Financial Statements. Upon completion of the project, the balance in the Construction in Progress account is transferred to an appropriate descriptive capital asset account such as building, equipment, or infrastructure.

**Impaired Capital Assets**

Consistent with the District's School Consolidation Plan (the Plan), initiated in fiscal year 2006, the District closed 27 schools. The purpose of the Plan was to right-size the school-system and eliminate costs associated with

maintaining excess facilities. By the end of fiscal year 2009, in addition to the seven permanently impaired school facilities reported in the prior year, the District identified three additional schools for closure. The total impairment loss on permanently impaired assets recorded by the District in fiscal year 2009 was \$18,038. At September 30, 2009, the carrying value of idle facilities, including both permanently and temporarily impaired assets, was \$36,054. **Table 11** presents the permanently impaired assets and the impairment losses associated with the school closures.

Also during fiscal year 2009, the Metropolitan Police Department's old 1<sup>st</sup> District headquarters building located at 415 4<sup>th</sup> Street, S.W. was slated for demolition to make way for the construction of a new forensic lab. Demolition is to be completed in February 2010. As a result of the planned demolition of this building, the District recorded an impairment loss of \$5,082.

## NOTE 5. CAPITAL ASSETS

In FY 2009, Gage-Eckington Elementary School and Bruce Monroe Elementary School were completely demolished and written off in the District's capital asset system.

In addition, during fiscal year 2009, the District closed the Oak Hill Juvenile Detention Center, located in Anne Arundel County, Maryland. The District did not record an adjustment or impairment loss associated with the closure of this facility. The carrying value of this asset at September 30, 2009 was \$1,142.

### Convention Center Land Swap

The District entered into an agreement with Square 370 LLC, a developer and limited liability company, to exchange the site of the former Washington Convention Center for sites adjacent to the new Washington Convention Center for the possible construction of the convention center hotel. The transaction, recorded at fair market value, resulted in a gain to the District of \$54,819, which is presented as a special item in the statement of activities in the government-wide financial statements.

**Table 11 – Public School Closures and Resulting Impairment Losses**

School	Impairment Loss	Carrying Value at 09/30/2009
Backus Middle School	\$ -	\$ 1,027
Benning Elementary School	3,275	-
Birney Elementary School	6,092	-
Brookland Elementary School	-	1,762
Bruce Monroe Elementary School	1,523	-
Clark Elementary School	768	-
Douglass Transition Academy	1,275	-
Draper Elementary School	1,410	-
Gage-Eckington Elementary School	2,927	-
Gibbs Elementary School	-	1,132
Hine Middle School	-	775
J. F. Cook Elementary School	768	-
M.M. Washington Senior High School	-	1,035
McGogney Elementary School	-	425
Merritt Middle School	-	64
Moten Center for Special Education	-	563
Patricia R. Harris Education Center	-	4,634
Rudolph Elementary School	-	477
Shaw Middle School	-	4,817
Stevens Elementary School	-	145
Turner Elementary School	-	409
Van Ness Elementary School	-	108
Webb Elementary School	-	336
Young Elementary School	-	307
<b>Total</b>	<b>\$ 18,038</b>	<b>\$ 18,016</b>

**NOTE 5. CAPITAL ASSETS****District Land Swaps With the Federal Government**

Pursuant to the Federal and District of Columbia Government Real Property Act of 2005, Congress authorized the exchange of 29 parcels of land between the federal government and the District. The District will receive title to nine National Park Service (NPS) and two General Services Administration (GSA) properties, including 66 acres around the site of the former D.C. General Hospital, Poplar Point (approximately 100 acres on the east side of the Anacostia River adjacent to the 11<sup>th</sup> Street Bridge), 15 acres of the Robert F. Kennedy Stadium parking lot, and four other small Potomac Avenue parcels. The District will also gain administrative jurisdiction (which includes administration and maintenance, but not title) over seven smaller NPS properties.

In exchange, the NPS will gain administrative jurisdiction over eight properties and title to two others. GSA will gain title to five buildings on the west campus of St. Elizabeth's Hospital. In addition, as part of the exchange, the federal government would gain release from all current claims by the District regarding St. Elizabeth's Hospital, and the District will cover all costs associated with the relocation of federal facilities currently located at Poplar Point (headquarters of the National Capital Parks-East and the U.S. Park Police Anacostia Operations and Helicopter Facilities.) **Table 12** presents the properties which will be conveyed in title and **Table 13** presents the properties with transfer of administrative jurisdiction.

**Table 12 – Land Swap With Federal Government: Properties To Be Conveyed in Title**

<b>Property TO the Federal Government</b>	
<b>Property Description</b>	<b>Agency</b>
St. Elizabeth's Hospital, West Campus (5 Buildings)	General Services Administration
Needwood, Niagra and Pitt Streets (C & O Canal)	National Park Service
Lovers Lane, NW (adjacent to Montrose Park)	National Park Service
<b>Property FROM the Federal Government</b>	
<b>Property Description</b>	<b>Agency</b>
U.S. Reservation 13	General Services Administration
Old Naval Hospital	General Services Administration
Poplar Point	National Park Service
Trash Transfer Site, S.E. (Reservation 17A)	National Park Service
Randall School Site (Reservation 484)	National Park Service
Potomac Avenue Triangles (Reservations 243-245, 247, 248)	National Park Service
Virginia Avenue Triangles (Reservations 128-130, 298, 299)	National Park Service
Anacostia Boathouse Row (Reservations 343D and 343E)	National Park Service
Waterside Mall (721, 722, 723)	National Park Service
Old Convention Center (Reservation 174)	National Park Service



## NOTE 5. CAPITAL ASSETS

**Table 13 – Land Swap With Federal Government: Properties To Be Conveyed Through Transfer of Administrative Jurisdiction**

Property TO the Federal Government	
Property Description	Agency
Audubon Terrace, N.W.	National Park Service
Barnaby Street, N.W.	National Park Service
Canal Street, S.W.	National Park Service
Fort Circle Park	National Park Service
Western Avenue, N.W.	National Park Service
17 <sup>th</sup> Street, N.W.	National Park Service
30 <sup>th</sup> Street, N.W.	National Park Service
Whitehaven Parkway, N.W.	National Park Service
Disabled Veterans Memorial Site, S.W. (over I-395)	National Park Service, Architect of the Capitol
Property FROM the Federal Government	
Property Description	Agency
Gallatin Street (reservation 451)	National Park Service
Canal Road (Reservation 404)	National Park Service
Eastern Market (Reservation 44 – 49)	National Park Service
Eight and M Street (Reservation 251)	National Park Service
Mount Vernon Square (Reservation 8)	National Park Service
North Capitol, Florida and Lincoln (Reservations 277A and 277C)	National Park Service
Fort Reno Park (Reservation 470)	National Park Service

The conveyance of properties between the District and the federal government through the transfer of administrative jurisdiction was effective December 15, 2006. As of September 30, 2009, the following properties had been transferred (conveyed in title) to the District: Potomac Avenue Triangles (Reservations 243-245, 247, 248); Randall School Site (Reservation 484); Trash Transfer (Reservation 17A); Anacostia Boathouse Row (Reservations 343D and 343E); Virginia Avenue Triangle (Reservations 128-130, 298, and 299); and Waterside Mall (Reservations 721 – 723). Consequently, the conveyance of these properties to the District resulted in a gain of \$232,318, which represents the fair market value of the land received. The transaction, recorded at fair market value, is presented as a special item in the statement of activities in the government-wide financial statements.

As of September 30, 2009, the District had transferred (conveyed in title) the following properties to the federal government: Needwood, Niagra and Pitt Streets (C & O Canal) and Lovers Lane, N.W. (adjacent to Montrose Park.)

### Pollution Remediation Outlays

The Office of Public Education and Facilities Modernization (OPEFM) is responsible for the modernization, renovation, and repair of the District of Columbia Public Schools (DCPS). In the event that pollution is found during the course of completing a project at a DCPS facility, pollution remediation or removal becomes part of the work required to comply with relevant building codes and other applicable laws and regulations. During fiscal year 2009, OPEFM expended \$6,423 for lead and asbestos abatement. Because all remediation work commenced and was completed during fiscal year 2009, the District had no associated liability (pollution remediation obligation) at September 30, 2009.

**NOTE 5. CAPITAL ASSETS****A. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS BY CLASS**

Table 14 presents the changes in the governmental activities capital assets by class for the primary government:

**Table 14 - Changes in the Governmental Activities Capital Assets by Asset Class**

Asset Class	Balance October 1, 2008	Additions	Transfers/ Dispositions	Transfers from CIP	Balance September 30, 2009
Non-depreciable:					
Land	\$ 311,388	\$ 287,137	\$ (3,932)	\$ -	\$ 594,593
Construction in progress	1,834,045	916,973	-	(890,034)	1,860,984
<b>Total non-depreciable</b>	<b>2,145,433</b>	<b>1,204,110</b>	<b>(3,932)</b>	<b>(890,034)</b>	<b>2,455,577</b>
Depreciable:					
Infrastructure	3,676,819	-	(17,057)	213,190	3,872,952
Buildings	3,644,275	645	(54,692)	536,919	4,127,147
Equipment	1,141,933	17,698	(28,122)	139,925	1,271,434
<b>Total depreciable</b>	<b>8,463,027</b>	<b>18,343</b>	<b>(99,871)</b>	<b>890,034</b>	<b>9,271,533</b>
Less accumulated depreciation for:					
Infrastructure	(1,656,329)	(95,528)	-	-	(1,751,857)
Buildings	(1,052,724)	(71,230)	31,993	-	(1,091,961)
Equipment	(655,770)	(137,596)	24,893	-	(768,473)
<b>Total accumulated depreciation</b>	<b>(3,364,823)</b>	<b>(304,354)</b>	<b>56,886</b>	<b>-</b>	<b>(3,612,291)</b>
<b>Total depreciable, net</b>	<b>5,098,204</b>	<b>(286,011)</b>	<b>(42,985)</b>	<b>890,034</b>	<b>5,659,242</b>
<b>Net governmental activities capital assets</b>	<b>\$ 7,243,637</b>	<b>\$ 918,099</b>	<b>\$ (46,917)</b>	<b>\$ -</b>	<b>\$ 8,114,819</b>

**B. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS BY FUNCTION**

Table 15 presents the changes in the governmental activities capital assets by function for the primary government:

**Table 15- Governmental Activities Capital Assets by Function**

Function	Balance October 1, 2008	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2009
Governmental direction and support	\$ 1,480,699	\$ 13,650	\$ (3,541)	\$ 202,559	\$ 1,693,367
Economic development and regulation	246,525	131,804	(2,053)	11,660	387,936
Public safety and justice	671,200	9,315	(3,916)	35,786	712,385
Public education system	1,437,604	4,865	(51,959)	388,007	1,778,517
Human support services	674,563	110,306	(41,991)	21,446	764,324
Public works	4,263,824	35,540	(343)	230,576	4,529,597
Construction in progress (CIP)	1,834,045	916,973	-	(890,034)	1,860,984
<b>Total</b>	<b>\$ 10,608,460</b>	<b>\$ 1,222,453</b>	<b>\$ (103,803)</b>	<b>\$ -</b>	<b>\$ 11,727,110</b>

# NOTE 5. CAPITAL ASSETS

## C. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS ACCUMULATED DEPRECIATION BY FUNCTION

A summary of changes in governmental activities capital assets depreciation by function for the primary government is shown in **Table 16**.

**Table 16 – Governmental Activities Capital Assets Accumulated Depreciation By Function**

Function	Balance October 1, 2008	Additions	Transfers/ Dispositions	Balance September 30, 2009
Government direction and support	\$ 354,528	\$ 101,238	\$ (2,656)	\$ 453,110
Economic development and regulation	31,295	3,901	(1,749)	33,447
Public safety and justice	299,043	31,002	(4,671)	325,374
Public education system	492,178	34,134	(25,092)	501,220
Human support services	301,641	18,848	(22,707)	297,782
Public works	1,886,138	115,231	(11)	2,001,358
<b>Total</b>	<b>\$ 3,364,823</b>	<b>\$ 304,354</b>	<b>\$ (56,886)</b>	<b>\$ 3,612,291</b>

**NOTE 5. CAPITAL ASSETS****D. BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS**

Business-Type Activities Capital Assets are presented in **Table 17**.

**Table 17 - Business-Type Activities Capital Assets**

Asset Class	Balance October 1, 2008	Additions	Dispositions/ Adjustments	Balance September 30, 2009
<b>Lottery:</b>				
<b>Depreciable:</b>				
Equipment	\$ 3,563	\$ 247	\$ (559)	\$ 3,251
<b>Total</b>	<u>3,563</u>	<u>247</u>	<u>(559)</u>	<u>3,251</u>
<b>Nonmajor business-type</b>				
<b>Non-depreciable:</b>				
Land	1,264	-	-	1,264
<b>Depreciable:</b>				
Building	47,533	828	-	48,361
Equipment	5,669	542	-	6,211
<b>Total Depreciable, nonmajor business-type</b>	<u>53,202</u>	<u>1,370</u>	<u>-</u>	<u>54,572</u>
<b>Total Business-Type</b>	<u>58,029</u>	<u>1,617</u>	<u>(559)</u>	<u>59,087</u>
Less: accumulated depreciation for:				
Equipment	(6,810)	(463)	559	(6,714)
Building	(34,472)	(1,889)	-	(36,361)
<b>Total accumulated depreciation</b>	<u>(41,282)</u>	<u>(2,352)</u>	<u>559</u>	<u>(43,075)</u>
<b>Net capital assets</b>	<u>\$ 16,747</u>	<u>\$ (735)</u>	<u>\$ -</u>	<u>\$ 16,012</u>

**E. DISCRETELY PRESENTED COMPONENT UNITS CAPITAL ASSETS**

A summary of capital assets by class for the discretely presented component units is shown in **Tables 18 and 19**.

**Table 18 - Capital Assets by Class for the Discretely Presented Component Units**

Asset Class	Balance October 1, 2008	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2009
Land	\$ 12,889	\$ -	\$ -	\$ -	\$ 12,889
Utility plant	2,877,463	41,524	-	238,338	3,157,325
Buildings and improvements	986,113	12,066	-	-	998,179
Equipment	177,237	2,651	(1,862)	12,670	190,696
Artwork	2,741	-	-	-	2,741
Construction in progress	430,148	259,034	-	(251,008)	438,174
<b>Total</b>	<u>4,486,591</u>	<u>315,275</u>	<u>(1,862)</u>	<u>-</u>	<u>4,800,004</u>
Less: accumulated depreciation for					
Utility plant	(755,817)	(49,255)	-	-	(805,072)
Buildings and improvements	(272,221)	(34,567)	-	-	(306,788)
Equipment	(147,308)	(13,581)	1,807	-	(159,082)
<b>Total accumulated depreciation</b>	<u>(1,175,346)</u>	<u>(97,403)</u>	<u>1,807</u>	<u>-</u>	<u>(1,270,942)</u>
<b>Net Capital Assets</b>	<u>\$ 3,311,245</u>	<u>\$ 217,872</u>	<u>\$ (55)</u>	<u>\$ -</u>	<u>\$ 3,529,062</u>

# NOTE 5. CAPITAL ASSETS

**Table 19 - Capital Assets by Component Unit**

Component Units	Balance October 1, 2008	Additions	Transfers/ Dispositions	Balance September 30, 2009
University of the District of Columbia	\$ 184,398	\$ 7,625	\$ (482)	\$ 191,541
Washington Convention Center	852,638	8,511	-	861,149
Water and Sewer Authority	3,382,448	299,026	(1,380)	3,680,094
Sports and Entertainment Commission	61,377	32	-	61,409
Housing Finance Agency	5,730	81	-	5,811
<b>Total capital assets</b>	<b>4,486,591</b>	<b>315,275</b>	<b>(1,862)</b>	<b>4,800,004</b>
Less-accumulated depreciation for:				
University of the District of Columbia	(116,350)	(5,677)	478	(121,549)
Washington Convention Center	(159,463)	(27,516)	-	(186,979)
Water and Sewer Authority	(852,204)	(59,288)	1,329	(910,163)
Sports and Entertainment Commission	(44,247)	(4,755)	-	(49,002)
Housing Finance Agency	(3,082)	(167)	-	(3,249)
<b>Total accumulated depreciation</b>	<b>(1,175,346)</b>	<b>(97,403)</b>	<b>1,807</b>	<b>(1,270,942)</b>
<b>Net component units capital assets</b>	<b>\$ 3,311,245</b>	<b>\$ 217,872</b>	<b>\$ (55)</b>	<b>\$ 3,529,062</b>

**NOTE 5. CAPITAL ASSETS****F. CONSTRUCTION IN PROGRESS**

Construction in progress by function for governmental activities capital assets is shown in **Table 20**.

**Table 20– Construction in Progress by Function**

Function and Subfunction	Number of Projects	Authorizations	Expenditures				Unexpended Balance
			Prior Year	Current Year	Transfers from CIP/Disposition	Total	
PRIMARY GOVERNMENT							
Governmental Direction and Support							
Legislative	1	\$ 2,055	\$ 420	\$ 418	\$ -	\$ 838	\$ 1,217
Finance	5	111,353	4,121	18,851	17,794	5,178	106,175
Executive	2	11,986	-	5,609	-	5,609	6,377
Administrative	90	985,774	183,076	119,476	152,494	150,058	835,716
Total	98	1,111,168	187,617	144,354	170,288	161,683	949,485
Public Safety and Justice							
Police	6	31,700	16,594	16,740	16,949	16,385	15,315
Fire	28	150,777	40,198	3,717	3,630	40,285	110,492
Corrections	4	34,466	6,844	1,176	7,782	238	34,228
Total	38	216,943	63,636	21,633	28,361	56,908	160,035
Economic Development and Regulation							
Community Development	10	149,512	26,145	14,787	11,386	29,546	119,966
Economic Regulation	1	23,210	496	-	-	496	22,714
Total	11	172,722	26,641	14,787	11,386	30,042	142,680
Public Education System							
Schools	107	920,090	628,402	273,376	386,385	515,393	404,697
Culture	16	145,951	16,680	15,454	1,560	30,574	115,377
Total	123	1,066,041	645,082	288,830	387,945	545,967	520,074
Human Support Services							
Health and Welfare	26	124,148	90,160	29,662	72,563	47,259	76,889
Human Relations	14	376,663	195,698	63,174	-	258,872	117,791
Recreation	32	397,698	115,952	48,039	-	163,991	233,707
Total	72	898,509	401,810	140,875	72,563	470,122	428,387
Public Works							
Environmental	87	623,564	509,259	306,494	219,491	596,262	27,302
Total	87	623,564	509,259	306,494	219,491	596,262	27,302
Totals	429	\$ 4,088,947	\$ 1,834,045	\$ 916,973	\$ 890,034	\$ 1,860,984	\$ 2,227,963

**NOTE 6. CONDUIT DEBT TRANSACTIONS****A. INDUSTRIAL REVENUE BOND PROGRAM**

The District has issued, under its Industrial Revenue Bond Program, private activity bonds for which the principal and interest are payable solely from defined revenues of private entities, such as non-profit organizations. The District has no obligation for this debt beyond resources that may have been provided by related leases or loans. Organizations participating in the Industrial Revenue Bond Program are allowed to borrow at the prevailing municipal bond rate. These private activity bonds provide economic incentive to construct, modernize or enhance private entity facilities in the District, thereby supporting the District's economic base. As of September 30, 2009, the aggregate outstanding principal amount for these conduit debt obligations was approximately \$5.18 billion.

**B. ENTERPRISE ZONE FACILITY BONDS**

Beginning January 1, 1998, businesses located in the District of Columbia Enterprise Zone (D.C. Zone) are eligible to obtain up to \$15 million of tax-exempt financing. Similar to Industrial Revenue Bonds, the principal and interest are payable solely from defined revenues of private entities, including non-profit and for-profit organizations. The District has no obligation for this debt beyond resources that may have been provided by related leases or loans. As of September 30, 2009, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was \$92.1 million.

**NOTE 7. SHORT-TERM LIABILITIES****TAX REVENUE ANTICIPATION NOTES**

The District issued \$400,000 in Tax Revenue Anticipation Notes (TRANs) on December 2, 2008. The TRANs are general obligations of the District, secured by the District's full faith and credit, and payable from available revenues, including tax revenues, of the District. The issuance of such notes is a short term financing method used to provide for seasonal cash flow needs in

anticipation of the collection or receipt of revenues for fiscal year 2009. Operational and other disbursement costs are covered by the TRANs proceeds until periodic taxes, grants, and other revenues are received. The notes were issued as fixed-rate notes with an interest rate of 2.50%, priced to yield 1.09%, and matured on September 30, 2009.

**Table 21- Changes in Short-Term Liabilities**

Account	Balance October 1, 2008	Additions	Deductions	Balance September 30, 2009
<b>Governmental Activities</b>				
Tax Revenue Anticipation Notes	\$ -	\$ 400,000	\$ 400,000	\$ -

**NOTE 8. LONG-TERM LIABILITIES****A. LONG-TERM DEBT**

In the government-wide financial statements and proprietary funds, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary funds statement of net assets. Long term debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the outstanding principal method. Long-term debt payable is reported separately from the applicable premium or discount. The issuance cost for long term debt is reported as deferred charge.

Governmental funds recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

A summary of the District's outstanding long-term debt totaling \$6,600,306 is shown in **Table 22**.

**General Obligation Bonds**

The District's general obligation bonds are authorized and issued primarily to provide funds for certain capital projects and improvements. The weighted average interest rate on the District's outstanding fixed-rate bonds is 5.013%. The weighted average interest rate on the District's variable-rate bonds for fiscal year 2009 is 1.593%. All general obligation bonds are backed by the full faith and credit of the District. In addition, the bonds are secured by a security interest in and lien on the funds derived from a Special Real Property Tax levied annually by the District on portions of certain real property. These tax revenues have been dedicated for the payment of bond principal and interest. Amounts collected are deposited in banks and held in escrow for payment of bond principal and interest when due.

**Table 22- Changes in Governmental Activities Long-Term Debt of Primary Government**

	General Obligation Bonds	Income Tax Secured Bonds	TIF Bonds	Tobacco Bonds	Ballpark Bonds	COPs	Housing Production Trust	QZAB Bonds	NCRC Revenue Bonds	AWC PILOT Revenue Bonds	Total
<b>Debt Payable at September 30, 2008</b>	\$ 4,592,518	\$ -	\$ 100,664	\$ 724,484	\$ 526,415	\$ 261,375	\$ 33,570	\$ 6,713	\$ 46,900	\$ 108,730	\$ 6,401,369
Bond and Notes Issued:											
2009A	-	491,645	-	-	-	-	-	-	-	-	491,645
2009B	-	309,685	-	-	-	-	-	-	-	-	309,685
2009C	-	270,455	-	-	-	-	-	-	-	-	270,455
<b>Total</b>	<b>4,592,518</b>	<b>1,071,785</b>	<b>100,664</b>	<b>724,484</b>	<b>526,415</b>	<b>261,375</b>	<b>33,570</b>	<b>6,713</b>	<b>46,900</b>	<b>108,730</b>	<b>7,473,154</b>
Debt Payments:											
Principal Matured	224,305	-	4,467	13,245	4,665	9,860	560	669	7,732	5,760	271,263
Principal Defeased	601,585	-	-	-	-	-	-	-	-	-	601,585
<b>Debt Payable at September 30, 2009</b>	<b>\$ 3,766,628</b>	<b>\$ 1,071,785</b>	<b>\$ 96,197</b>	<b>\$ 711,239</b>	<b>\$ 521,750</b>	<b>\$ 251,515</b>	<b>\$ 33,010</b>	<b>\$ 6,044</b>	<b>\$ 39,168</b>	<b>\$ 102,970</b>	<b>\$ 6,600,306</b>

**Income Tax Secured Revenue Bonds**

On October 22, 2008, the Council of the District of Columbia established the Income Tax Secured Revenue Bond Fund (the Fund) through the Income Tax Secured Bond Authorization Act of 2008 (the Act) (D.C. Code §47-340.26 – 47-340.36). Pursuant to the Act, amounts deposited in the Fund and all investment earnings on these funds, are to be irrevocably dedicated and pledged to the payment of the principal of, and interest on, the bonds and related costs (e.g., costs of the collection agent and trustee and debt service.) The Act further provides that bonds in one or more series may be issued in an

aggregate amount not to exceed \$2,918,815 to fund the costs of the District's capital projects and to refund outstanding debt. Bonds, as defined in the Act, includes the initial series of Income Tax Secured Bonds and additional bonds, notes, or other obligations, in one or more series, and authorized subordinated bonds. The Income Tax Secured Revenue Bond Fund is a non-lapsing fund that is separate and distinct from the General Fund. Funds held in the Income Tax Secured Revenue Bond Fund and all investments or earnings on these funds are to be irrevocably dedicated and pledged to the payment of the principal of, and interest on the bonds and other associated costs as set forth in the financing documents.



## NOTE 8. LONG – TERM LIABILITIES

### Series 2009A and 2009B

On March 19, 2009, the District issued its Series 2009A and 2009B bonds in the principal amount of \$801,330, which comprised of \$491,645 Income Tax Secured Revenue Bonds [Series 2009A] and \$309,685 Income Tax Secured Revenue Refunding Bonds [Series 2009B]. These bonds were issued as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008 and (b) a Master Indenture of Trust between the District and Wells Fargo Bank, N.A., dated March 1, 2009, as supplemented by a first and second Supplemental Indenture, both dated March 1, 2009.

The proceeds of the Series 2009A Bonds will be used to: (a) provide funds for capital projects and (b) pay for financing costs. The proceeds of the Series 2009B Bonds will be used to: (a) refund outstanding debt and (b) pay for financing costs.

The Series 2009 A/B Bonds are special obligations of the District payable solely from the Trust Estate pledged under the Indenture. The bonds are without recourse to the District, and are not a pledge of, and do not involve, the faith and credit or the taxing power of the District (other than the pledge of the available tax revenues made by the Indenture and the Act), do not constitute a debt of the District, and do not constitute lending of the public credit for private undertakings as prohibited by District law. The Series 2009A/B Bonds were issued with interest rates ranging from 4.00% to 5.50% with a yield rate ranging from 1.32% to 5.32%.

### Series 2009C

On September 3, 2009, the District issued \$270,455 in Income Tax Secured Revenue Refunding Bonds, Series 2009C. These bonds were issued as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008 and (b) a Master Indenture of Trust between the District and Wells Fargo Bank N.A., dated March 1, 2009, as supplemented by a fourth Supplemental Indenture of Trust dated September 1, 2009. The purpose of the issuance of the Series 2009C Bonds was to refund the District's Series 1999A and Series 1999B Bonds. The proceeds of the Series 2009C Bonds were used to: (a) redeem the refunded bonds callable on December 1, 2009, at a redemption rate of 101% of the principal amount thereof, and (b) pay for financing costs.

The Series 2009C Bonds are special obligations of the District payable solely from the Trust Estate pledged under the indenture. The bonds are without recourse to the District, and are not a pledge of, and do not involve, the faith and credit or the taxing power of the District

(other than the pledge of the available tax revenues made by the indenture and the Act), do not constitute a debt of the District, and do not constitute lending of the public credit for private undertakings as prohibited by District law. The Series 2009C Bonds were issued with interest rates ranging from 3.00% to 5.00% with yields ranging from 1.04% to 4.44%.

A summary of the debt service requirements to maturity for principal and interest for the Income Tax Secured Revenue Bonds is shown in **Table 23**.

**Table 23 – Income Tax Secured Revenue Bonds**

Year Ending September 30	INCOME TAX SECURED REVENUE BONDS		
	Principal	Interest	Total
2010	\$ -	\$ 49,335	\$ 49,335
2011	23,160	52,121	75,281
2012	74,520	49,991	124,511
2013	71,170	46,637	117,807
2014	85,465	43,021	128,486
2015 - 2019	135,175	189,210	324,385
2020 - 2024	216,840	150,517	367,357
2025 - 2029	277,360	84,851	362,211
2030 - 2034	153,970	29,285	183,255
2035 - 2039	34,125	897	35,022
<b>Total</b>	<b>\$ 1,071,785</b>	<b>\$ 695,865</b>	<b>\$ 1,767,650</b>

### Current and Advance Refunding

The District used the proceeds of the Series 2009B Income Tax Secured Revenue Bonds (discussed above), plus original issue premium, to current refund \$318,905 of outstanding Series 2000A, 2000B, 2003C, and 2003D general obligation bonds with variable interest rates. The District completed the refunding to reduce its present value total debt service payment, since the existing Auction Rate Securities and Variable Rate Demand Bonds, enhanced with downgraded bond insurers, were trading well over the market for such bonds with high quality credit support. The result of the Series 2009B Income Tax Secured Revenue Bonds produced a reduction of \$53,922 of future debt service with an economic gain of \$37,840.

In addition, the District used the proceeds of its Series 2009C Income Tax Secured Revenue Refunding Bonds (discussed above), plus original issue premium, to advance refund \$282,680 of outstanding Series 1999A and 1999B fixed rate general obligation bonds with interest rates ranging from 5.375% to 5.50%. The net proceeds from the issuance of the Series 2009C Bonds were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds

**NOTE 8. LONG-TERM LIABILITIES**

were fully called on December 1, 2009. The District completed the refunding to reduce the present value of its total debt service payments over the next 19 years. The result of the Series 2009C Income Tax Secured Revenue Refunding Bonds produced a reduction of \$38,975 of future debt service with an economic gain of \$31,471.

**Demand Bond Program**

As of September 30, 2009, the District had seven outstanding series of General Obligation Variable Rate Demand Obligations (VRDO) with an aggregate principal amount of \$887,035. While all of the outstanding VRDO series are currently in a weekly interest rate reset mode, each series is a long-term obligation with final maturities ranging from 2026 to 2034. Each of the outstanding VRDO series is secured by a direct pay letter of credit (LOC) issued by a banking institution to provide both credit enhancement and liquidity support for the

“demand” feature of the securities whereby, pursuant to the provisions of the authorizing documents for each of the VRDO series, bondholders have the right to tender their bonds to the District at any time for repurchase at 100% of the face value of the bonds (plus accrued interest). Pursuant to the terms of each LOC, each time bonds are tendered for purchase and at each principal and/or interest payment date, the LOC is drawn upon to make such payments. Following the draw on the LOC, the LOC provider is reimbursed by the trustee/tender agent from remarketing proceeds and/or Special Real Tax Property Revenue held in escrow by the trustee. To the extent that an LOC provider is not immediately reimbursed for a draw on its LOC, the terms and conditions of future repayment are set forth in the reimbursement agreement between the District and the LOC Provider.

**Table 24** summarizes each of the outstanding VRDO series and certain of the terms and conditions of each supporting LOC and reimbursement agreement.

**Table 24 – Outstanding Variable Rate Demand Obligations**

Series	Par Outstanding	Final Maturity	Reset Mode / Payment Frequency	LOC Provider	LOC Issue Date	LOC Expiration Date
2001C	\$170,895	06/01/26	7-Day Reset Semiannual Pay	JP MORGAN CHASE BANK	05/14/08	05/14/11
2001D	\$67,195	06/01/29	7-Day Reset Semiannual Pay	DEXIA CREDIT LOCAL	05/14/08	05/14/11
2002D	\$124,995	06/01/31	7-Day Reset Semiannual Pay	DEXIA CREDIT LOCAL	09/03/08	09/03/11
2008A	\$59,980	06/01/34	7-Day Reset Monthly Pay	ALLIED IRISH BANK PLC	05/21/08	05/21/11
2008B	\$125,655	06/01/34	7-Day Reset Monthly Pay	BANK OF AMERICA N.A.	05/21/08	05/21/11
2008C	\$224,300	06/01/27	7-Day Reset Monthly Pay	DEXIA CREDIT LOCAL	05/21/08	05/21/11
2008D	\$114,015	06/01/34	7-Day Reset Monthly Pay	DEXIA CREDIT LOCAL	05/21/08	05/21/11

**Note :** The Commitment Fees for certain issuances ranged from \$0 to \$62. The Annual Letter of Credit Fees range from 52 basis points to 70 basis points per annum based on outstanding principal.

## NOTE 8. LONG – TERM LIABILITIES

### TIF Notes and Bonds

The Tax Increment Financing (TIF) Notes and Bonds are special limited obligations of the District. TIF is an economic development tool used to facilitate the financing of business investment activities within a locality. The sole source of repayment of the TIF Notes is the incremental sales and/or real property tax revenues from the Project, and the District has no obligation to make any payments on the TIF Notes other than through the remittance of the incremental revenues to the Paying Agent. For this reason, TIF Notes are not included in **Table 22** as long-term debt of the District.

#### *Gallery Place and Mandarin Oriental Hotel*

In 2002, the District promised to pay an aggregate principal amount of \$73,650 to the Gallery Place Development Sponsor and \$45,995 to the Mandarin Hotel Development Sponsor. The District issued two Tax Increment Financing (TIF) Bonds pursuant to the District of Columbia Tax Increment Financing Authorization Act of 1998, as amended, and the Trust Indenture dated as of April 1, 2002. These included the Gallery Place TIF Bond, which matures on July 1, 2031, and the Mandarin Oriental TIF Bond, which matures on July 1, 2022. Interest rate yields on the Gallery Place and Mandarin Hotel TIF Bonds range from 3.28% to 5.91%. These two bond issuances are supported by the pledge of incremental sales and real property tax revenues from the respective projects and secondarily by incremental tax revenues from a Downtown TIF Area.

#### *Embassy Suites Hotel*

In 2004, the District issued TIF Notes to finance the Embassy Suites Hotel. The \$11,000 Embassy Suites Hotel TIF Note, which has an interest rate of 5.00%, matures on the earlier of January 1, 2020, 12 years after the release from escrow, or upon payment in full. The Embassy Suite TIF Note was paid in full subsequent to year-end, on November 16, 2009.

#### *Downtown Retail Priority Area: H & M, Zara, West Elm, National Crime and Punishment Museum*

In March 2006, the Mayor executed the first Downtown Retail Priority Area TIF Note. The H & M TIF Note, which matures on March 1, 2016, or upon payment in full, is for approximately \$2,996 with an 8.00% interest rate. In May 2008, the Mayor executed two additional notes, one for Zara, which matures on June 1, 2018 or upon payment in full, for \$1,750 at a 5.50% interest rate, and one for West Elm, which also matures on June 1, 2018 or upon payment in full, for \$5,000 at a 5.50% interest rate. In September 2008, the Mayor executed the

fourth Downtown Retail Priority Area TIF Note for the National Crime and Punishment Museum for \$3,000, also at a 5.50% interest rate. This TIF Note matures on October 1, 2018. Also under the Downtown Retail Priority TIF Program, the Mayor executed, in December 2008, the Madame Tussauds TIF Note for \$1,300 at a 4.50% interest rate.

These Downtown Retail Priority Area TIF Notes are pledges of incremental sales tax revenues only. If the incremental revenues are insufficient to pay the principal and interest due on the TIF Notes when due, the payment shortfall will not constitute a default. If the incremental revenues are sufficient to pay the principal and interest due on the TIF Notes when due, the District must pay the amount of any previous shortfall(s) to the Development Sponsor without any penalty interest or premium thereon.

#### *Capitol Hill Towers*

On December 20, 2006, the District released the \$10,000 TIF Note of the Capitol Hill Towers from escrow. The note matures on January 1, 2029 with an interest rate of 7.50% compounded semiannually on unpaid principal.

#### *Verizon Center*

In December 2007, the District issued \$50,000 in taxable financing notes to finance upgrades at the Verizon Center. The 2007A Note was issued in the amount of \$43,570 at a fixed interest rate of 6.734% and matures on August 15, 2047. The 2007B Note was issued in the amount of \$6,430 at a fixed interest rate of 6.584% with a maturity date of August 15, 2027. These Notes are a special limited obligation of the District and are secured by a portion of the taxes on certain on-site personal property, services and public ticket sales at the Verizon Center. In the event such taxes are not sufficient, the Notes are further secured by incremental increases in the Downtown TIF Area, which are subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance Gallery Place and the Mandarin Oriental Hotel.

#### *Shakespeare Theatre*

The Shakespeare Theatre TIF Note was issued in September 2006 for \$10,000. The TIF Note is to be paid in a lump sum on July 1, 2011 from available incremental revenues from the Downtown TIF Area. The interest rate on this Note is 6.00%.

#### *Waterfront Arts Project*

The Waterfront Arts Project TIF Note was issued in May 2009 for \$10,000 to help finance the expansion of the Arena Stage. The TIF Note is held in escrow pending the

**NOTE 8. LONG-TERM LIABILITIES**

completion of the project. The TIF Note is to be paid in a lump sum on May 8, 2014 from available incremental revenues from the Downtown TIF Area. The interest rate on this Note is 4.66%

*Great Streets Retail Priority Areas*

In September 2009, the Mayor executed the first Great Streets TIF, the Georgia Avenue Retail Project Great Streets TIF Note in the amount of approximately \$1,935. The note is subject to an Escrow Agreement, pending completion of the development project and other items. Upon its release from escrow, the note will bear interest at 5.00%. The note, which is to be repaid from project incremental sales and property tax revenues, has a maturity date of June 1, 2035. If the incremental revenues are insufficient to pay the principal and interest due on the note when payable, the payment shortfall will not constitute a default. If the incremental revenues are sufficient, the District will pay the principal and interest due, and the amount of any previous shortfall(s) to the Development Sponsor without any penalty interest or premium thereon.

**Tables 25 and 26** show the summary of debt service requirements for *Gallery Place* and *Mandarin Oriental Hotel*.

**Table 25 - Summary of Debt Service Requirements for Gallery Place TIF Bond**

Year Ending September 30	GALLERY PLACE		
	Principal	Interest	Total
2010	\$ 1,655	\$ 3,551	\$ 5,206
2011	1,740	3,464	5,204
2012	1,835	3,370	5,205
2013	1,930	3,272	5,202
2014	2,035	3,165	5,200
2015-2019	12,005	14,018	26,023
2020-2024	15,570	10,446	26,016
2025-2029	20,085	5,928	26,013
2030-2034	9,620	786	10,406
<b>Total</b>	<b>\$ 66,475</b>	<b>\$ 48,000</b>	<b>\$ 114,475</b>

**Table 26 - Summary of Debt Service Requirement for Mandarin Oriental Hotel TIF Bond**

Year Ending September 30	MANDARIN ORIENTAL HOTEL		
	Principal	Interest	Total
2010	\$ 2,735	\$ 1,769	\$ 4,504
2011	2,583	1,921	4,504
2012	2,434	2,070	4,504
2013	2,292	2,217	4,509
2014	2,148	2,356	4,504
2015-2019	8,848	13,683	22,531
2020-2024	8,682	4,836	13,518
<b>Total</b>	<b>\$ 29,722</b>	<b>\$ 28,852</b>	<b>\$ 58,574</b>

**Tobacco Bonds**

In November 1998, the District (along with a number of States and various jurisdictions) signed a Master Settlement Agreement with the major U.S. tobacco companies that ended litigation over healthcare treatment costs incurred for smoking-related illnesses. Under the settlement, the District is scheduled to receive total annual payments aggregating an estimated \$1.2 billion by 2025. There are a number of potential adjustments to this schedule, including an inflation adjustment and a cigarette volume adjustment. In addition, there are numerous risks regarding whether the District will receive the full amount to which it is entitled under the terms of the Master Settlement Agreement, including various lawsuits outside the District alleging that the Master Settlement Agreement is void or voidable.

In 2001, the Tobacco Corporation issued its Tobacco Settlement Asset-Backed Bonds, Series 2001, the principal amount of which was \$521,105. As of September 30, 2009, \$462,975 remained outstanding.

In 2006, the Tobacco Corporation issued its Tobacco Settlement Asset-Backed Bonds, Series 2006, the principal amount of which was \$248,264. Bond proceeds were used to pay: (i) the cash portion of the purchase price for the Residual Tobacco Assets; and (ii) certain costs of issuance related to the Series 2006 Bonds. The payment of these bonds is secured by the District's distribution under the November 1998 Master Settlement Agreement (MSA). As such, the Series 2006 Bonds are secured and payable solely from: (i) the residual annual and strategic contribution fund payments (TSRs) and all future aid, rents, fees, charges, payments, investment earnings and other income and receipts with respect to the pledged TSRs; (ii) all rights to receive revenues and

## NOTE 8. LONG - TERM LIABILITIES

proceeds from the TSRs; (iii) all accounts established under the Indenture and the related assets; and (iv) subject to certain limitations, all rights and interest of the Tobacco Corporation under the purchase agreement. Pursuant to the District of Columbia Tobacco Settlement Financing Act of 2000, and a Purchase and Sale Agreement dated August 1, 2006, the District's Tobacco Settlement Trust Fund sold all of its right, title, and interest in certain residual tobacco assets paid or payable to the District on or after April 1, 2015. Approximately 25% of the anticipated \$1.2 billion in total annual payments to be received by the District was pledged as security for these bonds. The Tobacco Bonds are neither

general nor moral obligations of the District and are not secured by a pledge of the full faith and credit of the District. Because no payment was made in 2009, the amount outstanding as of September 30, 2009 was \$248,264. Payments received by the Tobacco Corporation under the MSA in excess of the annual debt service requirements for the Tobacco Bonds may revert to the General Fund.

As of September 30, 2009, the total outstanding balance for all Tobacco Bonds as shown in **Table 27** was \$711,239.

Summary of debt service requirements for general obligation and tobacco bonds to maturity is shown in **Table 27**.

**Table 27 - Summary of Debt Service Requirements for General Obligation and Tobacco Bonds to Maturity**

Year Ending September 30	General Obligation Bonds		Tobacco Bonds		Total
	Principal	Interest	Principal	Interest	
2010	\$ 239,905	\$ 168,601	\$ 14,305	\$ 30,112	\$ 452,923
2011	193,900	155,885	15,450	29,278	394,513
2012	129,683	165,267	16,515	28,330	339,795
2013	121,550	161,797	17,510	27,337	328,194
2014	116,030	150,127	19,060	26,279	311,496
2015 - 2019	700,335	588,848	111,840	112,344	1,513,367
2020 - 2024	763,755	428,410	155,685	70,009	1,417,859
2025 - 2029	650,900	260,854	112,610	12,898	1,037,262
2030 - 2034	551,470	143,424	-	-	694,894
2035 - 2039	299,100	28,071	-	-	327,171
2045 - 2049 *	-	-	159,733	1,697,592	1,857,325
2055 - 2059	-	-	88,531	2,478,468	2,566,999
<b>Total</b>	<b>\$ 3,766,628</b>	<b>\$ 2,251,284</b>	<b>\$ 711,239</b>	<b>\$ 4,512,647</b>	<b>\$ 11,241,798</b>

\* The amortization period for the Series 2006 Tobacco bonds begins after the repayment period for the Series 2001 ends. Final payment occurs in FY 2055.

### Defeased Bonds

In prior years, the District defeased certain bond issues by issuing refunding bonds. Defeased debt outstanding does not constitute a debt of the District because the net proceeds from the issuance of the refunding bonds have been deposited in an irrevocable trust with an escrow agent to provide debt service payments until the defeased bonds are fully called.

As of September 30, 2009, the total amount of defeased debt outstanding held by the escrow agent was \$634,675. This amount has been removed from the government-wide financial statements. As presented in **Table 28**, the amount of bonds defeased through fiscal year 2009 refundings was \$601,585.

**Table 28- Summary of Defeased Bonds in FY 2009**

### SUMMARY OF DEFEASED GENERAL OBLIGATION BONDS IN FY2009 Defeased by Income Tax Revenue Bonds, Series 2009B and 2009C

Bond Series Refunded	Interest Rate	Refunded Amount
1999A	5.375% - 5.50%	\$ 141,790
1999B	5.375% - 5.50%	140,890
2000A	Variable	59,140
2000B	Variable	119,440
2003C	Variable	50,025
2003D	Variable	90,300
		<b>\$ 601,585</b>

**NOTE 8. LONG-TERM LIABILITIES****Ballpark Revenue Bonds**

On May 15, 2006, the District issued Ballpark Revenue Bonds in the principal amount of \$534,800. This offering includes the issuance of Taxable Series 2006A-1 Bonds in the principal amount of \$78,425 and the issuance of Taxable Series 2006A-2 Bonds in the principal amount of \$76,410 (the Series 2006A-1 Bond together with the Series 2006A-2 Bonds, constitute the Series 2006A Bonds).

This offering also includes the issuance of Series 2006B-1 in the principal amount of \$354,965 and Series 2006B-2 (Initially Auction Rate Securities) in the principal amount of \$25,000 (the Series 2006B-1 Bonds together with the Series 2006B-2 Bonds, constitute the Series 2006B Bonds). Series 2006B is tax-exempt.

The weighted average interest rate yield on the fixed-rate bonds (2006A and 2006B-1) is 5.33%. The interest rate yield on the 2006B-2 Bonds is variable. **Table 29** assumes an interest rate of 5.00% for the Series 2006 B-2 Bonds.

The proceeds of the Series 2006 Ballpark Revenue Bonds were used to finance a portion of the cost of construction of the new baseball stadium. The stadium is owned by the District of Columbia.

**Table 29 - Summary of Debt Service Requirements for Ballpark Revenue Bonds**

Year Ending September 30	BALLPARK BONDS		
	Principal	Interest	Total
2010	\$ 4,360	\$ 27,690	\$ 32,050
2011	4,540	27,472	32,012
2012	4,915	27,237	32,152
2013	5,680	26,970	32,650
2014	6,835	26,644	33,479
2015-2019	47,895	126,468	174,363
2020-2024	76,595	110,246	186,841
2025-2029	115,860	84,848	200,708
2030-2034	168,780	46,937	215,717
2035-2039	86,290	4,600	90,890
<b>Total</b>	<b>\$ 521,750</b>	<b>\$ 509,112</b>	<b>\$ 1,030,862</b>

**Housing Production Trust Fund Program**

On March 16, 1989, the Council enacted the Housing Production Trust Fund Act of 1988, D. C. Law 7-202, which was subsequently amended on May 7, 2003 with administration authority for the Trust Fund vested in the D.C. Department of Housing and Community Development (DHCD). The purpose of the Trust Fund is to provide financial assistance to non-profit and for-profit developers for the planning and production of low, very low, and extremely low income housing and related facilities. In fiscal year 2007, budget authority was established for \$150 million for the New Communities projects (which the District planned to finance with bond proceeds). To pay the debt service on these bonds, the Council authorized up to \$16 million annually to be transferred from the Allocated Fund of the Housing Production Trust Fund (HPTF), which was funded by dedicated revenue from deed recordation and transfer taxes. The District issued approximately \$34.1 million of revenue bonds in 2007 for a major investment in the "Northwest One New Communities Project Area." The bonds were issued with an average interest rate of 4.68%. The District intends to issue additional HPTF revenue bonds in future years to fund other New Communities projects. **Table 30** details the annual funding requirements necessary to repay these bonds.

**Table 30 - Summary of Debt Service Requirements for Housing Production Trust Fund**

Year Ending September 30	HOUSING PRODUCTION TRUST FUND		
	Principal	Interest	Total
2010	\$ 585	\$ 1,561	\$ 2,146
2011	605	1,538	2,143
2012	630	1,514	2,144
2013	655	1,488	2,143
2014	690	1,456	2,146
2015-2019	4,000	6,725	10,725
2020-2024	5,105	5,619	10,724
2025-2029	6,515	4,210	10,725
2030-2034	8,300	2,423	10,723
2035-2039	5,925	511	6,436
<b>Total</b>	<b>\$ 33,010</b>	<b>\$ 27,045</b>	<b>\$ 60,055</b>

**NOTE 8. LONG - TERM LIABILITIES****Qualified Zone Academy Bonds**

The District issued the Qualified Zone Academy Bond (QZAB) as a taxable general obligation bond without incurring interest expense. The District received \$4,665 and is obligated to deposit a total amount of \$3,583 into a sinking fund in fourteen equal annual amounts of \$256 beginning December 1, 2002. At September 30, 2009, the District had deposited \$1,791 into the required sinking fund.

On December 28, 2005, the District issued another QZAB as a taxable general obligation bond without incurring interest expense. The District received \$3,191 and is obligated to deposit a total amount of \$2,662 into a sinking fund in fifteen equal annual amounts of \$177 beginning December 1, 2006. At September 30, 2009, the District had deposited \$532 into the required sinking fund.

On May 29, 2008, the District issued another QZAB as a taxable general obligation bond without incurring interest expense. The District received \$2,160 and is obligated to deposit a total amount of \$2,360 into a sinking fund in ten equal annual amounts of \$236 beginning December 1, 2008. At September 30, 2009, the District had deposited \$236 into the required sinking fund.

A summary of Debt Service Requirements to Maturity for QZAB is shown in **Table 31**.

**Table 31 - Summary of Debt Service Requirements for QZAB**

Year Ending September 30	QZAB Principal
2010	\$ 669
2011	669
2012	669
2013	669
2014	670
2015-2019	2,343
2020-2024	355
<b>Total</b>	<b>\$ 6,044</b>

**National Capital Revitalization Corporation PILOT Revenue Bonds**

On February 15, 2006, the National Capital Revitalization Corporation (NCRC) issued revenue bonds in the amount of \$46,900 which currently have a variable interest rate based on 70% of LIBOR plus 1.50%. The bonds are due and payable on February 1, 2024. Under the bond indenture, minimum required debt service payments were calculated based on a 25-year amortization schedule. The repayment of the bonds comes from two sources: 1) a \$42,000 District TIF Note supported by taxes generated from the DC USA retail project, and 2) the net cash flow generated from the attached District-owned parking garage. During fiscal year 2009, in addition to mandatory sinking fund payments, the District paid \$7,335 of bond redemptions.

The bonds were issued to finance the development and acquisition of a 1,000-space underground parking garage attached to the DC USA retail project. Included in the bond issue is \$39,300 cost of acquisition of the garage and \$5,850 in capitalized interest. Effective October 1, 2007, NCRC was abolished and its assets and liabilities were assumed by the District.

A summary of the debt service requirements to maturity for principal and interest for the NCRC revenue bonds is shown in **Table 32** and has been calculated with a 4.949% interest rate for illustration purposes.

**Table 32 - National Capital Revitalization Corporation Revenue Bonds Debt Service Requirements to Maturity**

Year Ending September 30	National Capital Revitalization Corporation		
	Principal	Interest	Total
2010	\$ 987	\$ 1,597	\$ 2,584
2011	1,038	1,866	2,904
2012	1,091	1,819	2,910
2013	1,147	1,758	2,905
2014	1,205	1,700	2,905
2015-2019	7,018	7,525	14,543
2020-2024	26,682	4,949	31,631
<b>Total</b>	<b>\$ 39,168</b>	<b>\$ 21,214</b>	<b>\$ 60,382</b>

**NOTE 8. LONG-TERM LIABILITIES****Anacostia Waterfront Corporation PILOT Revenue Bonds (Anacostia DOT Waterfront Projects)**

In September 2007, the Anacostia Waterfront Corporation (AWC) issued \$111.55 million of PILOT Revenue Bonds (the AWC Bonds) with a 4.463% interest rate. The Bonds were issued to finance, refinance, and reimburse the AWC for development costs associated with park and infrastructure projects along the Anacostia River Waterfront. The AWC was a discretely presented component unit of the District at the time of issuance of the AWC Bonds. Effective October 1, 2007, the District dissolved the AWC, and assumed its assets and obligations, including the payment of the AWC Bonds.

A summary of the debt service requirements to maturity for principal and interest for the AWC PILOT Revenue Bonds is shown in **Table 33**.

**Table 33 - Anacostia Waterfront Corporation PILOT Revenue Bonds Debt Service Requirements to Maturity**

Year Ending September 30	Anacostia Waterfront Corporation		
	Principal	Interest	Total
2010	\$ 6,020	\$ 4,530	\$ 10,550
2011	6,290	4,258	10,548
2012	6,575	3,974	10,549
2013	6,875	3,678	10,553
2014	7,180	3,368	10,548
2015-2019	41,085	11,674	52,759
2020-2024	28,945	2,177	31,122
<b>Total</b>	<b>\$ 102,970</b>	<b>\$ 33,659</b>	<b>\$ 136,629</b>

**COMPONENT UNITS****Water and Sewer Authority**

Prior to the creation of the Water and Sewer Authority (WASA) as an independent entity, the District issued general obligation bonds to fund improvements to the water and wastewater system. WASA is responsible for this debt. While WASA is not directly liable for the general obligation bonds, it is required by enabling legislation to transfer to the District the funds necessary to pay its portion of the debt service on these bonds. Accordingly, District general obligation bonds totaling \$5,180 are reflected in WASA's financial statements.

WASA derives part of its funding for future capital projects from the issuance of revenue bonds, District general obligation bonds, notes payable to the federal government and various other non-debt sources of financing. The public utility revenue bonds and notes payable to the federal government for the Washington Aqueduct are considered senior debt. Notes payable to the federal government for the Washington Aqueduct are specifically secured by user charges assessed on retail customers. There were no outstanding notes to the federal government for the Washington Aqueduct at the end of fiscal year 2009. Debt outstanding at September 30, 2009, totaling \$1,266,624 included net unamortized bond premiums of \$12,018 and a remaining principal balance of \$1,254,606.

In February 2009, WASA issued \$300,000 Senior Lien Public Utility Revenue Bonds (Series 2009A Bonds). The maturity dates of the Bonds range from 2010 to 2039, with interest rates ranging from 3.00 to 6.00%. The proceeds of the Series 2007A Bonds were used to refinance \$14,800 of the taxable Series A Commercial Paper Notes and \$50,000 of the tax-exempt Series B Commercial Paper Notes with the remainder of the proceeds used to finance the ongoing capital improvement program and other expenses associated with the cost of issuance.

**Table 34** presents the debt service requirements to maturity for principal and interest for WASA's outstanding bonds.



# NOTE 8. LONG - TERM LIABILITIES

**Table 34 – Water and Sewer Authority Debt Service Requirements to Maturity**

Year Ending September 30	Water and Sewer Authority		
	Principal	Interest	Total
2010	\$ 13,846	\$ 65,089	\$ 78,935
2011	17,793	64,063	81,856
2012	18,721	63,087	81,808
2013	19,692	62,064	81,756
2014	20,749	60,966	81,715
2015 - 2019	122,179	285,886	408,065
2020 - 2024	158,891	248,255	407,146
2025 - 2029	200,606	200,434	401,040
2030 - 2034	234,859	144,733	379,592
2035 - 2039	304,794	72,808	377,602
2040 - 2044	142,476	5,937	148,413
<b>Subtotal</b>	<b>1,254,606</b>	<b>1,273,322</b>	<b>2,527,928</b>
Add: Unamortized Bond Premium-Net	12,018	-	12,018
<b>Total</b>	<b>\$ 1,266,624</b>	<b>\$ 1,273,322</b>	<b>\$ 2,539,946</b>

## Commercial Paper Note Payable

WASA's Board of Directors approved WASA's commercial paper program on November 1, 2001, with Series A and B notes, not to exceed \$50,000 each at any one time. Under this program, WASA issues short-term (no greater than 270 days) notes. Proceeds from the sale of the notes are used to finance costs incurred in connection with the construction of capital improvements to WASA's wastewater treatment collection and disposal system, its water distribution system, and other capital equipment.

credit, issued by Westdeutsche Landesbank Girozentrale (WestLB) and are rated P1, A1+ and F1+ by Moody's, S&P and Fitch, respectively. The letter of credit expires on November 30, 2015. In April 2008, the letter of credit for Series A was amended to include the issuance of taxable commercial paper for the purpose of refunding the Series 2007B subordinated bonds. As a result of the refunding, \$44 million in taxable commercial paper was issued to refund the Series 2007B Bonds.

**Table 35** presents the commercial paper activity which occurred in fiscal year 2009.

Series A and B notes are secured by separate letters of

**Table 35 – FY 2009 Commercial Paper Activity**

Description	Balance at October		Reduction	Balance at September 30, 2009
	1, 2008	Addition		
Series A, (taxable) interest ranges from .2% to 7.0%	\$ 44,000	\$ -	\$ (14,800)	\$ 29,200
Series B, interest ranges from 1.9% to 2.1%	-	50,000	(50,000)	-
<b>Total Commercial Paper</b>	<b>\$ 44,000</b>	<b>\$ 50,000</b>	<b>\$ (64,800)</b>	<b>\$ 29,200</b>

**NOTE 8. LONG-TERM LIABILITIES****Washington Convention Center Authority**

WCCA was authorized to issue bonds to finance the costs of the new convention center pursuant to the WCCA Act, as amended. On September 28, 1998, WCCA issued \$524,500 in Senior Lien Dedicated Tax Revenue Refunding Bonds (Series 1998A Bonds) to finance the construction of the new Washington Convention Center.

On February 1, 2007, WCCA issued \$492,525 Senior Lien Dedicated Tax Revenue and Refunding Bonds, Series 2007A, with a net premium of \$15,625 to effect a refunding for the Series 1998A Bonds. These refunding Bonds, with maturities ranging from October 2008 to October 2037, were issued with interest rates ranging from 3.75% to 5.00%. The net proceeds of these refunding bonds were used, in part, to advance refund all

of the Series 1998A Bonds in the aggregate principal amount of \$480,640. As a result, the previously outstanding refunded bonds are considered to be defeased and the liability for those bonds has been extinguished.

The proceeds of Series 2007A Bonds were placed in an irrevocable trust to provide for all future debt service payments on the Series 1998A Bonds. Accordingly, the trust account asset and liability for the defeased bonds were not included in the FY 2008 financial statements. During the first quarter of fiscal year 2009, the defeased bonds that were outstanding were paid by the Trustee.

A summary of WCCA's debt service requirements to maturity for principal and interest is shown in **Table 36**.

**Table 36 – Washington Convention Center Authority Debt Service Requirements to Maturity**

<b>Year Ending September 30</b>	<b>Washington Convention Center Authority</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 12,160	\$ 22,222	\$ 34,382
2011	12,700	21,655	34,355
2012	13,265	21,055	34,320
2013	13,865	20,376	34,241
2014	14,545	19,687	34,232
2015 - 2019	83,855	86,651	170,506
2020 - 2024	106,725	62,744	169,469
2025 - 2029	135,060	33,082	168,142
2030 - 2034	75,120	6,118	81,238
2035 - 2039	13,540	627	14,167
<b>Subtotal</b>	<b>480,835</b>	<b>294,217</b>	<b>775,052</b>
Less: Unamortized Bond Discount - Net	(3,050)	-	(3,050)
<b>Total</b>	<b>\$ 477,785</b>	<b>\$ 294,217</b>	<b>\$ 772,002</b>

**Housing Finance Agency**

Bonds issued by the Housing Finance Agency are special obligations of the agency and are payable from the revenue and special funds of the applicable indentures. The bonds do not constitute debt of and are not guaranteed by the District or any other program of the District. All mortgage revenue bond multifamily projects financed to date have been issued by the Housing Finance Agency as standalone pass-through financings with no direct economic recourse to the agency as issuer.

The provisions of the various bond indentures require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans and mortgage-backed securities. All outstanding

bonds are subject to redemption at the option of the Housing Finance Agency or the borrower, in whole or in part at any time, after certain dates, as specified in the respective bond indentures and bond resolutions, at prescribed redemption prices. The redemption premiums range up to 5.00%. Under the Multi-Family (Conduit Bond) Program this option generally cannot be exercised until the bonds have been outstanding for ten years as provided in the various indentures. Term bonds are generally subject to redemption, without premium, from mandatory sinking fund payments.

Bonds issued to provide financing for the Housing Finance Agency's housing programs are collateralized by: (a) mortgage-backed securities in connection with underlying loans; (b) mortgage loans made on the related multi-family developments or single family residential

## NOTE 8. LONG – TERM LIABILITIES

mortgage loans purchased; or (c) investments of bond proceeds, debt service reserves and escrow accounts, and all revenues, mortgage payments, and recovery payments received by the Housing Finance Agency from mortgage

loans and mortgage-backed securities in connection with the related developments.

A summary of Housing Finance Agency's debt service requirements to maturity for principal and interest is shown in **Table 37**.

**Table 37- Housing Finance Agency Debt Service Requirements to Maturity**

Year Ending September 30	Principal	Interest	Total
2010	\$ 57,410	\$ 45,883	\$ 103,293
2011	18,432	44,204	62,636
2012	17,748	43,212	60,960
2013	14,623	42,503	57,126
2014	15,316	41,728	57,044
2015-2019	90,076	195,163	285,239
2020-2024	124,526	167,153	291,679
2025-2029	136,115	126,711	262,826
2030-2034	118,296	94,769	213,065
2035-2039	162,684	56,482	219,166
2040-2044	90,493	25,932	116,425
2045-2049	42,889	7,296	50,185
2050-2054	7,096	821	7,917
2055-2059	1,061	61	1,122
<b>Subtotal</b>	<b>896,765</b>	<b>891,918</b>	<b>1,788,683</b>
Add: Unamortized Bond Premium, net	7,750	-	7,750
<b>Total</b>	<b>\$ 904,515</b>	<b>\$ 891,918</b>	<b>\$ 1,796,433</b>

### B. OTHER LONG-TERM LIABILITIES

#### Certificates of Participation

In 2002, Certificates of Participation (COPs) were issued under an Indenture of Trust between Wells Fargo Delaware Trust Company (the "Lessor") and Wells Fargo Bank Minnesota, N.A. (the "Trustee"). The District agreed in the Lease Agreement to make lease payments (the "Lease Payments"), which are expected to be sufficient to pay the principal of and interest on the COPs. The District has \$28,585 of outstanding COPs issued by a trust in 2002 with a final maturity of 2013. The 2002 COPs were used to finance the acquisition of certain real property located in the District at 441 Fourth Street, N.W. The debt service requirements on these COPs are included in capital leases payable (See Note 14C).

In 2003, Certificates of Participation (COPs) were issued under an Indenture of Trust between Wells Fargo Delaware Trust Company (the "Lessor") and Wells Fargo Bank Minnesota, N.A. (the "Trustee"). The District has \$58,200 of outstanding COPs issued by a trust in 2003

with a final maturity of 2023, as shown in **Table 38A**. The 2003 COPs were used to provide funds to finance portions of the design and construction of a public safety and emergency preparedness communications and command center and the design, construction and installation of a high-speed telecommunications network. In each case, the District's payment obligations are subject to and dependent upon the inclusion of sufficient funds in annual District budgets and annual appropriations being made by the United States Congress for such purpose. The weighted average interest rate on these COPs is 4.981%.

In 2006, COPs were issued under an Indenture of Trust between M&T Trust Company of Delaware (the "Lessor") and Manufacturers and Traders (the "Trustee"). The aggregate principal amount of this issuance was \$211,680 to fund the Saint Elizabeth's Hospital and DMV Projects as shown in **Table 38B**. The COP's proceeds are being used to fund a portion of the cost of the design and construction of the Hospital, which

**NOTE 8. LONG-TERM LIABILITIES**

is estimated to cost approximately \$208 million. Of this amount, \$184,200 will be financed with COP proceeds and interest earning thereon. In addition, COP proceeds are being used to fund the purchase of the DMV Building from its current owner for \$15,300 and \$3,100 of improvements to include: parking enhancements, window

replacement, elevators, a loading dock, and access to the adjacent inspection facility. The District has \$193,315 of outstanding COPs issued by a trust in 2006 with a final maturity of 2026. The weighted average interest rate yield on these COPs is 4.982%.

**Table 38A - Summary of Debt Service Requirements for COP- Public Safety Communications Center**

Emergency Preparedness Communications Center & Related Technology (COP)			
Year Ending September 30	Principal	Interest	Total
2010	\$ 2,960	\$ 2,840	\$ 5,800
2011	3,100	2,703	5,803
2012	3,255	2,544	5,799
2013	3,405	2,395	5,800
2014	3,545	2,256	5,801
2015-2019	20,820	8,186	29,006
2020-2023	21,115	2,085	23,200
<b>Total</b>	<b>\$ 58,200</b>	<b>\$ 23,009</b>	<b>\$ 81,209</b>

**Table 38B - Summary of Debt Service Requirements for COP- St Elizabeth/DMV Building**

St Elizabeth/DMV Building (COP)			
Year Ending September 30	Principal	Interest	Total
2010	\$ 7,370	\$ 9,448	\$ 16,818
2011	7,750	9,070	16,820
2012	8,145	8,672	16,817
2013	8,565	8,254	16,819
2014	9,015	7,804	16,819
2015-2019	52,860	31,240	84,100
2020-2024	67,590	16,507	84,097
2025-2026	32,020	1,621	33,641
<b>Total</b>	<b>\$ 193,315</b>	<b>\$ 92,616</b>	<b>\$ 285,931</b>

A summary of changes in other long-term liabilities for governmental activities is shown in **Table 39**.

**Table 39 - Changes in Other Long-Term Liabilities**

Account	Balance October 1, 2008	Additions	Deductions	Balance September 30, 2009
<b>Governmental Activities:</b>				
Accrued disability compensation (Note 15)	\$ 105,751	\$ 65,939	\$ (29,374)	\$ 142,316
Accumulated annual leave	167,481	18,279	(6,208)	179,552
Grant disallowances	59,345	10,265	-	69,610
Claims & judgments (Note 15)	55,902	32,410	(29,475)	58,837
Equipment financing program (Note 14)	90,221	62,068	(33,774)	118,515
Accreted interest	83,864	23,580	-	107,444
Capital leases payable (Note 14)	52,403	-	(7,911)	44,492
<b>Total</b>	<b>\$ 614,967</b>	<b>\$ 212,541</b>	<b>\$ (106,742)</b>	<b>\$ 720,766</b>
<b>Business-Type Activities:</b>				
Obligation for unpaid prizes	<b>\$ 41,379</b>	<b>\$ 1,455</b>	<b>\$ (7,681)</b>	<b>\$ 35,153</b>

## NOTE 8. LONG – TERM LIABILITIES

### C. CURRENT & LONG-TERM PORTIONS OF LONG-TERM LIABILITIES

**Table 40** presents the current and long-term portions of long-term liabilities. For the governmental activities, accumulated annual leave and claims and judgments are generally liquidated by the general fund.

**Table 40 – Current & Long-Term Portions of Long-Term Liabilities**

Type of Liability	Current Portion	Long-Term Portion	Total
<b>Governmental Activities:</b>			
General obligation bonds	\$ 239,905	\$ 3,526,723	\$ 3,766,628
Income tax secured revenue bonds	-	1,071,785	1,071,785
Premium on long-term debt	8,881	145,181	154,062
TIF bonds	4,390	91,807	96,197
QZAB	669	5,375	6,044
Capital leases	8,384	36,108	44,492
Tobacco bonds	14,305	696,934	711,239
Ballpark bonds	4,360	517,390	521,750
Annual leave	159,622	19,930	179,552
Disability compensation	-	142,316	142,316
Equipment financing program	36,572	81,943	118,515
Accreted interest	-	107,444	107,444
Grant disallowances	-	69,610	69,610
Claims and judgments	-	58,837	58,837
Housing production trust fund	585	32,425	33,010
Verizon	-	4,495	4,495
Unfunded pension expenses	-	8,282	8,282
COPs	10,330	241,185	251,515
PILOT revenue bonds (AWC & NCRC)	7,007	135,131	142,138
OPEB liability	-	42,101	42,101
Severance pay	15,827	-	15,827
<b>Total</b>	<b>\$ 510,837</b>	<b>\$ 7,035,002</b>	<b>\$ 7,545,839</b>
<b>Business-Type Activities:</b>			
Obligation for unpaid prizes	\$ 7,406	\$ 27,747	\$ 35,153

#### Obligation for Unpaid Prizes

The D.C. Lottery and Charitable Games Control Board (the Lottery) is a member of the Multi-State Lottery Association (MUSL), which is responsible for payments to Lotto-America and Powerball winners. MUSL is responsible for providing cash to the Lottery for funding these installment payments. As of September 30, 2009, MUSL purchased for the Lottery, U.S. government securities totaling \$37,932 to fund future installment payments to winners.

The market value of these securities at September 30, 2009, was \$35,153. The Lottery has reflected the market value of the securities as restricted investments and as corresponding obligations for unpaid prizes on the statement of net assets.

## NOTE 9. RETIREMENT PROGRAMS

### A. DEFINED BENEFIT PENSION PLANS

District full-time employees receive pension benefits either through the federally administered Civil Service Retirement System (CSRS), the Social Security System, or the District's Retirement System.

#### *Civil Service Retirement System*

##### **Plan Description**

The District contributes to the Civil Service Retirement System (CSRS), a cost-sharing multiple-employer public employee retirement system, administered by the federal government's Office of Personnel Management (OPM). Permanent full-time District employees hired before October 1, 1987, except those covered by the District Retirement Program, are covered by CSRS, which provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The OPM issues a publicly available financial report that includes financial statements and required supplementary information for CSRS, which may be obtained at [www.opm.gov](http://www.opm.gov).

##### **Funding Policy**

The District contributes 7% of each covered employee's annual salary to the CSRS. The contribution requirements of plan members are established and may be amended by the OPM. The District's contributions to the CSRS for the years ended September 30, 2009, 2008, and 2007, were \$17,513, \$20,388, and \$21,943, respectively.

#### *Social Security System*

##### **Plan Description**

The District also contributes to the federal government's Social Security System, a program that provides benefits for retirement, disability, survivorship, and death, which is funded by dedicated payroll taxes. The Social Security Administration and the U.S. Departments of Health and Human Services, Labor, and Treasury administer this program. The authority to establish and amend policy and benefit provisions rests with the President and Congress of the United States.

##### **Funding Policy**

Consistent with the Federal Insurance Contributions Act (FICA), a 6.20% Social Security tax is withheld from the gross salary/wage amount of District employees, up to but not exceeding the applicable social security wage base, which was \$106.8 for 2009. In addition, the District also pays a 1.45 % payroll tax for Medicare with an additional

1.45% being withheld from each employee's salary/wages. District contributions to the Social Security System for the years ended September 30, 2009, 2008, and 2007, were \$65,653, \$71,658, and \$77,478 respectively.

#### *District Retirement Programs*

##### **Plan Description**

The Retirement Board administers the District's Retirement Programs (D.C. Code §4-601, 11-1561, 31-120), which are single-employer defined benefit pension plans, one established for police and firefighters and the other for teachers.

Each of the two plans provides retirement, death and disability benefits, and annual cost of living adjustments to plan members and beneficiaries. Retirement and disability benefit provisions for police and firefighters are established by the Policemen and Firemen's Retirement and Disability Act (D.C. Code §5-701 et seq. (2001 Ed.)). For the Teachers Plan, Title 38, Chapter 20 of the D.C. Code (D.C. Code § 38-2001, et seq. (2001 Ed.)) assigns the authority to establish and amend benefit provisions to the Council. The pension trust funds issue a publicly available financial report that includes financial statements and required supplementary information. This report can be obtained from the District of Columbia Retirement Board, Executive Director, 900 7th Street, N.W., 2<sup>nd</sup> Floor, Washington, D.C. 20001.

##### **Funding Policy**

Contribution requirements of the Fund members are established by D.C. Code § 5-706 and requirements for District contributions to the Pension Trust Fund are established by D.C. Code § 1-907.02 (2001 Ed.), which may be amended by the Council. Administrative costs are paid from investment earnings.

Members contribute by salary deductions on the basis of a normal rate of contributions, which is assigned by the Fund at membership. Members contribute 7% (or 8% for teachers hired on or after November 16, 1996) of annual pay minus any pay received for summer school. Members may also contribute up to 10% of annual pay toward an annuity in addition to any vested pension.

The District is required to contribute the remaining amounts necessary to finance the coverage of its employees through periodic contributions at actuarially determined amounts in accordance with the provisions of the Replacement Act. The Replacement Act defines the eligibility and the calculation of the amount of the benefit payment for covered District employees for service

## NOTE 9. RETIREMENT PROGRAMS

accrued after June 30, 1997. The District's contributions for fiscal years 2009, 2008 and 2007, were equal to the Fund's independent actuary's recommendation.

Under P. L. 105-33, the federal government makes annual contributions to the Police and Firefighters' Plan and to the Teachers' plan on behalf of District employees and retirees. These on-behalf payments totaled \$400,340 for the year ended September 30, 2009, and have been reported as intergovernmental revenue. Related

expenditures of \$316,269 and \$84,071 have been reported in the public safety and justice and the public education systems functions, respectively.

### Annual Pension Cost and Net Pension Obligation

The District's annual pension cost and net pension obligation to these plans for fiscal year 2009 are presented in **Table 41**.

**Table 41 - Annual Pension Cost and Net Pension Obligation**

	Police and Firefighters Plan	Teachers Plan
Annual required contribution (ARC)	\$106,000	\$0
Interest on net pension obligation	0	\$0
Adjustment to ARC	0	\$0
Annual pension cost	\$106,000	\$0
Contributions made	\$106,000	\$0
Increase (decrease) in net pension obligation	\$0	\$0
Net pension obligation beginning of year	\$0	\$0
Net pension obligation end of year	\$0	\$0

In fiscal year 2009, the District made its actuarially required contribution of \$106,000 to the Police and Firefighters Pension Plan. As actuarially determined, the District was not required to make a contribution to the Teachers Pension Plan in fiscal year 2009.

**Table 42** presents three-year trend information regarding annual pension cost, percentage of annual pension cost contributed, and net pension obligation.

**Table 42 - Three Year Trend Information**

Police and Firefighters				Teachers			
Fiscal Year Ending	Annual Pension Cost (APC) (millions)	Percentage of APC Contributed	Net Pension Obligation	Fiscal Year Ending	Annual Pension Cost (APC) (millions)	Percentage of APC Contributed	Net Pension Obligation
09/30/09	\$106.0	100%	0	09/30/09	\$0	100%	\$0
09/30/08	\$137.0	100%	0	09/30/08	\$6.0	100%	\$0
09/30/07	\$140.1	100%	0	09/30/07	\$14.6	100%	\$0

### Actuarial Methods and Assumptions

The District's Annual Required Contribution for the Police and Firefighters Pension Plan and the Teachers Pension Plan were calculated using the aggregate actuarial cost method. Because the aggregate actuarial cost method does not identify or separately amortize

unfunded actuarial liabilities, information about funding status and funding progress has been prepared using the entry age actuarial cost method for that purpose. The information presented as required supplementary information is intended to serve as a surrogate for the funded status and funding progress of the plan.

**NOTE 9. RETIREMENT PROGRAMS**

Additional information as of the latest actuarial valuation for the two plans includes the following:

	<b>Fiscal Year 2009</b>
Valuation Date	October 1, 2008
Actuarial cost method for contributions	Aggregate
Actuarial cost method for accrued liabilities	Entry Age
Amortization method	Normal
Remaining amortization period	Not applicable
Asset valuation method	Not applicable
	Actuarial value: 1/7 excess earnings subtracted from expected actuarial value
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases:	
Police Officers and Fire Fighters	5.30% - 10.00%
Teachers	5.00% - 8.90%
Includes inflation at	4.25%
Cost of living adjustments (COLAs)	4.25%
COLAs	Limited to
(for Post November 10, 1996 hires)	3.00%

**Funded Status and Funding Progress**Police and Firefighters Pension Plan

As of October 1, 2008, the most recent actuarial valuation date, the Police and Firefighters Pension Plan was 99.8% funded. The actuarial accrued liability for benefits was \$2,938,800, and the actuarial value of assets was \$2,932,100 resulting in an unfunded actuarial accrued liability (UAAL) of \$6,700. The covered payroll (annual payroll of active employees covered by the plan) was \$421,800, and the ratio of the UAAL to the covered payroll was 1.59%.

Teachers Pension Plan

As of October 1, 2008, the most recent actuarial valuation date, the Teachers Pension Plan was 108.2% funded. The actuarial accrued liability for benefits was \$1,338,000, and the actuarial value of assets was \$1,447,600, resulting in an unfunded actuarial accrued liability (UAAL), or funding excess, of \$(109,600). The covered payroll (annual payroll of active employees covered by the plan) was \$359,100, and the ratio of the UAAL to the covered payroll was -30.52%.

The schedules of funding progress, presented as required

supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial value of each plan's assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Contribution Receivable

During fiscal year 2007, the Retirement Board's actuary was engaged by the District of Columbia Public Schools to review active participant data in order to verify eligibility. The actuary noted a number of participants who should have been enrolled in the Plan, but were wrongly enrolled in the defined contribution plan of the District. The actuary also noted a number of active participants whose contribution rates were wrongly coded and those who should not have enrolled in the Plan.

The actuary used the Entry Age Normal method to estimate the amount receivable from the District of Columbia. The total actuarial impact including interest through October 1, 2011, is estimated to be approximately \$9 (nine thousand). The District has accrued this amount in its government-wide financial statements as of September 30, 2009. The Retirement Board and the District of Columbia agreed to amortize this balance over three years with payments to begin in fiscal year 2010. As of September 30, 2009, the balance was \$8,219. The first payment of \$3,000 was made on October 30, 2009.

**B. DEFINED CONTRIBUTION PENSION PLAN****Plan Description**

Under the provisions of D. C. Code §1-627, the District sponsors a defined contribution pension plan with a qualified trust under Internal Revenue Code (IRC) Section 401(a) for permanent full-time employees covered under the Social Security System. Employees do not contribute to the plan and are eligible to participate after one year of service. The District contributes 5% of base salaries for eligible employees each pay period. This contribution rate is 5.5% of base salaries for detention officers. Contributions and earnings vest fully after four years of service following a one-year waiting period. Contributions and earnings are forfeited if separation occurs before five years of credited service. These contributions are not considered assets of the District, and the District has no further liability to this plan. For the fiscal year ended September 30, 2009, District contributions to the plan were \$40,490.

This plan also covers employees of the Sports and Entertainment Commission, D. C. Housing Authority and Water and Sewer Authority, while the employees of the



## NOTE 9. RETIREMENT PROGRAMS

Housing Finance Agency, Washington Convention Center and the University are covered under their own separate defined contribution plans. At September 30, 2009, there were 14,269 members of the District's defined contribution pension plan.

### C. DEFERRED COMPENSATION PLANS

#### Internal Revenue Code Section 403 Plan

The District sponsors an annuity purchase plan (D. C. Code §31-1252) with insurance companies and other issuers in accordance with IRC Section 403 for public teachers covered by the District Retirement Program. The District does not contribute to this plan and has no liability to the plan. Under this annuity purchase plan, eligible employees were able to defer up to \$16.5 of their annual compensation for calendar year 2009. Employees with 15 years of service or more were able to defer an additional amount, not to exceed the lesser of: (a) \$3 (three thousand) in additional contributions; (b) \$15.0 reduced by amounts contributed under this special provision in prior years; or (c) \$5 (five thousand) times

the number of years of service less the total elective deferrals from previous years. In addition, employees who were 50 years old or older by the end of the plan year were able to defer an additional amount as a catch up contribution. The maximum amount for catch up contributions was \$5.5 (five thousand five hundred) in 2009. Contributions vest immediately and are not assets of the District.

#### Internal Revenue Code Section 457 Plan

The District offers its employees a deferred compensation plan (D. C. Code §47-3601) created in accordance with IRC Section 457. Employees, including teachers, are able to defer the lesser of \$16.5 or 100% of includable compensation in calendar year 2009. Also, an additional deferral of \$6.5 is available to participants who are at least 50 years old before the end of the calendar year. Compensation deferred and income earned are taxable when paid, or made available to the participant or beneficiary, upon retirement, death, termination, or unforeseeable emergency. Contributions are not assets of the District, which has no further liability to the plan.

## NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* in fiscal year 2007. This statement requires additional reporting and disclosures for OPEB plans. Thus, the assets and actuarial accrued liabilities for the District's OPEB plan were initially determined through an actuarial valuation performed as of September 30, 2007, using the required parameters of GASB Statement No. 43.

The District implemented GASB Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in fiscal year 2008. This statement specifies the standards to be used for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and required supplementary information, as applicable. In fiscal year 2008, the District began paying contributions based on an actuarially determined valuation, consistent with the parameters of GASB Statement No. 45.

As required by GASB Statement Nos. 43 and 45, the District is disclosing the following OPEB information:

a) Plan Description:

The District of Columbia Postretirement Health

and Life Insurance Benefit Plan (the Plan) is a single-employer defined benefit healthcare and life insurance plan administered jointly by the Office of Human Resources and the Office of Finance and Treasury. The Plan is administered as an irrevocable trust through which assets are accumulated and benefits are paid as they become due in accordance with the substantive plan. All employees hired after September 30, 1987, and employees who retire under the Teachers Retirement System and Police and Fire Fighters Retirement System or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Plan. The Plan provides medical care and life insurance benefits to eligible employees. D.C. Code §1-622 assigns the authority to establish and amend benefit provisions to the Mayor and the Council of the District of Columbia. The Plan's administrators issue a publicly available financial report that includes financial statements and required supplemental information for the Plan. This report may be obtained from the following location:

Office of Finance and Treasury  
D.C. Treasurer  
1275 K Street, N.W., 6<sup>th</sup> Floor  
Washington, D.C. 20005

**NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)****b) Summary of Significant Accounting Policies**

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. District contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investments are reported at fair value determined by the mean of the most recent bid and ask prices as obtained from dealers that make markets in such securities.

**c) Funding Policy**

The contribution requirements of plan members and the District are established and may be amended by the Mayor and the Council of the District of Columbia. The first actuarial valuation of the Plan's assets and liabilities using GASB Statement No. 43 parameters was performed in fiscal year 2007, and the District began paying contributions based on an actuarially determined valuation using the parameters of GASB 45 in fiscal year 2008, as presented in the Schedule of Employer Contributions.

For fiscal year 2009, the District contributed \$81,100 to the Plan. Employee contributions are not required prior to retirement to fund the Plan. After retirement, retirees pay 25% of their health insurance premiums and the District pays the remaining 75%. Participants also pay 35.75 cents per one thousand dollars of life insurance coverage until age 65 for the 75% reduction option. Participants can also elect a 50% or a 0% reduction, which require additional retiree contributions.

**d) Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the District's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**Table 43** shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB asset or obligation to the Plan.

**Table 43 – Annual OPEB Cost, Actual Plan Contributions, and Changes in Net OPEB Obligations**

	<b>FY 2009</b>	<b>FY 2008</b>
Annual required contribution	\$130,882	\$103,400
Interest on net OPEB obligation	(\$488)	\$0
Adjustment to annual required contribution	\$314	\$0
Annual OPEB cost (expense)	\$130,708	\$103,400
Contributions made	\$81,100	\$110,907
Net OPEB asset/(obligation)	(\$49,608)	\$7,507
Net OPEB asset (obligation) – beginning of year	\$7,507	\$0
Net OPEB asset (obligation) – end of year	(\$42,101)	\$7,507

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 and the two preceding years are shown in **Table 44**.

**Table 44 - Annual OPEB Cost, Percentage of Annual OPEB Cost Contributed, Net OPEB Obligation (Fiscal Years 2007 Through 2009)**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost (millions)</b>	<b>% of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
09/30/09	\$130.7	62%	\$42.1
09/30/08	\$103.4	107.3%	(\$7.5)
09/30/07	N/A	N/A	N/A

N/A - Information is not available because the District began paying contributions based on an actuarially determined valuation using GASB 45 parameters in fiscal year 2008.

**NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

## e) Funded Status and Funding Progress

As of September 30, 2008, the most recent actuarial valuation date, the plan was 29.5% funded. The actuarial accrued liability for benefits was \$745,200, and the actuarial value of assets was \$219,700, resulting in an unfunded actuarial accrued liability (UAAL) of \$525,500. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,107,100 and the ratio of the UAAL to the covered payroll was 47.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Using the September 30, 2008 actuarial valuation results, the projected September 30, 2009 actuarial liability is \$900,000 and the actuarial value of the assets is \$309,100 resulting in an unfunded actuarial accrued liability (UAAL) of \$590,900. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,185,700 and the ratio of the UAAL to the covered payroll is 49.8%.

The entry age actuarial cost method was used to prepare the September 30, 2008 actuarial valuation. The actuarial assumptions included a 7.25% investment rate of return, a discount rate of 6.5%; a 5.0% salary increase rate (plus merit scale); and a medical inflation rate ranging between 10% (pre-Medicare) and 9% (post-Medicare) grading to 5.25% over 15 years. The amortization method applied was the level percent open method. The remaining amortization period at September 30, 2009 was 30 years.

## f) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**NOTE 11. FUND BALANCE/NET ASSETS**

Reserved and unreserved fund balances at September 30, 2009 are shown in **Table 45a**.

**Table 45a - Schedule of FY 2009 Reserved and Unreserved Fund Balance**

	General Fund	Federal & Private Resources	General Capital Improvements	Baseball Capital Project	Nonmajor Governmental Funds
<b>Reserved</b>					
Long term assets	\$ 4,253	\$ -	\$ -	\$ -	\$ -
Emergency/contingency cash	284,316	-	-	-	-
Bond escrow	231,864	-	-	-	-
Subsequent years' expenditure	29,152	-	-	-	-
Inventory	10,221	-	-	-	-
Budget	35,262	-	-	-	-
Purpose restrictions	104,626	142,566	-	-	-
Student enrollment fund	4,000	-	-	-	-
Capital projects	-	-	406,854	3,549	-
PILOT	-	-	-	-	120,293
Tobacco settlement	-	-	-	-	87,235
Tax increment financing	-	-	-	-	19,398
Housing production	-	-	-	-	44,966
Community healthcare	-	-	-	-	45,561
Baseball	-	-	-	-	47,659
Highway projects	-	-	-	-	6,809
<b>Total Reserved Fund Balances</b>	<b>703,694</b>	<b>142,566</b>	<b>406,854</b>	<b>3,549</b>	<b>371,921</b>
<b>Unreserved</b>					
<b>Designated Unreserved Fund Balances</b>	<b>216,789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>\$ 920,483</b>	<b>\$ 142,566</b>	<b>\$ 406,854</b>	<b>\$ 3,549</b>	<b>\$ 371,921</b>

Net assets at September 30, 2009 are shown in **Table 45b**.

**Table 45b - Schedule of FY 2009 Net Assets**

	Lottery & Games	Unemployment Compensation Fund	Nonmajor Proprietary Fund	Fiduciary Funds
<b>Net Assets</b>				
Invested in capital assets	\$ 478	\$ -	\$ 15,534	\$ -
Restricted for future benefits	-	304,773	-	4,156,448
Unrestricted	3,392	-	22,472	-
<b>Total Net Assets</b>	<b>\$ 3,870</b>	<b>\$ 304,773</b>	<b>\$ 38,006</b>	<b>\$ 4,156,448</b>

## NOTE 12. JOINT VENTURE

### Washington Metropolitan Area Transit Authority

The Washington Metropolitan Area Transit Authority (WMATA) was created by an Interstate Compact between Maryland, Virginia and the District of Columbia, pursuant to Public Law 89-774. The District's commitment or obligation to provide financial assistance to WMATA is established by annual appropriations, as approved by Congress. The District supports the Transit Authority through operating, debt service and capital grants. The District places the amounts to be provided to WMATA in an escrow account until such time when the funds are drawn down for use by WMATA. Operating grants may be in the form of operating and interest subsidies. WMATA records the District's operating grants as advanced contributions when received and as nonoperating revenues when the related expenses are incurred. WMATA recognizes the District's capital grants as additions to construction in progress and investment in capital assets when the grant resources are expended for capital acquisitions. A summary of the grants provided to WMATA during the year ended September 30, 2009, is shown in **Table 46a**.

**Table 46a - Summary of Grants Provided to WMATA**

Type	Amount
Operating grants	\$ 224,454
Debt service grants	10,331
Capital grants	65,634
<b>Total</b>	<b>\$ 300,419</b>

The WMATA issues separate audited financial statements that can be requested from the Washington Metropolitan Area Transit Authority, General Manager, 600 5<sup>th</sup> Street, NW, Washington, D. C. 20001. Information that would allow users of the financial statements to evaluate whether the joint venture is accumulating significant financial resources, or is experiencing fiscal stress that may cause additional financial benefits or burden to the District and other participating governments in the future is presented in **Table 46b**.

**Table 46b - Summary of Financial Statements for WMATA as of and for the year ended June 30, 2009**

Financial Position	
Total assets	\$ 9,897,007
Total liabilities	(1,948,612)
<b>Net assets</b>	<b>\$ 7,948,395</b>
Operating Results	
Operating revenues	\$ 745,303
Operating expenses	(1,905,047)
Nonoperating revenues, net	674,989
Revenue from capital contributions	578,306
<b>Change in net assets</b>	<b>\$ 93,551</b>
Change in Net Assets	
Net assets, beginning of year, restated	\$ 7,854,844
Change in net assets	93,551
<b>Net assets, end of year</b>	<b>\$ 7,948,395</b>

## NOTE 13. TRANSACTIONS WITH THE FEDERAL GOVERNMENT

### A. FEDERAL CONTRIBUTION

In accordance with the National Capital Revitalization and Self-Government Improvement Act of 1997 (Public Law 105-33), the annual federal payment was repealed and replaced with a federal contribution to cover special purpose and other unusual costs imposed on the District by the federal government. Federal contributions to the District for the year ended September 30, 2009, totaled \$573,446.

### B. EMERGENCY PREPAREDNESS

The District, as the nation's capital, serves as the command post and the source of first response to any national threat or terrorist act against the nation. The District did not receive any federal payment for emergency preparedness in fiscal year 2009. In prior years, these funds were made available to assist the District in effectively preparing to respond to potential threats or possible terrorist attacks. As of September 30, 2008, the District had spent \$151,659, or 97.3%, of the \$155,900 received in fiscal year 2002. None of the remaining \$4,241 was spent during fiscal year 2009.

**NOTE 13. TRANSACTIONS WITH THE FEDERAL GOVERNMENT****C. GRANTS**

The District participates in a number of federal award programs, which are funded through formula and project grants, direct payments for specified and unrestricted use, food stamps and other pass-through grants and direct and guaranteed loans.

The federal government also provides capital grants, which are used for the purchase or construction of capital assets. Capital grants are recorded as intergovernmental revenue in the General Capital Improvements Fund. Federal grants and contributions are shown by function on the government-wide financial statements.

**D. WATER AND SEWER SERVICES**

The District exercises no oversight responsibility over the Washington Aqueduct, which is owned by the Federal government and operated by the U.S. Army Corps of Engineers. Historically, the District issued long-term debt to finance most of the Aqueduct's capital facilities and the Water and Sewer Authority recorded this debt and related

capital costs in its financial statements. In 1997, the Water and Sewer Authority and the other Northern Virginia customers entered into an agreement with the federal government, which provided for the funding of the Washington Aqueduct's capital improvement program directly through borrowings. The Water and Sewer Authority is now responsible for funding only its portion of this debt and other related capital projects, and operating costs calculated as the pro rata share of water purchased. The Water and Sewer Authority records payments for capital costs related to the Washington Aqueduct as purchased capacity. Such costs, which were allocable to other jurisdictions but funded by the Water and Sewer Authority prior to April 1, 1997, are reported as due from other jurisdictions.

Capital outlays are capitalized and depreciated over 60-years by the Water and Sewer Authority. Total capital outlays including capitalized interest from the U.S. Treasury drawdowns and pay-as-you-go financing were \$41,524 for the fiscal year ended September 30, 2009.

**NOTE 14. LEASES****A. CAPITAL LEASES**

The District leases buildings and equipment under various agreements that are accounted for as capital leases that have varying terms. Capital lease commitments are recorded in the government-wide financial statements.

Capital lease payments are classified as debt service expenditures in the governmental funds. Such expenditures totaled \$7,911 in fiscal year 2009.

**Equipment Financing Program**

The District began its Master Equipment Lease Purchase Program (the Program) in 1998 to provide tax-exempt financing for assets with short-term to intermediate-term useful lives.

As of September 30, 2009, the District financed approximately \$299 million of its capital equipment needs through the Program, and had approximately \$119 million in principal outstanding. During the year, the average interest rate used to finance equipment through the Program was 4.41%. Payments on the liability are made on a quarterly basis.

Equipment procured under this program included such items as fire apparatus (trucks) and other emergency medical services equipment (ambulances); trucks and cranes used by the Department of Public Works; vehicles used by the Metropolitan Police Department; and other heavy equipment items.

## NOTE 14. LEASES

**Table 47** shows the schedule of equipment financing program payments.

**Table 47– Schedule of Equipment Financing Program Payments**

<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 36,572	\$ 4,448	\$ 41,020
2011	33,065	2,895	35,960
2012	24,766	1,587	26,353
2013	17,613	670	18,283
2014	6,499	114	6,613
<b>Total</b>	<b>\$ 118,515</b>	<b>\$ 9,714</b>	<b>\$ 128,229</b>

### B. OPERATING LEASES

Operating leases are not recorded in the statement of net assets. These leases contain various renewal options, the effects of which are reflected in the minimum lease payments only if the options will be exercised. Certain other operating leases contain escalation clauses and contingent rentals that are not included in the calculation of the future minimum lease payments. Operating lease expenditures recorded in governmental funds were \$135,851 in 2009.

### C. SCHEDULE OF FUTURE MINIMUM LEASE COMMITMENTS

The present value of future minimum lease payments under capital leases and minimum lease payments for all operating leases having non-cancelable terms in excess of one year at September 30, 2009, are shown in **Table 48**.

**Table 48 - Schedule of Future Minimum Lease Payments**

<b>Year Ending September 30</b>	<b>Primary Government</b>		
	<b>Capital</b>	<b>Operating Leases</b>	
	<b>Leases</b>	<b>Facilities</b>	<b>Equipment</b>
2010	\$ 10,920	\$ 104,422	\$ 2,089
2011	10,715	81,499	1,757
2012	10,710	69,614	1,548
2013	10,715	47,556	1,578
2014	2,792	36,505	182
2015-2019	6,981	70,405	-
<b>Minimum lease payments</b>	<b>52,833</b>	<b>\$ 410,001</b>	<b>\$ 7,154</b>
Less - imputed interest	(8,341)		
<b>Present value of payments</b>	<b>\$ 44,492</b>		

**NOTE 15. COMMITMENTS AND CONTINGENCIES****A. RISK MANAGEMENT**

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays all claim settlements and judgments out of its General Fund resources and reports all of its risk management activities as governmental activities in the government-wide financial statements. There are no non-incremental claims adjustment expenses included in the liability for claims and judgments. Claims expenditures and liabilities are reported in the government-wide financial statements when it is probable that loss has occurred and the amount of that loss can be reasonably estimated and in the General Fund when due and payable. These losses include an estimate of claims that have been incurred but not reported.

**B. GRANTS AND CONTRACTS**

The District has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the District. The audits of these federally assisted programs have not been conducted for the year ended September 30, 2009. As such, the District's compliance with applicable grant and federal requirements will be assessed and established at some future date. An accrual of \$3,379 has been provided in the government-wide financial statements to reflect the probable cumulative expenditures that may be disallowed by the granting agencies based on prior experience. Furthermore, an additional \$66,231 was recognized as part of the accrued liability in the government-wide financial statements for grants already disallowed by grantors.

**C. LITIGATION**

The District is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations. Although the ultimate outcome of these legal proceedings and investigations is unknown, the District is vigorously defending its position in each case. All amounts in connection with lawsuits in which a loss is probable have been included in the liability for claims and judgments at September 30, 2009.

The accrued liability is based on estimates of the payments that will be made upon judgment or resolution of the claim. This accrued amount is the minimum amount in the range of estimates that have the same probability of occurrence. The sum of excess of the range of probable losses and the minimum range of losses that are reasonably possible which are not accrued is estimated to be \$73,496.

A summary of the changes in the accrued liability for claims and judgments in the government-wide financial statements is shown in **Table 49**.

**Table 49 - Summary of Changes in Claims and Judgments Accrual**

Description	2009	2008
<b>Liability at October 1</b>	<b>\$ 55,902</b>	<b>\$ 60,462</b>
Incurred claims	32,410	32,677
Less:		
claims payments/adjustments	(29,475)	(37,237)
<b>Liability at September 30</b>	<b>\$ 58,837</b>	<b>\$ 55,902</b>

**D. DISABILITY COMPENSATION**

The District, through its risk management department, administers a disability compensation program under Title XXIII of the District of Columbia Comprehensive Merit Personnel Act of 1978 (CMPA). This program, which covers all District employees hired under the authority of CMPA, provides compensation for lost wages, medical expenses, and other limited rehabilitation expenses to eligible employees and/or their dependents, where a work-related injury or illness results in disability or death. The benefits are funded on a pay-as-you-go basis. The present value discounted at 3% of projected disability compensation is accrued in the government-wide financial statements.

A summary of changes in this accrual is shown in **Table 50**.

**Table 50 - Summary of Changes in Disability Compensation Accrual**

Description	2009	2008
<b>Liability at October 1</b>	<b>\$ 105,751</b>	<b>\$ 89,942</b>
Claims incurred	65,939	46,178
Less-benefit payments/adjustments	(29,374)	(30,369)
<b>Liability at September 30</b>	<b>\$ 142,316</b>	<b>\$ 105,751</b>



**NOTE 15. COMMITMENTS AND CONTINGENCIES****E. DEBT SERVICE DEPOSIT AGREEMENTS**

The District entered into debt service deposit agreements effective through 2014 that exchanged future cash flows of certain special tax fund escrow accounts for a fixed amount received by the District upon entering into the agreements, thus increasing the predictability of cash

flows from the earnings on escrow account investments. Upon early termination of an agreement and depending upon the then current interest rates, a termination amount may be owed by the District. At September 30, 2009, unearned revenue of \$1,166 related to this agreement was recorded in the government-wide financial statements.

**NOTE 16. SUBSEQUENT EVENTS****A. TAX REVENUE ANTICIPATION NOTES**

The District issued \$500,000 in Tax Revenue Anticipation Notes (TRANs) on October 30, 2009. The issuance of such notes is a short term financing method used to provide for seasonal cash flow needs, and the proceeds are to be used to finance general governmental expenses of the District in anticipation of the collection or receipt of revenues for fiscal year 2010.

The TRANs are general obligations of the District, secured by the District's full faith and credit, and are payable from all funds of the District not otherwise legally committed and constitute continuing obligations until paid in accordance with their terms. The District has covenanted to deposit amounts in an escrow account for the purpose of paying the principal and interest on the TRANs when due. Under the TRANs Escrow Agreement, the District is to make escrow deposits in accordance with the following schedule:

<u>Date of Deposit</u>	<u>Amount of Deposit</u>
September 1, 2010	20% of the outstanding principal amount
September 16, 2010	60% of the outstanding principal amount
September 27, 2010	20% of the outstanding principal amount, plus 100% of accrued interest to maturity

The TRANs were issued as fixed rate notes with an interest rate of 2.50%, and will mature on September 30, 2010.

**B. INCOME TAX SECURED REVENUE BONDS**

On December 22, 2009, the District issued \$129,620, in Income Tax Secured Revenue Bonds, Series 2009D (Tax-Exempt) and \$501,290 in Income Tax Secured Revenue

Bonds, Series 2009E (Federally Taxable – Build America Bonds – Direct Pay to Issuer), as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008, (b) the Fiscal Year 2010 Income Tax Secured Revenue Bond and General Obligation Bond Issuance Emergency Approval Act of 2009, effective December 4, 2009, and (c) a Master Indenture of Trust between the District and Wells Fargo Bank, as supplemented by a Supplemental Indenture dated December 1, 2009. The District will make an irrevocable election to treat the Series 2009E bonds as taxable Build America bonds that are qualified under the American Recovery and Reinvestment Act of 2009, the credits with respect to which will be payable directly to the District, and not available as tax credits to the beneficial owners of the Series 2009E bonds. The proceeds of the Series 2009D and Series 2009E bonds will be used to: (a) provide funds for capital projects, (b) pay for financing costs, and (c) fund capitalized interest on the Series 2009D and Series 2009E bonds.

The Series 2009D and Series 2009E bonds, the outstanding bonds, and any additional bonds issued under the terms of the indenture will be payable from and secured by a security interest in and a statutory lien on the Trust Estate. The Series 2009D bonds were issued with interest rates ranging from 2.50% to 5.00% with a yield rate ranging from 0.770% to 2.680%. The Series 2009E bonds were issued with interest rates ranging from 4.343% to 5.541% with a yield rate ranging from 4.343% to 5.541%. A \$300,000 term bond, with an interest rate of 5.591% will be due on December 1, 2034, priced to yield 5.591%.

**C. DEMAND BOND PROGRAM***Letters of Credit (LOC) Substitutions*

On November 20, 2009, the District undertook LOC substitutions on three of its outstanding General Obligation VRDO series – Series 2001D, Series 2002D and Series 2008C. These LOC substitution transactions were undertaken in order to replace the existing Dexia

**NOTE. 16. SUBSEQUENT EVENTS**

Credit Local (Dexia) LOCs which, due to Dexia's credit rating downgrades, caused the associated VRDO series to reset at higher interest rates. The new LOCs are provided by the following: the Series 2001D Bonds - Bank of America, the Series 2002D - Wachovia, and J.P Morgan and TD Bank - the Series 2008C.

**D. CHANGE IN OPEB CONTRIBUTION POLICY**

Employee contributions are not required prior to retirement to fund the OPEB Plan. Since the establishment of the OPEB Plan, District retirees have been required to pay 25% of their health insurance premiums and 35.75 cents per one thousand dollars of life insurance coverage until age 65 for the 75% reduction option and could also elect a 50% or 0% reduction, which would require additional retiree contributions.

Beginning in fiscal year 2010, the District transitioned to a graded contribution schedule. Annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay 75% of their health insurance premiums and the District pays the remaining 25%, plus an additional 2.5% for each year of creditable service over 10 years, provided that the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service or annuitants who are injured in the line of duty, the District pays 75% of the cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan.

Covered family members of an annuitant with at least 10 years of creditable District service but less than 30 years of creditable District service pay 80% of their health insurance premiums and the District pays the remaining 20%, plus an additional 2% for each year of creditable District service over 10 years, provided that the District's contribution shall not exceed 60% of the cost for the covered family member of the annuitant. The District pays 60% of the cost of the selected health benefit plan for covered family members of an annuitant with 30 or more years of creditable District service and the family member pays 40% of the cost of the selected health benefit plan. The District pays 60% of the cost of the selected health benefit plan and the family member pays 40% of the cost of the selected health benefit plan for covered family members of annuitants who are injured or killed in the line of duty. The impact this change will have on the District's portion of future OPEB costs has not been determined.

**E. COMPONENT UNITS***Housing Finance Agency Bond Activity*

On December 30, 2009, \$25,000 of District of Columbia Housing Finance Agency Single Family Housing Revenue Bonds, Series 2009 A (Program Bonds-Taxable) were issued with a delivery date of January 12, 2010. On December 30, 2009, \$168,100 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds 2009 Series A (NIB Program) (Program Bonds - Taxable) were issued with a delivery date of January 12, 2010.

On November 1, 2009, \$2,775 of Single Family Mortgage Revenue Bonds 2007 Series A were redeemed. On December 1, 2009, Single Family Mortgage Revenue Bonds totaling \$14,445 were redeemed. In addition, between October 1, 2009 and December 31, 2009, \$8,701 in multi-family mortgage revenue bonds were issued through draws on the existing draw down bonds.

Between October 1, 2009 and December 31, 2009, multi-family mortgage revenue bonds totaling \$12,911 were redeemed or matured.

*Dissolution of Sports and Entertainment Commission*

Upon approval of the Fiscal Year 2010 Budget Support Act of 2009 and through the passage of the Washington Convention Center Authority and the Sports and Entertainment Commission Merger Act of 2009, the Sports and Entertainment Commission (SEC) was abolished, effective October 1, 2009, and the Washington Convention and Sports Authority (WCSA) was created. Consequently, members of the Board of Directors of the Washington Convention Center Authority (WCCA) became members of WCSA's Board of Directors, and are to serve in that capacity until the expiration of their original WCCA Board terms. In addition, the chairperson and vice chairperson of SEC's Board of Directors also became WCSA Board members, to serve in that capacity until the expiration of their original SEC Board terms. Management of WCSA's daily operations rests with its General Manager (who served as WCCA's General Manager prior to the SEC-WCCA merger).

Pursuant to the merger, all SEC authorities and functions transferred to WCSA. With SEC's dissolution, all SEC assets, including but not limited to, cash, accounts receivable, reserve funds, real and personal property and contract and other rights, were transferred to WCSA. Similarly, WCSA also assumed SEC's liabilities, commitments, and other similar obligations, held by SEC at the time of its dissolution.

**REQUIRED SUPPLEMENTARY INFORMATION**

Required Supplementary Information presents additional information as mandated by current governmental financial reporting standards.

Schedule of Funding Progress  
District of Columbia Retirement Programs

**POLICE AND FIREFIGHTERS PLAN**

As of September 30, 2009

(\$000s)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liability (UAAL)/ (Funding Excess)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/2008	\$2,932,100	\$2,938,800	\$6,700	99.8%	\$421,800	1.59%
10/01/2007	\$2,672,900	\$2,647,300	(\$25,600)	101.0%	\$329,600	-7.77%
10/01/2006	N/A	N/A	N/A	N/A	N/A	N/A

N/A – The District uses the Aggregate Actuarial Cost Method to determine its annual required contribution (ARC). Consistent with GASB Statement No. 50, the above Schedule of Funding Progress has been prepared using the Entry Age Actuarial Cost Method, to provide information that serves as a surrogate for the funded status and funding progress of the plan. Comparable data is not available for prior years.

Schedule of Funding Progress  
District of Columbia Retirement Programs

**TEACHERS PLAN**

As of September 30, 2009

(\$000s)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liability (UAAL)/ (Funding Excess)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/2008	\$1,447,600	\$1,338,000	(\$109,600)	108.2%	\$359,100	-30.52%
10/01/2007	\$1,396,000	\$1,251,300	(\$144,700)	111.6%	\$338,800	-42.71%
10/01/2006	N/A	N/A	N/A	N/A	N/A	N/A

N/A – The District uses the Aggregate Actuarial Cost Method to determine its annual required contribution (ARC). Consistent with GASB Statement No. 50, the above Schedule of Funding Progress has been prepared using the Entry Age Actuarial Cost Method, to provide information that serves as a surrogate for the funded status and funding progress of the plan. Comparable data is not available for prior years.

## Actuarial Methods and Assumptions

**OTHER POST EMPLOYMENT BENEFITS (OPEB) PROGRAM**

As of September 30, 2009

Valuation Date	September 30, 2008 (projected from April 1, 2008 census)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Discount Rate	6.50%
Rate of Salary Increases	5.0% (plus merit scale)
Rate of Medical Inflation	10% (pre-Medicare) or 9% (post-Medicare) grading to 5.25% over 15 years
Grading over 15 years	Grading to 5.25% over 15 years

The rate of employer contributions to the Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

## Schedule of Funding Progress

**OTHER POST EMPLOYMENT BENEFITS (OPEB) PROGRAM**

As of September 30, 2009

(\$000s)

	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
09/30/2009	\$309,100	\$900,000	\$590,900	34.3%	\$1,185,700	49.8%
09/30/2008	\$219,700	\$745,200	\$525,500	29.5%	\$1,107,100	47.5%
09/30/2007	\$164,200	\$600,100	\$435,900	27.4%	\$1,090,900	40.0%
09/30/2006	N/A	N/A	N/A	N/A	N/A	N/A

N/A – The District began paying contributions based on an actuarially determined valuation using GASB Statement No. 45 parameters in FY 2008.

Amounts presented for fiscal year 2009 are estimates made by the actuary. The District is required to have an actuarial valuation completed every two years. Therefore, an actuarial valuation was not completed for the period ending 09/30/2009.

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## OTHER SUPPLEMENTARY INFORMATION

This subsection includes the combining and individual fund statements and schedules for the following:

*General Fund*

*Nonmajor Governmental Funds*

*Fiduciary Funds*

*Supporting Schedules*

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**GENERAL FUND**

The General Fund is used to account for all financial resources that are not required to be accounted for in another fund.

## Exhibit A-1

**GENERAL FUND  
BALANCE SHEET  
September 30, 2009  
(With Comparative Totals at September 30, 2008)  
(\$000s)**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents (unrestricted)	\$ 385,459	\$ 484,115
Receivables (net of allowances for uncollectibles):		
Taxes	351,096	305,169
Accounts	96,450	87,251
Intergovernmental	19,856	12,947
Due from component units	24,489	14,339
Interfund	346,597	432,253
Inventories	10,221	15,869
Other current assets	1,066	690
Cash and cash equivalents (restricted)	397,058	605,913
Investments (restricted)	181,583	154,002
Total current assets	<u>1,813,875</u>	<u>2,112,548</u>
Long term assets	<u>58,994</u>	<u>64,499</u>
<b>Total assets</b>	<b>\$ <u>1,872,869</u></b>	<b>\$ <u>2,177,047</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Payables:		
Accounts	\$ 369,504	\$ 343,268
Compensation:		
Salaries and wages	147,008	118,310
Employee benefits	796	11,136
Payroll taxes	601	281
Other deductions	3,073	2,837
Due to component units	14,127	12,456
Interfund	30,406	55,250
Accrued liabilities:		
Claims and judgments	70	70
Grant disallowances	1,300	764
Medicaid	126,889	104,079
Tax refunds	55,439	72,962
Deferred revenue:		
Property taxes	112,328	103,192
Other	82,545	67,965
Other current liabilities	<u>8,300</u>	<u>39,755</u>
<b>Total liabilities</b>	<b><u>952,386</u></b>	<b><u>932,325</u></b>
<b>Fund Balance:</b>		
Reserved	703,694	957,977
Unreserved	<u>216,789</u>	<u>286,745</u>
<b>Total fund balance</b>	<b><u>920,483</u></b>	<b><u>1,244,722</u></b>
<b>Total liabilities and fund balance</b>	<b>\$ <u>1,872,869</u></b>	<b>\$ <u>2,177,047</u></b>

*See Accompanying Independent Auditors' Report.*



## Exhibit A-2

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**Year Ended September 30, 2009**  
**(With Comparative Totals for the Year Ended September 30, 2008)**  
**(\$000s)**

	<u>2009</u>	<u>2008</u>
<b>Revenues:</b>		
Taxes	\$ 5,042,487	\$ 5,333,118
Licenses and permits	91,230	94,988
Fines and forfeits	106,169	99,452
Charges for services:		
Public	187,261	172,928
Intergovernmental	8,856	7,686
Miscellaneous:		
Public	444,234	335,384
Investment income	18,435	70,528
Operating grants	-	1,865
Total revenues	<u>5,898,672</u>	<u>6,115,949</u>
<b>Expenditures:</b>		
Current:		
Governmental direction and support	589,492	663,674
Economic development and regulation	339,783	361,866
Public safety and justice	984,892	1,044,456
Public education system	1,497,302	1,457,941
Human support services	1,643,779	1,718,912
Public works	298,625	262,044
Public transportation	230,499	214,905
Debt service:		
Principal	241,654	229,953
Interest	223,364	219,196
Fiscal charges	19,628	25,025
Total expenditures	<u>6,069,018</u>	<u>6,197,972</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(170,346)</u>	<u>(82,023)</u>
<b>Other Financing Sources (Uses):</b>		
Debt issuance	2,742	2,360
Refunding debt issuance	580,140	675,895
Premium on sale of bonds	36,601	19,773
Payment to refunded bond escrow agent	(607,640)	(675,385)
Transfers in	121,651	74,088
Transfers out	(294,187)	(323,707)
Sale of capital assets	6,800	726
Total other financing uses	<u>(153,893)</u>	<u>(226,250)</u>
Special item	<u>-</u>	<u>58,995</u>
<b>DEFICIENCY OF REVENUES AND OTHER SOURCES</b> <b>UNDER EXPENDITURES AND OTHER USES</b>	<b>(324,239)</b>	<b>(249,278)</b>
<b>Fund Balance at October 1</b>	<u><b>1,244,722</b></u>	<u><b>1,494,000</b></u>
<b>Fund Balance at September 30</b>	<u><b>\$ 920,483</b></u>	<u><b>\$ 1,244,722</b></u>

*See Accompanying Independent Auditors' Report.*

## Exhibit A-3

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND NET FINANCING (SOURCES) USES**  
**FUNCTION AND OBJECT --GAAP BASIS**  
**Year Ended September 30, 2009**  
**(With Comparative Totals for the Year Ended September 30, 2008)**  
**(\$000s)**

Function and Subfunction	Personal	Contractual	Supplies	Occupancy	Miscel- laneous *	Totals		
	Services	Services				2009	2008	
Governmental Direction and Support:								
Legislative	\$ 19,138	\$ 2,404	\$ 142	\$ 523	\$ 2,272	\$ 24,479	\$ 22,187	
Executive	74,643	35,252	340	6,691	14,419	131,345	203,668	
Finance	87,280	38,057	606	12,683	122,237	260,863	271,067	
Personnel	13,553	13,965	322	1,936	71	29,847	32,524	
Administrative	40,254	33,554	262	22,918	39,245	136,233	127,394	
Elections	4,161	1,759	81	681	43	6,725	6,834	
Total	239,029	124,991	1,753	45,432	178,287	589,492	663,674	
Economic Development and Regulation:								
Community development	20,583	8,552	101	1,702	136,352	167,290	169,612	
Economic regulation	53,487	9,102	424	11,152	3,532	77,697	79,914	
Employment services	19,892	7,532	367	9,512	57,493	94,796	112,340	
Total	93,962	25,186	892	22,366	197,377	339,783	361,866	
Public Safety and Justice:								
Police	432,995	46,797	7,262	24,980	85,510	597,544	645,171	
Fire	171,367	5,932	4,325	4,669	30,465	216,758	226,837	
Corrections	65,124	76,285	2,803	5,099	2,527	151,838	153,797	
Protection	6,986	1,513	90	1,367	543	10,499	11,224	
Law	6,878	422	52	447	48	7,847	7,076	
Judicial	331	65	-	2	8	406	351	
Total	683,681	131,014	14,532	36,564	119,101	984,892	1,044,456	
Public Education System:								
Schools	479,526	59,780	11,954	48,542	472,844	1,072,646	1,299,751	
Culture	122,298	80,346	1,447	10,764	209,801	424,656	158,190	
Total	601,824	140,126	13,401	59,306	682,645	1,497,302	1,457,941	
Human Support Services:								
Health and welfare	297,444	125,444	17,674	68,330	937,197	1,446,089	1,496,452	
Human relations	4,603	2,446	52	384	16,202	23,687	23,924	
Employment benefits	-	-	-	-	122,851	122,851	145,586	
Recreation	36,510	8,255	1,380	4,137	870	51,152	52,950	
Total	338,557	136,145	19,106	72,851	1,077,120	1,643,779	1,718,912	
Public Works	130,769	85,084	4,766	28,271	49,735	298,625	262,044	
Public Transportation	-	-	-	-	230,499	230,499	214,905	
Debt Service	-	-	-	-	484,646	484,646	474,174	
Net Financing Uses and special item								
	-	-	-	-	153,893	153,893	167,255	
Total expenditures and net sources	\$ 2,087,822	\$ 642,546	\$ 54,450	\$ 264,790	\$ 3,173,303	\$ 6,222,911	\$ 6,365,227	

See Accompanying Independent Auditors' Report.

\*Miscellaneous column includes transfers, subsidies and other payments totaling \$2,996,644.

Transfers to: Convention Center [\$91,538], Charter Schools [\$385,896], UDC [\$62,070], Police & Fire Retirement System [\$106,000], Housing Authority Subsidy [\$30,983], Mass Transit Subsidies [\$230,499], District Retiree Health Contribution [\$81,100]

Payments for: Dept. of Employment Services [\$69,405], Certificate of Participation [\$32,270], Repayment of Loan & Interest [\$442,342], Dept. of Housing & Community Development [\$23,360], Master Equipment Lease [\$38,378], Economic Development [\$85,921], State Education [\$90,721], Office of Non-Public Tuition [\$136,097], Dept. of Health [\$83,068], Dept. of Healthcare Financing [\$497,486], Dept. of Human Services [\$133,260], Disability Services [\$70,675], Dept. of Youth Rehabilitation [\$34,845], Dept. of Transportation [\$46,315], Dept. of the Environment [\$45,591], Office of Child & Family Services [\$156,981], Dept. of Mental Health [\$21,843]

Exhibit A-4

**GENERAL FUND**  
**SCHEDULE OF LOCAL SOURCE REVENUES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended September 30, 2009**  
**(\$000s)**

Source	Budget		Actual	Variance Positive (Negative)
	Original	Revised		
Taxes:				
Property:				
Real	\$ 1,993,768	1,785,460	1,814,829	29,369
Personal	61,920	57,422	69,163	11,741
Total	2,055,688	1,842,882	1,883,992	41,110
Sales and use:				
General	909,764	855,745	839,986	(15,759)
Alcoholic beverages	5,029	5,157	5,386	229
Cigarette	33,004	47,586	37,620	(9,966)
Motor vehicles	47,548	40,160	32,107	(8,053)
Total	995,345	948,648	915,099	(33,549)
Income and franchise:				
Individual income	1,209,161	1,112,357	1,135,938	23,581
Corporation franchise	249,265	236,264	221,883	(14,381)
Unincorporated business	156,792	107,822	120,247	12,425
Total	1,615,218	1,456,443	1,478,068	21,625
Gross receipts:				
Public utility	153,679	153,627	151,046	(2,581)
Toll telecommunication	56,665	63,283	66,586	3,303
Insurance companies	67,857	64,050	57,417	(6,633)
Health care providers	11,000	11,000	12,088	1,088
Baseball gross receipts	18,484	20,748	28,204	7,456
Total	307,685	312,708	315,341	2,633
Other:				
Deed recordation	107,571	89,014	100,764	11,750
Deed transfers	90,038	60,040	78,262	18,222
Inheritance and estate	68,398	70,000	74,508	4,508
Economic interests	32,955	17,955	8,376	(9,579)
Total	298,962	237,009	261,910	24,901
Total taxes	5,272,898	4,797,690	4,854,410	56,720
Licenses and Permits:				
Business licenses	44,973	32,621	30,637	(1,984)
Nonbusiness permits	46,888	28,271	35,287	7,016
Total	91,861	60,892	65,924	5,032
Fines and Forfeits	94,969	135,082	101,415	(33,667)
Charges for Services:				
Right of way	-	-	32	32
Other	51,412	48,050	44,060	(3,990)
Total	51,412	48,050	44,092	(3,958)
Miscellaneous:				
Interest	34,005	43,450	11,867	(31,583)
Other	60,251	75,866	129,872	54,006
Total	94,256	119,316	141,739	22,423
Total local revenues	5,605,396	5,161,030	5,207,580	46,550
Transfers and Other sources:				
General obligation bonds	15,000	15,000	3,340	(11,660)
Fund balance released from restrictions	138,575	487,061	446,989	(40,072)
Interfund transfer	74,897	106,142	95,742	(10,400)
Total transfers and other sources	228,472	608,203	546,071	(62,132)
Total Local Revenues and Sources	\$ 5,833,868	5,769,233	5,753,651	(15,582)

See Accompanying Independent Auditors' Report.

Exhibit A-5

GENERAL FUND  
SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES BY SOURCE OF FUNDS  
Year Ended September 30, 2009  
(\$000s)

	Local Source				Other Source				Totals			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
<b>Revenues and Sources:</b>												
Taxes												
Property	\$ 2,055,688	1,842,882	1,883,992	41,110	-	-	-	-	2,055,688	1,842,882	1,883,992	41,110
Sales and uses	995,345	948,648	915,099	(33,549)	-	-	-	-	995,345	948,648	915,099	(33,549)
Income and franchise	1,615,218	1,456,443	1,478,068	21,625	-	-	-	-	1,615,218	1,456,443	1,478,068	21,625
Gross receipts and other taxes	606,647	549,717	577,251	27,534	-	-	-	-	606,647	549,717	577,251	27,534
Total taxes	5,272,898	4,797,690	4,854,410	56,720	-	-	-	-	5,272,898	4,797,690	4,854,410	56,720
Licenses and permits	91,861	60,892	65,924	5,032	-	-	-	-	91,861	60,892	65,924	5,032
Fines and forfeits	94,969	135,082	101,415	(33,667)	-	-	-	-	94,969	135,082	101,415	(33,667)
Charges for services	51,412	48,050	44,092	(3,958)	-	-	-	-	51,412	48,050	44,092	(3,958)
Miscellaneous	94,256	119,316	141,739	22,423	-	-	-	-	94,256	119,316	141,739	22,423
Other	-	-	-	-	464,873	424,627	454,764	30,137	464,873	424,627	454,764	30,137
General obligation bonds	15,000	15,000	3,340	(11,660)	-	-	-	-	15,000	15,000	3,340	(11,660)
Fund balance released from restrictions	138,575	487,061	446,989	(40,072)	66,653	87,031	29,569	(57,462)	205,228	574,092	476,558	(97,534)
Interfund transfer from lottery and games	71,000	70,300	68,775	(1,525)	-	-	-	-	71,000	70,300	68,775	(1,525)
Interfund transfer others	3,897	35,842	26,967	(8,875)	-	-	-	-	3,897	35,842	26,967	(8,875)
Total Revenues and Sources	5,833,868	5,769,233	5,753,651	(15,582)	531,526	511,658	484,333	(27,325)	6,365,394	6,280,891	6,237,984	(42,907)
<b>Expenditures and Uses:</b>												
Governmental direction and support	349,267	355,359	351,235	4,124	52,408	32,223	25,706	6,517	401,675	387,582	376,941	10,641
Economic development and regulation	221,467	259,347	239,013	20,334	138,409	140,984	117,160	23,824	359,876	400,331	356,173	44,158
Public safety and justice	942,349	934,502	928,980	5,522	70,877	70,610	55,236	15,374	1,013,226	1,005,112	984,216	20,896
Public education system	1,398,679	1,370,066	1,362,344	7,722	32,420	28,665	18,422	10,243	1,431,099	1,398,731	1,380,766	17,965
Public education AY10 expenditure	-	102,727	102,727	-	-	-	-	-	-	102,727	102,727	-
Human support services	1,555,951	1,515,483	1,477,657	37,826	32,002	35,900	28,243	7,657	1,587,953	1,551,383	1,505,900	45,483
Child & family services medicaid write off	-	-	32,055	(32,055)	-	-	-	-	-	-	32,055	(32,055)
Public works	430,813	428,933	428,490	443	171,472	174,801	132,021	42,780	602,285	603,734	560,511	43,223
Account receivable write off	-	-	4,513	(4,513)	-	-	-	-	-	-	4,513	(4,513)
Workforce investments	26,691	1	-	1	-	-	-	-	26,691	1	-	1
Wilson building	4,058	4,058	4,008	50	-	-	-	-	4,058	4,058	4,008	50
Repay bonds and interest	456,630	435,585	435,286	299	3,097	3,097	3,097	-	459,727	438,682	438,383	299
Repay revenue bonds and interest	6,000	2,500	2,144	356	-	-	-	-	6,000	2,500	2,144	356
Bond fiscal charge	15,000	15,000	4,382	10,618	-	-	-	-	15,000	15,000	4,382	10,618
Interest on short term borrowing	9,000	4,544	4,538	6	-	-	-	-	9,000	4,544	4,538	6
Certificates of participation	32,791	32,541	32,270	271	-	-	-	-	32,791	32,541	32,270	271
Settlements and judgments fund	21,477	17,326	17,325	1	-	-	-	-	21,477	17,326	17,325	1
Presidential inauguration	-	-	-	-	-	-	-	-	-	-	-	-
Baseball tax transfer	50,044	50,044	50,044	-	-	-	-	-	50,044	50,044	50,044	-
Community health fund transfer	-	93,073	93,073	-	-	-	-	-	-	93,073	93,073	-
Equipment lease operating	43,033	38,533	38,378	155	-	-	-	-	43,033	38,533	38,378	155
Pay-go capital	123,014	14,935	14,748	187	2,000	7,254	5,254	2,000	125,014	22,189	20,002	2,187
Schools modernization fund	8,613	8,613	8,613	-	-	-	-	-	8,613	8,613	8,613	-
District retiree health contribution	81,100	81,100	81,100	-	-	-	-	-	81,100	81,100	81,100	-
Cash reserve	46,000	-	-	-	-	-	-	-	46,000	-	-	-
Non-departmental agency	10,438	-	-	-	28,841	18,124	-	18,124	39,279	18,124	-	18,124
Total Expenditures and Uses	5,832,415	5,764,270	5,712,923	51,347	531,526	511,658	385,139	126,519	6,363,941	6,275,928	6,098,062	177,866
<b>Excess of Revenues and Sources Over Expenditures and Uses</b>												
	\$ 1,453	4,963	40,728	35,765	-	-	99,194	99,194	1,453	4,963	139,922	134,959

See Accompanying Independent Auditors' Report.

## Exhibit A-6

**GENERAL FUND**  
**SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES**  
**Year Ended September 30, 2009**  
**(\$000s)**

	Original Budget	Revisions	Revised Budget	Actual	Variance (Actual To Original Budget)
<b>Revenues and Sources:</b>					
Taxes:					
Property	\$ 2,055,688	(212,806)	1,842,882	1,883,992	(171,696)
Sales and use	995,345	(46,697)	948,648	915,099	(80,246)
Income and franchise	1,615,218	(158,775)	1,456,443	1,478,068	(137,150)
Other taxes	606,647	(56,930)	549,717	577,251	(29,396)
Total taxes	5,272,898	(475,208)	4,797,690	4,854,410	(418,488)
Licenses and permits	91,861	(30,969)	60,892	65,924	(25,937)
Fines and forfeits	94,969	40,113	135,082	101,415	6,446
Charges for services	51,412	(3,362)	48,050	44,092	(7,320)
Miscellaneous	94,256	25,060	119,316	141,739	47,483
Other	464,873	(40,246)	424,627	454,764	(10,109)
General obligation bonds	15,000	-	15,000	3,340	(11,660)
Fund balance released from restriction	205,228	368,864	574,092	476,558	271,330
Interfund transfer-from lottery and game	71,000	(700)	70,300	68,775	(2,225)
Interfund transfer-others	3,897	31,945	35,842	26,967	23,070
<b>Total Revenues and Sources</b>	<b>6,365,394</b>	<b>(84,503)</b>	<b>6,280,891</b>	<b>6,237,984</b>	<b>(127,410)</b>
<b>Expenditures and Uses:</b>					
Governmental direction and support	401,675	(14,093)	387,582	376,941	24,734
Economic development and regulation	359,876	40,455	400,331	356,173	3,703
Public safety and justice	1,013,226	(8,114)	1,005,112	984,216	29,010
Public education system	1,431,099	(32,368)	1,398,731	1,380,766	50,333
Public education AY10 expenditure	-	102,727	102,727	102,727	(102,727)
Human support services	1,587,953	(36,570)	1,551,383	1,505,900	82,053
Child & family services medicaid write	-	-	-	32,055	(32,055)
Public works	602,285	1,449	603,734	560,511	41,774
Account receivable write off	-	-	-	4,513	(4,513)
Workforce investments	26,691	(26,690)	1	-	26,691
Wilson building	4,058	-	4,058	4,008	50
Repay bonds and interest	459,727	(21,045)	438,682	438,383	21,344
Repay revenue bonds and interest	6,000	(3,500)	2,500	2,144	3,856
Bond fiscal charge	15,000	-	15,000	4,382	10,618
Interest on short term borrowing	9,000	(4,456)	4,544	4,538	4,462
Certificates of participation	32,791	(250)	32,541	32,270	521
Settlements and judgments fund	21,477	(4,151)	17,326	17,325	4,152
Baseball tax transfer	50,044	-	50,044	50,044	-
Community health fund transfer	-	93,073	93,073	93,073	(93,073)
Equipment lease operating	43,033	(4,500)	38,533	38,378	4,655
Pay-go capital	125,014	(102,825)	22,189	20,002	105,012
Schools modernization fund	8,613	-	8,613	8,613	-
District retiree health contribution	81,100	-	81,100	81,100	-
Cash reserve	46,000	(46,000)	-	-	46,000
Non-departmental agency	39,279	(21,155)	18,124	-	39,279
<b>Total Expenditures and Uses</b>	<b>6,363,941</b>	<b>(88,013)</b>	<b>6,275,928</b>	<b>6,098,062</b>	<b>265,879</b>
<b>Excess of Revenues and Sources Over Expenditures and Uses</b>	<b>\$ 1,453</b>	<b>3,510</b>	<b>4,963</b>	<b>139,922</b>	<b>138,469</b>

See Accompanying Independent Auditors' Report.

## **NONMAJOR GOVERNMENTAL FUNDS**

(Combining Statements)

### **Special Revenue Funds**

The **Tax Increment Financing (TIF) Program Fund** is used to account for activities relating to various TIF development initiatives. These activities support new economic development projects.

The **Tobacco Settlement Financing Corporation (TSFC) Fund** is used to account for the tobacco litigation settlement activities of the District of Columbia.

The **Community Health Care Financing Fund** is used to reserve funding to construct health care facilities, a comprehensive assessment to improve the District's urgent and emergent care delivery system and to recommend investments in that system.

The **Housing Production Trust Fund** is used to provide financial assistance to non-profit and for-profit developers for the planning and production of low, very low, and extremely low income housing and related facilities.

The **PILOT Special Revenue Fund** is used to account for the proceeds of revenue bonds issued by the Anacostia Waterfront Corporation (AWC) to finance the development costs associated with park and infrastructure projects along the Anacostia River Waterfront.

The **Baseball Project Fund** is used to account for the proceeds of baseball related revenue sources that are legally restricted to expenditures for baseball project purposes.

### **Debt Service Fund**

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of ballpark revenue bonds.

### **Capital Project Fund**

The **Highway Trust Fund** is used to account for the motor vehicle fuel taxes and other fees collected and used by the District for highway projects.

## Exhibit B-1

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
September 30, 2009  
(With Comparative Totals at September 30, 2008)  
(\$000s)**

	Special Revenue Funds							Capital Project Fund	Totals	
	Tax Increment Financing Program	Tobacco Settlement Financing Corporation	Community Health Care Financing	Housing Production Trust	PILOT Special Revenue	Baseball Project	Debt Service Fund	Highway Trust	2009	2008
<b>ASSETS</b>										
<b>Current Assets:</b>										
Receivables (net of allowances for uncollectibles):										
Accounts	\$ 17	\$ 30,786	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,803	\$ 32,844
Interfund	-	-	-	10,077	-	4,152	-	6,013	20,242	48,223
Accrued interest	-	-	-	-	-	-	-	-	-	171
Other current assets	-	41	-	-	-	-	-	-	41	229
Restricted cash and cash equivalents	21,270	56,508	46,991	37,283	120,293	43,719	-	10,758	336,822	366,422
Other long term assets	-	-	-	67,161	-	-	-	-	67,161	126,829
<b>Total assets</b>	<b>\$ 21,287</b>	<b>\$ 87,335</b>	<b>\$ 46,991</b>	<b>\$ 114,521</b>	<b>\$ 120,293</b>	<b>\$ 47,871</b>	<b>\$ -</b>	<b>\$ 16,771</b>	<b>\$ 455,069</b>	<b>\$ 574,718</b>
<b>LIABILITIES AND FUND BALANCE</b>										
<b>Current Liabilities:</b>										
Payables:										
Accounts	\$ 1,889	\$ -	\$ 1,430	\$ 2,387	\$ -	\$ -	\$ -	\$ 9,370	\$ 15,076	\$ 13,905
Compensation payable	-	-	-	7	-	-	-	96	103	283
Deferred revenue	-	-	-	67,161	-	212	-	11	67,384	127,615
Due to other funds	-	-	-	-	-	-	-	485	485	28,131
Accrued liabilities	-	100	-	-	-	-	-	-	100	80
<b>Total liabilities</b>	<b>1,889</b>	<b>100</b>	<b>1,430</b>	<b>69,555</b>	<b>-</b>	<b>212</b>	<b>-</b>	<b>9,962</b>	<b>83,148</b>	<b>170,014</b>
<b>Fund Balance:</b>										
Reserved for special revenue funds	19,398	87,235	45,561	44,966	120,293	47,659	-	-	365,112	381,435
Reserved for capital project fund	-	-	-	-	-	-	-	6,809	6,809	23,269
<b>Total fund balances</b>	<b>19,398</b>	<b>87,235</b>	<b>45,561</b>	<b>44,966</b>	<b>120,293</b>	<b>47,659</b>	<b>-</b>	<b>6,809</b>	<b>371,921</b>	<b>404,704</b>
<b>Total liabilities and fund balances</b>	<b>\$ 21,287</b>	<b>\$ 87,335</b>	<b>\$ 46,991</b>	<b>\$ 114,521</b>	<b>\$ 120,293</b>	<b>\$ 47,871</b>	<b>\$ -</b>	<b>\$ 16,771</b>	<b>\$ 455,069</b>	<b>\$ 574,718</b>

See Accompanying Independent Auditors' Report.

## Exhibit B-2

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended September 30, 2009**  
**(With Comparative Totals for the Year Ended September 30, 2008)**  
**(\$000s)**

	Special Revenue Funds							Capital Project Fund	Totals	
	Tax Increment Financing Program	Tobacco Settlement Financing Corporation	Community Health Care Financing	Housing Production Trust	PILOT Special Revenue	Baseball Project	Debt Service Fund	Highway Trust	2009	2008
<b>Revenues:</b>										
Interest	\$ 938	\$ 2,418	\$ -	\$ (686)	\$ 4,373	\$ 56	\$ -	\$ 81	\$ 7,180	\$ 9,043
Other	127	45,836	-	5,320	3,021	3,772	-	6,720	64,796	74,442
Total revenues	1,065	48,254	-	4,634	7,394	3,828	-	6,801	71,976	83,485
<b>Expenditures:</b>										
Governmental direction and support	-	200	-	-	-	-	-	-	200	170
Capital outlay	-	-	-	-	-	-	-	58,719	58,719	50,369
Bond principal payment	4,467	13,245	-	-	13,492	-	4,665	-	35,869	22,045
Interest	5,230	30,877	-	-	5,908	-	27,105	-	69,120	68,158
Fiscal charges	-	-	-	-	-	-	31	-	31	305
Other	-	-	9,746	45,832	1,240	-	-	-	56,818	132,284
Total expenditures	9,697	44,322	9,746	45,832	20,640	-	31,801	58,719	220,757	273,331
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(8,632)	3,932	(9,746)	(41,198)	(13,246)	3,828	(31,801)	(51,918)	(148,781)	(189,846)
<b>Other Financing Sources (Uses):</b>										
Transfers in	25,985	-	18,840	26,101	10,057	50,678	31,801	35,458	198,920	213,803
Transfers out	(28,053)	(23,068)	-	-	-	(31,801)	-	-	(82,922)	(80,034)
Total other financing sources (uses)	(2,068)	(23,068)	18,840	26,101	10,057	18,877	31,801	35,458	115,998	133,769
<b>Special item</b>	-	-	-	-	-	-	-	-	-	116,255
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	(10,700)	(19,136)	9,094	(15,097)	(3,189)	22,705	-	(16,460)	(32,783)	60,178
<b>Fund Balances at October 1</b>	30,098	106,371	36,467	60,063	123,482	24,954	-	23,269	404,704	344,526
<b>Fund Balances at September 30</b>	\$ 19,398	\$ 87,235	\$ 45,561	\$ 44,966	\$ 120,293	\$ 47,659	\$ -	\$ 6,809	\$ 371,921	\$ 404,704

See Accompanying Independent Auditors' Report.



### **FIDUCIARY FUNDS** (Combining Statements)

The Fiduciary Funds are used to account for assets held by the District in a trustee or agency capacity. These assets cannot be used to support the District's programs.

The **Pension Trust Funds** are used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future for police officers, fire fighters and public school teachers of the District. Resources are contributed by employees and by the District and federal government at amounts determined by an annual actuarial study. The funds are administered by a thirteen member Retirement Board. Three of these members are appointed by the Mayor and three by the Council. The other members include one each active and retired police officers, fire fighters, and teachers. The administrative costs of the board are accounted for in the funds.

The **Other Post Employment Benefit (OPEB) Trust Fund** is used to account for the receipt of monies for post-employment healthcare and life insurance benefits provided under the Post-Retirement Health and Life Insurance Benefit Plan. Annual District contributions are actuarially determined and paid accordingly. No employee contributions are required prior to retirement to fund the OPEB plan; however, retirees make contributions as required by the associated substantive plan.

The **Agency Funds** are used to account for refundable deposits required of various licensees, monies held in escrow as an agent for individuals, private organizations or other governments.

## Exhibit C-1

**PENSION TRUST FUNDS**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**September 30, 2009**  
**(With Comparative Totals at September 30, 2008)**  
**(\$000s)**

	<b>Pension Trust Funds</b>		<b>Other Postemployment Benefit (OPEB) Trust Fund</b>	<b>Totals</b>	
	<b>Police &amp; Fire</b>	<b>Teachers</b>		<b>2009</b>	<b>2008</b>
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents - restricted	\$ 153,357	\$ 72,758	\$ 81,692	\$ 307,807	\$ 76,718
Investments - restricted	2,499,224	1,185,722	227,444	3,912,390	4,064,334
Receivables:					
Accounts	-	-	-	-	7,464
Due from federal government	1,540	732	-	2,272	1,659
Benefit contribution	1,503	1,292	-	2,795	2,498
Other current assets	83,581	39,654	-	123,235	438,133
Collateral from securities lending transaction	317,698	153,109	-	470,807	468,962
Due from other funds	-	8,219	-	8,219	557
Capital assets	15	7	-	22	40
<b>Total assets</b>	<b>3,056,918</b>	<b>1,461,493</b>	<b>309,136</b>	<b>4,827,547</b>	<b>5,060,365</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Payables:					
Accounts	4,872	4,606	-	9,478	11,273
Securities lending	325,472	156,856	-	482,328	468,962
Due to other funds	4,042	1,921	-	5,963	1,103
Other current liabilities	197,538	93,719	-	291,257	624,862
<b>Total liabilities</b>	<b>531,924</b>	<b>257,102</b>	<b>-</b>	<b>789,026</b>	<b>1,106,200</b>
<b>NET ASSETS</b>					
<b>Net Assets</b>					
Held in trust for pension benefits	\$ <u>2,524,994</u>	\$ <u>1,204,391</u>	\$ <u>309,136</u>	\$ <u>4,038,521</u>	\$ <u>3,954,165</u>

*See Accompanying Independent Auditors' Report.*

Exhibit C-2

**PENSION TRUST FUNDS**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**For the Year Ended September 30, 2009**  
**(With Comparative Totals for the Year Ended September 30, 2008)**  
**(\$000s)**

	<b>Pension Trust Funds</b>		<b>Other Postemployment Benefit Trust Fund (OPEB)</b>	<b>Totals</b>	
	<b>Police &amp; Fire</b>	<b>Teachers</b>		<b>2009</b>	<b>2008</b>
<b>Additions:</b>					
Benefit contributions:					
Employer	\$ 106,000	\$ -	\$ 81,100	\$ 187,100	\$ 253,907
Plan members	29,900	24,907	798	55,605	57,637
Investment income (loss):					
From investment activities					
Interest and dividends	59,116	28,867	7,960	95,943	117,962
Net appreciation (depreciation) in fair value of investments	(112,327)	(64,382)	3,098	(173,611)	(938,590)
Other revenue	1,680	793	-	2,473	2,942
Less - investment expenses	(8,299)	(3,963)	-	(12,262)	(12,447)
Net income (loss) from investing activities	(59,830)	(38,685)	11,058	(87,457)	(830,133)
From securities lending activities					
Securities lending income	5,726	2,796	-	8,522	21,347
Less: securities lending expenses	(2,444)	(1,193)	-	(3,637)	(16,239)
Net income from securities lending activities	3,282	1,603	-	4,885	5,108
Total net investment income (loss)	(56,548)	(37,082)	11,058	(82,572)	(825,025)
Total additions (deductions)	79,352	(12,175)	92,956	160,133	(513,481)
<b>Deductions:</b>					
Administrative expenses	4,904	2,340	1,143	8,387	9,919
Benefit payments	26,180	38,848	2,362	67,390	57,989
Total deductions	31,084	41,188	3,505	75,777	67,908
Change in net assets	48,268	(53,363)	89,451	84,356	(581,389)
<b>Net assets held in trust for pension benefits:</b>					
October 1	2,476,726	1,257,754	219,685	3,954,165	4,535,554
September 30	\$ 2,524,994	\$ 1,204,391	\$ 309,136	\$ 4,038,521	\$ 3,954,165

See Accompanying Independent Auditors' Report.

## Exhibit C-3

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended September 30, 2009**  
**(\$000s)**

	Balance October 1 2008	Additions	Deductions	Balance September 30 2009
<b>ASSETS</b>				
Cash and cash equivalents - restricted	\$ 128,561	\$ 1,669,071	\$ 1,705,818	\$ 91,814
Due from other funds	6,086	500	6,380	206
Other receivables	3,626	592,046	587,557	8,115
<b>Total assets</b>	<u>\$ 138,273</u>	<u>\$ 2,261,617</u>	<u>\$ 2,299,755</u>	<u>\$ 100,135</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 8,501	\$ 29,061	\$ 29,393	\$ 8,169
Due to other funds	17	7,139	17	7,139
Other current liabilities	129,755	736,771	781,699	84,827
<b>Total liabilities</b>	<u>\$ 138,273</u>	<u>\$ 772,971</u>	<u>\$ 811,109</u>	<u>\$ 100,135</u>

See Accompanying Independent Auditors' Report.

### **SUPPORTING SCHEDULES**

Supporting schedules are financial presentations used to aggregate and present in greater detail information contained in the financial statements and to present additional information not disclosed in the basic financial statements.

## Exhibit D-1

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS EXPENDITURES**  
**Year Ended September 30, 2009**  
**(\$000s)**

	Budget		Actual	Variance
	Original	Revised		
Governmental direction and support:				
City council	\$ 20,396	20,396	19,929	467
DC auditor	4,036	4,036	3,506	530
Advisory neighborhood commissions	1,092	1,092	1,043	49
Mayor	6,086	5,575	5,234	341
Executive secretary	4,304	3,903	3,587	316
Medical liability captive	-	198	198	-
City administrator	5,964	5,964	5,712	252
Risk management	1,480	1,680	1,662	18
Personnel	9,675	9,322	8,857	465
Finance and resource management	4,471	4,471	4,444	27
Contracts and procurement	6,527	6,170	5,381	789
Chief technology officer	56,448	56,472	55,975	497
Property management	26,951	35,852	33,123	2,729
Contract appeals	972	934	933	1
Elections and ethics	5,334	6,751	6,493	258
Campaign finance	1,721	1,721	1,648	73
Public employee relations	980	1,060	999	61
Employee appeals	1,778	1,818	1,780	38
Council of governments	396	396	396	-
Attorney general	87,493	86,035	83,221	2,814
Office of partnership and grant services	897	897	850	47
Office of community affair	3,093	3,049	2,708	341
Serve DC	3,733	3,791	3,742	49
Office of disability right	1,470	1,373	1,140	233
Inspector general	16,853	17,803	17,107	696
Chief financial officer	154,722	135,417	135,253	164
Total governmental direction and support	426,872	416,176	404,922	11,254
Economic development and regulation:				
Business services and economic development	79,663	76,911	71,039	5,872
Office of planning	9,873	10,242	9,165	1,077
Local business development	3,225	3,876	3,474	402
Motion picture and television development	652	2,052	1,990	62
Office of zoning	3,137	3,112	2,935	177
Housing and community development	79,728	98,234	56,071	42,163
Alcoholic beverage regulation administration	6,441	6,041	4,794	1,247
Employment services	128,070	148,282	124,813	23,469
DC sports commission subsidy	2,500	2,500	2,500	-
Real property assessment and appeals	708	733	705	28
Consumer and regulatory affairs	36,937	36,912	33,237	3,675
Commission on arts & humanities	14,228	14,556	13,936	620
Public services commission	9,972	10,017	9,326	691
Office of people's counsel	5,025	5,025	4,708	317
Insurance regulation	16,319	16,469	15,204	1,265
Housing authority subsidy	30,983	30,983	30,983	-
Housing production trust fund subsidy	22,725	31,744	28,244	3,500
Office of tenant advocate	2,530	2,530	1,937	593
Office of cable TV	7,089	7,589	7,147	442
Total economic development and regulation	459,805	507,808	422,208	85,600
Public safety and justice:				
Police	478,072	471,579	468,640	2,939
Fire and emergency medical services	184,289	187,289	186,633	656
Police and firefighter retirement contribution	110,900	106,000	106,000	-
Corrections	149,276	151,729	150,844	885
National guard	8,710	5,860	5,527	333
Emergency preparedness	249,389	90,698	68,293	22,405
Judicial disabilities and tenure	271	275	272	3
Judicial nomination	152	152	134	18
Citizen complaint review board	2,618	2,618	2,434	184
Advisory commission on sentencing	779	779	582	197
Office of the chief medical examiner	10,020	9,824	9,380	444
Office of administrative hearings	7,750	8,218	7,847	371
Corrections information council	25	-	-	-
Criminal justice coordinating council	2,178	2,079	2,027	52
Forensic health and science laboratory	1,323	5,377	5,375	2
Motor vehicle theft prevention commission	750	25	-	25
Office of victim services	15,927	16,304	8,946	7,358
Office of justice grant administration	6,670	5,795	3,438	2,357
Office of unified communications	47,124	46,463	38,556	7,907
Total public safety and justice	1,276,223	1,111,064	1,064,928	46,136

(Continued)

(Continued)

## Exhibit D-1

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS EXPENDITURES**

**Year Ended September 30, 2009**  
**(\$000s)**

	Budget		Actual	Variance
	Original	Revised		
<b>Public education system:</b>				
Public schools	619,078	630,109	624,950	5,159
AY10 public school expenditure	-	9,757	9,757	-
Teachers' retirement system	-	-	(3)	3
State education office	343,746	399,491	323,785	75,706
Public charter schools	366,053	292,926	292,926	-
AY10 public charter school expenditure	-	92,970	92,970	-
Public education facilities modernization	38,306	39,551	39,132	419
University	62,070	62,070	62,070	-
Public library	46,064	46,729	46,443	286
Non-public tuition	141,700	166,000	165,911	89
DC public charter school board	3,460	3,460	1,660	1,800
Special education transportation	75,558	87,929	87,779	150
Depart of education	4,892	4,892	4,479	413
<b>Total public education system</b>	<b>1,700,927</b>	<b>1,835,884</b>	<b>1,751,859</b>	<b>84,025</b>
<b>Human support services:</b>				
Human development	328,331	319,345	318,217	1,128
Child and family services	228,596	286,617	274,443	12,174
Child & family services medicaid write off	-	-	32,055	(32,055)
Dept of mental health	219,206	222,920	220,417	2,503
Health	246,806	259,325	213,913	45,412
Recreation and parks	48,312	54,550	52,490	2,060
Aging	24,126	23,915	23,525	390
Unemployment compensation contribution	5,500	13,929	13,929	-
Employee disability compensation	15,030	27,822	27,822	-
Human rights	3,212	3,023	2,943	80
Children investment trust	18,460	19,100	19,100	-
Latino affairs	4,587	4,545	4,477	68
Asian and pacific islander affairs	965	953	905	48
Veterans' affairs	462	375	322	53
Depart of youth rehabilitation services	81,143	94,066	93,755	311
Depart on disability services	120,955	127,179	124,762	2,417
Department of health care finance	1,822,619	1,838,211	1,749,809	88,402
<b>Total human support services</b>	<b>3,168,310</b>	<b>3,295,875</b>	<b>3,172,884</b>	<b>122,991</b>
<b>Public works:</b>				
Public works	137,129	141,352	133,221	8,131
Department of transportation	127,267	130,101	110,921	19,180
Department of motor vehicles	42,952	40,291	38,174	2,117
Taxicab commission	1,927	1,952	1,771	181
Washington metropolitan area transit commission	113	113	113	-
Washington metropolitan area transit authority	230,499	230,499	230,499	-
Department of environment	77,764	86,205	72,066	14,139
School transit subsidy	7,866	7,003	7,003	-
<b>Total public works</b>	<b>625,517</b>	<b>637,516</b>	<b>593,768</b>	<b>43,748</b>
<b>Other:</b>				
Repay revenue bonds and interest	6,000	2,500	2,144	356
Repayment of bonds and interest	459,727	438,682	438,383	299
Bond fiscal charge paid from bond proceeds	15,000	15,000	4,382	10,618
Interest on short term borrowing	9,000	4,544	4,538	6
Certificates of participation	32,791	32,541	32,270	271
Settlements and judgments	21,477	17,326	17,325	1
Presidential inauguration	38,825	44,077	44,077	-
Emergency planning and security costs	-	10,714	10,714	-
Wilson Building	4,058	4,058	4,008	50
Account receivable write off	-	-	4,513	(4,513)
Workforce investment	26,691	1	-	1
Community health fund transfer	-	93,073	93,073	-
Equipment lease operating	43,033	38,533	38,378	155
Baseball dedicated tax transfer	50,044	50,044	50,044	-
Pay-go capital	125,014	22,189	20,002	2,187
Schools modernization fund	8,613	8,613	8,613	-
District retiree health contribution	81,100	81,100	81,100	-
Cash reserve	46,000	-	-	-
Non-departmental agency	39,279	18,124	-	18,124
Retirement board administration	32,624	32,624	18,212	14,412
Housing finance agency	7,919	7,919	-	7,919
<b>Total other</b>	<b>1,047,195</b>	<b>921,662</b>	<b>871,776</b>	<b>49,886</b>
<b>Total</b>	<b>\$ 8,704,849</b>	<b>8,725,985</b>	<b>8,282,345</b>	<b>443,640</b>

See Accompanying Independent Auditors' Report.

## Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
**Year Ended September 30, 2009**  
**(\$000s)**

	Local Source				Federal Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
<b>Governmental direction and support:</b>								
City council	\$ 20,396	20,396	19,929	467	-	-	-	-
DC auditor	4,036	4,036	3,506	530	-	-	-	-
Advisory neighborhood commissions	1,092	1,092	1,043	49	-	-	-	-
Mayor	6,086	5,556	5,215	341	-	-	-	-
Executive secretary	3,742	3,341	3,059	282	-	-	-	-
Medical liability captive	-	198	198	-	-	-	-	-
City administrator	5,964	5,864	5,691	173	-	-	-	-
Risk management	1,480	1,680	1,662	18	-	-	-	-
Personnel	9,269	8,916	8,733	183	-	-	-	-
Finance and resource management	4,471	4,471	4,444	27	-	-	-	-
Contracts and procurement	5,501	5,144	5,033	111	-	-	-	-
Chief technology officer	56,348	53,872	53,872	-	-	-	-	-
Property management	18,630	25,531	25,504	27	-	2,000	2,000	-
Contract appeals	972	934	933	1	-	-	-	-
Elections and ethics	5,334	5,334	5,076	258	-	1,417	1,417	-
Campaign finance	1,721	1,721	1,648	73	-	-	-	-
Public employee relations	980	1,060	999	61	-	-	-	-
Employee appeals	1,778	1,818	1,780	38	-	-	-	-
Council of governments	396	396	396	-	-	-	-	-
Attorney general	64,040	62,876	62,564	312	19,001	18,557	18,407	150
Office of partnership and grant services	897	897	850	47	-	-	-	-
Office of community affair	3,093	3,049	2,708	341	-	-	-	-
Serve DC	410	410	369	41	3,323	3,381	3,374	7
Office of disability right	1,470	1,371	1,140	231	-	-	-	-
Inspector general	14,858	15,793	15,324	469	1,995	2,010	1,783	227
Chief financial officer	116,303	119,603	119,559	44	-	938	938	-
<b>Total governmental direction and support</b>	<b>349,267</b>	<b>355,359</b>	<b>351,235</b>	<b>4,124</b>	<b>25,197</b>	<b>28,303</b>	<b>27,919</b>	<b>384</b>
<b>Economic development and regulation:</b>								
Business services and economic development	46,903	44,151	44,141	10	-	-	(47)	47
Office of planning	9,408	9,455	8,614	841	450	762	530	232
Local business development	3,225	3,745	3,343	402	-	131	131	-
Motion picture and television development	652	2,052	1,990	62	-	-	-	-
Office of zoning	3,137	3,112	2,935	177	-	-	-	-
Housing and community development	11,185	21,164	15,705	5,459	63,877	72,404	36,744	35,660
Alcoholic beverage regulation administration	196	196	190	6	-	-	-	-
Employment services	58,127	77,856	68,652	9,204	34,739	32,722	27,874	4,848
DC sports commission subsidy	2,500	2,500	2,500	-	-	-	-	-
Real property assessment and appeals	708	733	705	28	-	-	-	-
Consumer and regulatory affairs	17,649	17,649	17,153	496	-	-	-	-
Commission on arts & humanities	13,227	13,165	13,018	147	601	1,001	678	323
Public services commission	-	-	-	-	182	182	125	57
Office of people's counsel	-	-	-	-	-	-	-	-
Insurance regulation	-	-	-	-	-	150	-	150
Housing authority subsidy	30,983	30,983	30,983	-	-	-	-	-
Housing production trust fund subsidy	22,725	31,744	28,244	3,500	-	-	-	-
Office of tenant advocate	842	842	840	2	-	-	-	-
Office of cable TV	-	-	-	-	-	-	-	-
<b>Total economic development and regulation</b>	<b>221,467</b>	<b>259,347</b>	<b>239,013</b>	<b>20,334</b>	<b>99,849</b>	<b>107,352</b>	<b>66,035</b>	<b>41,317</b>
<b>Public safety and justice:</b>								
Police	462,224	455,217	453,891	1,326	3,067	3,414	3,274	140
Fire and emergency medical services	183,465	186,465	185,838	627	-	-	-	-
Police and firefighter retirement contribution	110,900	106,000	106,000	-	-	-	-	-
Corrections	115,588	117,688	117,610	78	-	353	148	205
National guard	3,371	3,371	3,047	324	5,339	2,489	2,480	9
Emergency preparedness	4,462	4,365	3,642	723	244,927	86,333	64,651	21,682
Judicial disabilities and tenure	271	275	272	3	-	-	-	-
Judicial nomination	152	152	134	18	-	-	-	-
Citizen complaint review board	2,618	2,618	2,434	184	-	-	-	-
Advisory commission on sentencing	779	779	582	197	-	-	-	-
Office of the chief medical examiner	9,746	9,550	9,170	380	-	-	-	-
Office of administrative hearings	7,718	8,203	7,847	356	-	-	-	-
Corrections information council	25	-	-	-	-	-	-	-
Criminal justice coordinating council	404	404	358	46	1,774	1,574	1,574	-
Forensic health and science laboratory	1,323	1,377	1,375	2	-	4,000	4,000	-
Motor vehicle theft prevention commission	475	-	-	-	-	-	-	-
Office of victim services	3,988	4,388	4,219	169	2,040	2,017	1,806	211
Office of justice grant administration	905	930	905	25	5,765	4,865	2,533	2,332
Office of unified communications	33,935	32,720	31,656	1,064	-	-	-	-
<b>Total public safety and justice</b>	<b>942,349</b>	<b>934,502</b>	<b>928,980</b>	<b>5,522</b>	<b>262,912</b>	<b>105,045</b>	<b>80,466</b>	<b>24,579</b>



Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
**Year Ended September 30, 2009**  
**(\$000s)**

	Private Grants				Other Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
<b>Governmental direction and support:</b>								
City council	\$ -	-	-	-	-	-	-	-
DC auditor	-	-	-	-	-	-	-	-
Advisory neighborhood commissions	-	-	-	-	-	-	-	-
Mayor	-	19	19	-	-	-	-	-
Executive secretary	-	-	-	-	562	562	528	34
Medical liability captive	-	-	-	-	-	-	-	-
City administrator	-	100	21	79	-	-	-	-
Risk management	-	-	-	-	-	-	-	-
Personnel	-	-	-	-	406	406	124	282
Finance and resource management	-	-	-	-	-	-	-	-
Contracts and procurement	-	-	-	-	1,026	1,026	348	678
Chief technology officer	-	-	-	-	100	2,600	2,103	497
Property management	-	-	-	-	8,321	8,321	5,619	2,702
Contract appeals	-	-	-	-	-	-	-	-
Elections and ethics	-	-	-	-	-	-	-	-
Campaign finance	-	-	-	-	-	-	-	-
Public employee relations	-	-	-	-	-	-	-	-
Employee appeals	-	-	-	-	-	-	-	-
Council of governments	-	-	-	-	-	-	-	-
Attorney general	-	150	2	148	4,452	4,452	2,248	2,204
Office of partnership and grant services	-	-	-	-	-	-	-	-
Office of community affair	-	-	-	-	-	-	-	-
Serve DC	-	-	-	-	-	-	-	-
Office of disability right	-	2	-	2	-	-	-	-
Inspector general	-	-	-	-	-	-	-	-
Chief financial officer	-	20	20	-	37,541	14,856	14,736	120
<b>Total governmental direction and support</b>	<b>-</b>	<b>291</b>	<b>62</b>	<b>229</b>	<b>52,408</b>	<b>32,223</b>	<b>25,706</b>	<b>6,517</b>
<b>Economic development and regulation:</b>								
Business services and economic development	-	-	-	-	32,760	32,760	26,945	5,815
Office of planning	-	-	-	-	15	25	21	4
Local business development	-	-	-	-	-	-	-	-
Motion picture and television development	-	-	-	-	-	-	-	-
Office of zoning	-	-	-	-	-	-	-	-
Housing and community development	-	-	-	-	4,666	4,666	3,622	1,044
Alcoholic beverage regulation administration	-	-	-	-	6,245	5,845	4,604	1,241
Employment services	80	80	-	80	35,124	37,624	28,287	9,337
DC sports commission subsidy	-	-	-	-	-	-	-	-
Real property assessment and appeals	-	-	-	-	-	-	-	-
Consumer and regulatory affairs	-	-	-	-	19,288	19,263	16,084	3,179
Commission on arts & humanities	-	-	-	-	400	390	240	150
Public services commission	-	45	-	45	9,790	9,790	9,201	589
Office of people's counsel	-	-	-	-	5,025	5,025	4,708	317
Insurance regulation	-	-	-	-	16,319	16,319	15,204	1,115
Housing authority subsidy	-	-	-	-	-	-	-	-
Housing production trust fund subsidy	-	-	-	-	-	-	-	-
Office of tenant advocate	-	-	-	-	1,688	1,688	1,097	591
Office of cable TV	-	-	-	-	7,089	7,589	7,147	442
<b>Total economic development and regulation</b>	<b>80</b>	<b>125</b>	<b>-</b>	<b>125</b>	<b>138,409</b>	<b>140,984</b>	<b>117,160</b>	<b>23,824</b>
<b>Public safety and justice:</b>								
Police	85	252	151	101	12,696	12,696	11,324	1,372
Fire and emergency medical services	-	-	-	-	824	824	795	29
Police and firefighter retirement contribution	-	-	-	-	-	-	-	-
Corrections	-	-	-	-	33,688	33,688	33,086	602
National guard	-	-	-	-	-	-	-	-
Emergency preparedness	-	-	-	-	-	-	-	-
Judicial disabilities and tenure	-	-	-	-	-	-	-	-
Judicial nomination	-	-	-	-	-	-	-	-
Citizen complaint review board	-	-	-	-	-	-	-	-
Advisory commission on sentencing	-	-	-	-	-	-	-	-
Office of the chief medical examiner	-	-	-	-	274	274	210	64
Office of administrative hearings	-	-	-	-	32	15	-	15
Corrections information council	-	-	-	-	-	-	-	-
Criminal justice coordinating council	-	101	95	6	-	-	-	-
Forensic health and science laboratory	-	-	-	-	-	-	-	-
Motor vehicle theft prevention commission	-	-	-	-	275	25	-	25
Office of victim services	-	-	-	-	9,899	9,899	2,921	6,978
Office of justice grant administration	-	-	-	-	-	-	-	-
Office of unified communications	-	554	-	554	13,189	13,189	6,900	6,289
<b>Total public safety and justice</b>	<b>85</b>	<b>907</b>	<b>246</b>	<b>661</b>	<b>70,877</b>	<b>70,610</b>	<b>55,236</b>	<b>15,374</b>

(Continued)

Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
**Year Ended September 30, 2009**  
**(\$000s)**

	Local Source				Federal Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
<b>Public education system:</b>								
Public schools	\$ 562,109	566,294	566,292	2	49,514	51,605	48,929	2,676
AY10 public school expenditure	-	9,757	9,757	-	-	-	-	-
Teachers' retirement contribution	-	-	(3)	3	-	-	-	-
State education office	117,544	118,562	111,750	6,812	215,635	273,012	211,845	61,167
Public charter schools	366,053	292,926	292,926	-	-	-	-	-
AY10 public charter school expenditure	-	92,970	92,970	-	-	-	-	-
Public education facilities modernization	22,368	24,868	24,720	148	-	-	-	-
University	62,070	62,070	62,070	-	-	-	-	-
Public library	44,725	44,865	44,760	105	840	1,266	1,263	3
Non-public tuition	141,700	166,000	165,911	89	-	-	-	-
DC public charter school board	1,660	1,660	1,660	-	-	-	-	-
Special education transportation	75,558	87,929	87,779	150	-	-	-	-
Depart of education	4,892	4,892	4,479	413	-	-	-	-
<b>Total public education system</b>	<b>1,398,679</b>	<b>1,472,793</b>	<b>1,465,071</b>	<b>7,722</b>	<b>265,989</b>	<b>325,883</b>	<b>262,037</b>	<b>63,846</b>
<b>Human support services:</b>								
Human development	168,882	166,330	165,358	972	156,558	150,124	150,123	1
Child and family services	196,825	229,025	220,372	8,653	30,998	56,433	52,955	3,478
Child & family services medicaid write off	-	-	32,055	(32,055)	-	-	-	-
Dept of mental health	209,832	210,231	208,811	1,420	5,566	8,215	7,955	260
Health	95,335	97,567	97,494	73	137,096	143,947	103,981	39,966
Recreation and parks	44,820	50,713	49,607	1,106	-	-	-	-
Aging	17,525	16,975	16,585	390	6,601	6,940	6,940	-
Unemployment compensation contribution	5,500	13,929	13,929	-	-	-	-	-
Employee disability compensation	15,030	27,822	27,822	-	-	-	-	-
Human rights	2,757	2,700	2,626	74	455	323	317	6
Children investment trust	18,460	19,100	19,100	-	-	-	-	-
Latino affairs	4,587	4,545	4,477	68	-	-	-	-
Asian and pacific islander affairs	965	948	902	46	-	-	-	-
Veterans' affairs	462	375	322	53	-	-	-	-
Depart of youth rehabilitation services	81,143	94,043	93,732	311	-	23	23	-
Depart on disability services	89,071	94,953	92,843	2,110	26,084	24,526	24,525	1
Department of health care finance	604,757	486,227	463,677	22,550	1,215,885	1,351,307	1,285,650	65,657
<b>Total human support services</b>	<b>1,555,951</b>	<b>1,515,483</b>	<b>1,509,712</b>	<b>5,771</b>	<b>1,579,243</b>	<b>1,741,838</b>	<b>1,632,469</b>	<b>109,369</b>
<b>Public works:</b>								
Public works	123,734	127,518	127,375	143	-	-	-	-
Department of transportation	14,806	14,729	14,729	-	3,200	6,111	6,063	48
Department of motor vehicles	29,628	26,427	26,376	51	-	540	540	-
Taxicab commission	1,304	1,304	1,220	84	-	-	-	-
Washington metropolitan area transit commission	113	113	113	-	-	-	-	-
Washington metropolitan area transit authority	230,499	230,499	230,499	-	-	-	-	-
Department of environment	22,863	21,340	21,175	165	19,732	27,131	26,654	477
School transit subsidy	7,866	7,003	-	-	-	-	-	-
<b>Total public works</b>	<b>430,813</b>	<b>428,933</b>	<b>428,490</b>	<b>443</b>	<b>22,932</b>	<b>33,782</b>	<b>33,257</b>	<b>525</b>
<b>Other:</b>								
Repay revenue bonds and interest	6,000	2,500	2,144	356	-	-	-	-
Repayment of bonds and interest	456,630	435,585	435,286	299	-	-	-	-
Bond fiscal charge paid from bond proceeds	15,000	15,000	4,382	10,618	-	-	-	-
Interest on short term borrowing	9,000	4,544	4,538	6	-	-	-	-
Certificates of participation	32,791	32,541	32,270	271	-	-	-	-
Settlements and judgments	21,477	17,326	17,325	1	-	-	-	-
Presidential inauguration	-	-	-	-	38,825	44,077	44,077	-
Emergency planning and security costs	-	-	-	-	-	10,714	10,714	-
Wilson Building	4,058	4,058	4,008	50	-	-	-	-
Account receivable write off	-	-	4,513	(4,513)	-	-	-	-
Workforce investment	26,691	1	-	1	-	-	-	-
Community health fund transfer	-	93,073	93,073	-	-	-	-	-
Equipment lease operating	43,033	38,533	38,378	155	-	-	-	-
Baseball dedicated tax transfer	50,044	50,044	50,044	-	-	-	-	-
Pay-go capital	123,014	14,935	14,748	187	-	-	-	-
Schools modernization fund	8,613	8,613	8,613	-	-	-	-	-
District retiree health contribution	81,100	81,100	81,100	-	-	-	-	-
Cash reserve	46,000	-	-	-	-	-	-	-
Non-departmental agency	10,438	-	-	-	-	-	-	-
Retirement board administration	-	-	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-	-	-
<b>Total other</b>	<b>933,889</b>	<b>797,853</b>	<b>790,422</b>	<b>7,431</b>	<b>38,825</b>	<b>54,791</b>	<b>54,791</b>	<b>-</b>
<b>Total</b>	<b>\$ 5,832,415</b>	<b>5,764,270</b>	<b>5,712,923</b>	<b>51,347</b>	<b>2,294,947</b>	<b>2,396,994</b>	<b>2,156,974</b>	<b>240,020</b>

See Accompanying Independent Auditors' Report.

Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
**Year Ended September 30, 2009**  
**(\$000s)**

	Private Grants				Other Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
<b>Public education system:</b>								
Public schools	\$ 3,784	8,539	6,367	2,172	3,671	3,671	3,362	309
AY10 public school expenditure	-	-	-	-	-	-	-	-
Teachers' retirement contribution	-	-	-	-	-	-	-	-
State education office	-	-	(2)	2	10,567	7,917	192	7,725
Public charter schools	-	-	-	-	-	-	-	-
AY10 public charter school expenditure	-	-	-	-	-	-	-	-
Public education facilities modernization	-	-	-	-	15,938	14,683	14,412	271
University	-	-	-	-	-	-	-	-
Public library	55	4	(36)	40	444	594	456	138
Non-public tuition	-	-	-	-	-	-	-	-
DC public charter school board	-	-	-	-	1,800	1,800	-	1,800
Special education transportation	-	-	-	-	-	-	-	-
Depart of education	-	-	-	-	-	-	-	-
<b>Total public education system</b>	<b>3,839</b>	<b>8,543</b>	<b>6,329</b>	<b>2,214</b>	<b>32,420</b>	<b>28,665</b>	<b>18,422</b>	<b>10,243</b>
<b>Human support services:</b>								
Human development	91	91	80	11	2,800	2,800	2,656	144
Child and family services	23	409	366	43	750	750	750	-
Child & family services medicare write off	-	-	-	-	-	-	-	-
Dept of mental health	-	45	44	1	3,808	4,429	3,607	822
Health	-	759	632	127	14,375	17,052	11,806	5,246
Recreation and parks	1,000	1,345	1,335	10	2,492	2,492	1,548	944
Aging	-	-	-	-	-	-	-	-
Unemployment compensation contribution	-	-	-	-	-	-	-	-
Employee disability compensation	-	-	-	-	-	-	-	-
Human rights	-	-	-	-	-	-	-	-
Children investment trust	-	-	-	-	-	-	-	-
Latino affairs	-	-	-	-	-	-	-	-
Asian and pacific islander affairs	-	5	3	2	-	-	-	-
Veterans' affairs	-	-	-	-	-	-	-	-
Depart of youth rehabilitation services	-	-	-	-	-	-	-	-
Depart on disability services	-	-	-	-	5,800	7,700	7,394	306
Department of health care finance	-	-	-	-	1,977	677	482	195
<b>Total human support services</b>	<b>1,114</b>	<b>2,654</b>	<b>2,460</b>	<b>194</b>	<b>32,002</b>	<b>35,900</b>	<b>28,243</b>	<b>7,657</b>
<b>Public works:</b>								
Public works	-	-	-	-	13,395	13,834	5,846	7,988
Department of transportation	-	-	-	-	109,261	109,261	90,129	19,132
Department of motor vehicles	-	-	-	-	13,324	13,324	11,255	2,066
Taxicab commission	-	-	-	-	623	648	551	97
Washington metropolitan area transit commission	-	-	-	-	-	-	-	-
Washington metropolitan area transit authority	-	-	-	-	-	-	-	-
Department of environment	300	-	-	-	34,869	37,734	24,237	13,497
School transit subsidy	-	-	-	-	-	-	-	-
<b>Total public works</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>171,472</b>	<b>174,801</b>	<b>132,021</b>	<b>42,780</b>
<b>Other:</b>								
Repay revenue bonds and interest	-	-	-	-	-	-	-	-
Repayment of bonds and interest	-	-	-	-	3,097	3,097	3,097	-
Bond fiscal charge paid from bond proceeds	-	-	-	-	-	-	-	-
Interest on short term borrowing	-	-	-	-	-	-	-	-
Certificates of participation	-	-	-	-	-	-	-	-
Settlements and judgments	-	-	-	-	-	-	-	-
Presidential inauguration	-	-	-	-	-	-	-	-
Emergency planning and security costs	-	-	-	-	-	-	-	-
Wilson Building	-	-	-	-	-	-	-	-
Account receivable write off	-	-	-	-	-	-	-	-
Workforce investment	-	-	-	-	-	-	-	-
Community health fund transfer	-	-	-	-	-	-	-	-
Equipment lease operating	-	-	-	-	-	-	-	-
Baseball dedicated tax transfer	-	-	-	-	-	-	-	-
Pay-go capital	-	-	-	-	2,000	7,254	5,254	2,000
Schools modernization fund	-	-	-	-	-	-	-	-
District retiree health contribution	-	-	-	-	-	-	-	-
Cash reserve	-	-	-	-	-	-	-	-
Non-departmental agency	-	-	-	-	28,841	18,124	-	18,124
Retirement board administration	-	-	-	-	32,624	32,624	18,212	14,412
Housing finance agency	-	-	-	-	7,919	7,919	-	7,919
<b>Total other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,481</b>	<b>69,018</b>	<b>26,563</b>	<b>42,455</b>
<b>Total</b>	<b>\$ 5,418</b>	<b>12,520</b>	<b>9,097</b>	<b>3,423</b>	<b>572,069</b>	<b>552,201</b>	<b>403,351</b>	<b>148,850</b>

## Exhibit D-3

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGET REVISIONS**  
**Year Ended September 30, 2009**  
**(\$000s)**

	Local Source			Federal Resources		
	Original Budget	Repro- gramming	Revised Budget	Original Budget	Repro- gramming	Revised Budget
<b>Revenues and Sources:</b>						
Taxes:						
Property taxes	\$ 2,055,688	(212,806)	1,842,882	-	-	-
Sales and use taxes	995,345	(46,697)	948,648	-	-	-
Income taxes	1,615,218	(158,775)	1,456,443	-	-	-
Other taxes	606,647	(56,930)	549,717	-	-	-
Total taxes	5,272,898	(475,208)	4,797,690	-	-	-
Licenses and permits	91,861	(30,969)	60,892	-	-	-
Fines and forfeits	94,969	40,113	135,082	-	-	-
Charges for services	51,412	(3,362)	48,050	-	-	-
Miscellaneous	94,256	25,060	119,316	-	-	-
Other	-	-	-	-	-	-
Federal contributions	-	-	-	136,051	22,772	158,823
Operating grant	-	-	-	2,158,896	56,141	2,215,037
General obligation bonds	15,000	-	15,000	-	-	-
Fund balance released from restrictions	138,575	348,486	487,061	-	23,134	23,134
Transfer in from Lottery Board	71,000	(700)	70,300	-	-	-
Transfer in-others	3,897	31,945	35,842	-	-	-
<b>Total revenues and sources</b>	<b>5,833,868</b>	<b>(64,635)</b>	<b>5,769,233</b>	<b>2,294,947</b>	<b>102,047</b>	<b>2,396,994</b>
<b>Expenditures and Uses:</b>						
Governmental direction and support	349,267	6,092	355,359	25,197	3,106	28,303
Economic development and regulation	221,467	37,880	259,347	99,849	7,503	107,352
Public safety and justice	942,349	(7,847)	934,502	262,912	(157,867)	105,045
Public education system	1,398,679	(28,613)	1,370,066	265,989	59,894	325,883
Public education AY10 expenditure	-	102,727	102,727	-	-	-
Human support services	1,555,951	(40,468)	1,515,483	1,579,243	162,595	1,741,838
Public works	430,813	(1,880)	428,933	22,932	10,850	33,782
Account receivable write off	-	-	-	-	-	-
Workforce investments	26,691	(26,690)	1	-	-	-
Wilson Building	4,058	-	4,058	-	-	-
Repay revenue bonds and interest	6,000	(3,500)	2,500	-	-	-
Repayment of bonds and interest	456,630	(21,045)	435,585	-	-	-
Bond fiscal charge paid from bond proceeds	15,000	-	15,000	-	-	-
Interest on short term borrowing	9,000	(4,456)	4,544	-	-	-
Certificates of participation	32,791	(250)	32,541	-	-	-
Community health fund transfer	-	93,073	93,073	-	-	-
Equipment lease operating	43,033	(4,500)	38,533	-	-	-
Baseball dedicated tax transfer	50,044	-	50,044	-	-	-
Pay-go capital	123,014	(108,079)	14,935	-	-	-
Schools modernization fund	8,613	-	8,613	-	-	-
District retiree health contribution	81,100	-	81,100	-	-	-
Cash reserve	46,000	(46,000)	-	-	-	-
Non departmental	10,438	(10,438)	-	-	-	-
Emergency planning and security costs	-	-	-	-	10,714	10,714
Retirement board administration	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-
Settlements and judgments	21,477	(4,151)	17,326	-	-	-
Presidential inauguration	-	-	-	38,825	5,252	44,077
<b>Total expenditures and uses</b>	<b>5,832,415</b>	<b>(68,145)</b>	<b>5,764,270</b>	<b>2,294,947</b>	<b>102,047</b>	<b>2,396,994</b>
<b>Excess of Revenues and Sources Over Expenditures and Uses</b>	<b>\$ 1,453</b>	<b>3,510</b>	<b>4,963</b>	<b>-</b>	<b>-</b>	<b>-</b>

See Accompanying Independent Auditors' Report.

## Exhibit D-3

**FINANCIAL REPORTING ENTITY  
SCHEDULE OF BUDGET REVISIONS  
Year Ended September 30, 2009  
(\$000s)**

	Private and Other			Totals		
	Original Budget	Repro- gramming	Revised Budget	Original Budget	Repro- gramming	Revised Budget
<b>Revenues and Sources:</b>						
Taxes:						
Property taxes	\$ -	-	-	2,055,688	(212,806)	1,842,882
Sales and use taxes	-	-	-	995,345	(46,697)	948,648
Income taxes	-	-	-	1,615,218	(158,775)	1,456,443
Other taxes	-	-	-	606,647	(56,930)	549,717
Total taxes	-	-	-	5,272,898	(475,208)	4,797,690
Licenses and permits	-	-	-	91,861	(30,969)	60,892
Fines and forfeits	-	-	-	94,969	40,113	135,082
Charges for services	-	-	-	51,412	(3,362)	48,050
Miscellaneous	-	-	-	94,256	25,060	119,316
Other	505,416	(40,246)	465,170	505,416	(40,246)	465,170
Federal contributions	-	-	-	136,051	22,772	158,823
Operating grant	5,418	7,102	12,520	2,164,314	63,243	2,227,557
General obligation bonds	-	-	-	15,000	-	15,000
Fund balance released from restrictions	66,653	20,378	87,031	205,228	391,998	597,226
Transfer in from Lottery Board	-	-	-	71,000	(700)	70,300
Transfer in-others	-	-	-	3,897	31,945	35,842
<b>Total revenues and sources</b>	<b>577,487</b>	<b>(12,766)</b>	<b>564,721</b>	<b>8,706,302</b>	<b>24,646</b>	<b>8,730,948</b>
<b>Expenditures and Uses:</b>						
Governmental direction and support	52,408	(19,894)	32,514	426,872	(10,696)	416,176
Economic development and regulation	138,489	2,620	141,109	459,805	48,003	507,808
Public safety and justice	70,962	555	71,517	1,276,223	(165,159)	1,111,064
Public education system	36,259	949	37,208	1,700,927	32,230	1,733,157
Public education FY10 expenditure	-	-	-	-	102,727	102,727
Human support services	33,116	5,438	38,554	3,168,310	127,565	3,295,875
Public works	171,772	3,029	174,801	625,517	11,999	637,516
Account receivable write off	-	-	-	-	-	-
Workforce investments	-	-	-	26,691	(26,690)	1
Wilson Building	-	-	-	4,058	-	4,058
Repay revenue bonds and interest	-	-	-	6,000	(3,500)	2,500
Repayment of bonds and interest	3,097	-	3,097	459,727	(21,045)	438,682
Bond fiscal charge paid from bond proceeds	-	-	-	15,000	-	15,000
Interest on short term borrowing	-	-	-	9,000	(4,456)	4,544
Certificates of participation	-	-	-	32,791	(250)	32,541
Community health fund transfer	-	-	-	-	93,073	93,073
Equipment lease operating	-	-	-	43,033	(4,500)	38,533
Baseball dedicated tax transfer	-	-	-	50,044	-	50,044
Pay-go capital	2,000	5,254	7,254	125,014	(102,825)	22,189
Schools modernization fund	-	-	-	8,613	-	8,613
District retiree health contribution	-	-	-	81,100	-	81,100
Cash reserve	-	-	-	46,000	(46,000)	-
Non departmental	28,841	(10,717)	18,124	39,279	(21,155)	18,124
Emergency planning and security costs	-	-	-	-	10,714	10,714
Retirement board administration	32,624	-	32,624	32,624	-	32,624
Housing finance agency	7,919	-	7,919	7,919	-	7,919
Settlements and judgments	-	-	-	21,477	(4,151)	17,326
Presidential inauguration	-	-	-	38,825	5,252	44,077
<b>Total expenditures and uses</b>	<b>577,487</b>	<b>(12,766)</b>	<b>564,721</b>	<b>8,704,849</b>	<b>21,136</b>	<b>8,725,985</b>
<b>Excess of Revenues and Sources Over Expenditures and Uses</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>1,453</b>	<b>3,510</b>	<b>4,963</b>

# CAFR 2009

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2009

### STATISTICAL SECTION



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

## **Statistical Section**

### **(Unaudited)**

This section contains statistical tables that reflect financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information. These tables differ from the financial statements because they usually cover more than two fiscal years and may present non-accounting data.

The Statistical Section is divided into 5 sections as follows:

<b>Section</b>	<b><u>Page</u></b>
<b>1. Financial Trends .....</b>	<b>153</b>
<b>2. Revenue Capacity .....</b>	<b>159</b>
<b>3. Debt Capacity .....</b>	<b>165</b>
<b>4. Demographic and Economic Information .....</b>	<b>171</b>
<b>5. Operating Information .....</b>	<b>173</b>

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## **1. Financial Trends**

These schedules contain trend information to better understand how the District's financial performance and well-being have changed over time.

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**Net Assets By Component**  
**Last Eight Fiscal Years**

(accrual basis of accounting, dollars in thousands)

NET ASSETS	2002	2003	2004	2005	2006	2007	2008	2009
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$ 656,901	\$ 518,223	\$ 774,533	\$ 1,069,731	\$ 958,597	\$ 1,197,275	\$ 1,794,279	\$ 2,155,206
Restricted	834,006	870,284	807,839	930,021	987,650	1,269,708	1,156,213	852,061
Unrestricted	(625,908)	(593,786)	(370,474)	(249,088)	167,779	92,345	(404,959)	(505,804)
Total governmental activities net assets	864,999	794,721	1,211,898	1,750,664	2,114,026	2,559,328	2,545,533	2,501,463
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	1,495	1,354	17,927	16,183	17,505	17,211	16,747	16,012
Restricted	271,361	262,148	288,224	322,893	347,938	375,148	374,282	304,773
Unrestricted	1,990	37,442	34,829	34,968	29,000	25,980	24,773	25,864
Total business-type activities net assets	274,846	300,944	340,980	374,044	394,443	418,339	415,802	346,649
<b>Primary government</b>								
Invested in capital assets, net of related debt	658,396	519,577	792,460	1,085,914	976,102	1,214,486	1,811,026	2,171,218
Restricted	1,105,367	1,132,432	1,096,063	1,252,914	1,335,588	1,644,856	1,530,495	1,156,834
Unrestricted	(623,918)	(556,344)	(335,645)	(214,120)	196,779	118,325	(380,186)	(479,940)
<b>Total primary government net assets</b>	<b>\$ 1,139,845</b>	<b>\$ 1,095,665</b>	<b>\$ 1,552,878</b>	<b>\$ 2,124,708</b>	<b>\$ 2,508,469</b>	<b>\$ 2,977,667</b>	<b>\$ 2,961,335</b>	<b>\$ 2,848,112</b>

Note: As a result of GASB 34 implementation in FY2002, only eight fiscal years are presented.

Source: Information was extracted from Exhibit 1-a, Statement of Net Assets, Page 42.

## Changes in Net Assets

Exhibit S-1B

## Last Eight Fiscal Years

(accrual basis of accounting, dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009
<b>Governmental activities</b>								
<b>Expenses</b>								
Governmental direction and support	\$ 471,609	\$ 525,072	\$ 554,614	\$ 641,964	\$ 574,097	\$ 787,392	\$ 834,694	\$ 878,219
Economic development and regulation	323,804	252,716	253,311	283,186	391,203	509,874	499,644	470,567
Public safety and justice	920,599	936,797	1,007,755	1,036,120	1,124,896	1,264,715	1,384,517	1,407,166
Public education system	1,153,719	1,168,545	1,301,807	1,374,538	1,486,112	1,589,652	1,787,635	1,937,238
Human support services	2,267,597	2,572,881	2,537,195	2,663,556	2,967,372	2,992,805	3,285,325	3,598,570
Public works	279,506	312,704	313,580	307,247	351,917	481,702	586,649	553,233
Public transportation	184,883	272,726	162,602	167,783	187,615	198,484	214,905	230,499
Interest on long-term debt	175,241	178,301	189,697	201,882	269,725	281,918	293,339	336,536
Total governmental activities expenses	5,776,958	6,219,742	6,320,561	6,676,276	7,352,937	8,106,542	8,886,708	9,412,028
<b>Program revenues</b>								
Charges for services, fees, fines & forfeitures:								
Economic development and regulation	60,636	75,540	83,866	92,198	94,487	102,230	111,105	105,148
Public works	129,441	129,251	134,875	132,533	146,628	151,957	206,771	196,119
Others	95,967	118,370	81,369	102,431	84,298	80,790	61,273	98,211
Operating grants & contributions	1,890,544	1,833,060	2,060,973	2,098,723	2,155,035	2,309,495	2,178,275	2,813,568
Capital grants & contributions	161,450	176,449	151,334	112,704	119,715	130,557	175,841	180,602
Total governmental activities program revenues	2,338,038	2,332,670	2,512,417	2,538,589	2,600,163	2,775,029	2,733,265	3,393,648
<b>Net expenses</b>	<b>(3,438,920)</b>	<b>(3,887,072)</b>	<b>(3,808,144)</b>	<b>(4,137,687)</b>	<b>(4,752,774)</b>	<b>(5,331,513)</b>	<b>(6,153,443)</b>	<b>(6,018,380)</b>
<b>General revenues</b>								
Taxes:								
Property taxes	809,069	899,665	1,017,653	1,150,672	1,272,998	1,545,325	1,787,365	1,951,345
Sales and use taxes	750,060	779,920	828,391	957,394	1,004,471	1,056,780	1,101,859	1,052,011
Income and franchise taxes	1,160,423	1,167,452	1,299,009	1,472,432	1,591,483	1,736,361	1,755,894	1,478,068
Gross receipts taxes	231,786	261,643	271,897	295,819	278,453	302,768	302,873	315,976
Other taxes	283,146	273,191	379,521	377,213	390,542	498,198	413,401	261,909
Grants and contributions - unrestricted	-	25,070	24,543	-	-	-	-	-
Investment earnings	19,283	13,341	16,211	39,811	73,207	124,420	95,847	28,242
Miscellaneous	333,943	325,529	314,596	311,662	431,182	456,425	458,469	530,847
Special items	(171,094)	-	-	-	-	(8,838)	153,640	287,137
Transfers	63,000	37,574	73,500	71,450	73,800	65,376	70,300	68,775
Total governmental activities general revenues	3,479,616	3,783,385	4,225,321	4,676,453	5,116,136	5,776,815	6,139,648	5,974,310
<b>Change in net assets --- governmental activities</b>	<b>\$ 40,696</b>	<b>\$ (103,687)</b>	<b>\$ 417,177</b>	<b>\$ 538,766</b>	<b>\$ 363,362</b>	<b>\$ 445,302</b>	<b>\$ (13,795)</b>	<b>\$ (44,070)</b>
<b>Business activities</b>								
<b>Expenses</b>								
Lottery and games	\$ 148,670	\$ 166,185	\$ 167,938	\$ 164,066	\$ 193,907	\$ 192,336	\$ 182,981	\$ 176,625
Unemployment compensation	191,043	165,045	113,888	92,728	102,749	99,920	150,237	370,775
Nursing home services	-	34,687	33,023	35,066	35,434	37,556	40,837	44,601
Total business-type activities expenses	339,713	365,917	314,849	291,860	332,090	329,812	374,055	592,001
<b>Program revenues</b>								
Charges for services, fees, fines & forfeitures:								
Lottery and games	211,151	237,890	241,133	234,931	266,391	256,824	252,721	245,370
Nursing home services	-	34,124	30,907	32,184	29,154	31,849	37,435	43,424
Operating grants & contributions	49,308	55,356	26,588	16,707	14,825	18,358	21,191	36,985
Capital grants & contributions	-	-	15,464	-	-	-	-	-
Total business-type activities program revenues	260,459	327,370	314,092	283,822	310,370	307,031	311,347	325,779
<b>Net expenses</b>	<b>(79,254)</b>	<b>(38,547)</b>	<b>(757)</b>	<b>(8,038)</b>	<b>(21,720)</b>	<b>(22,781)</b>	<b>(62,708)</b>	<b>(266,222)</b>
<b>General revenues</b>								
Taxes:								
Other taxes	104,945	82,626	97,196	92,985	95,888	90,117	92,733	94,622
Investment earnings	18,978	19,332	16,847	18,887	19,321	20,841	21,317	19,061
Miscellaneous	-	261.00	250	680	710	1,095	16,355	152,161
Transfers	(63,000)	(37,574)	(73,500)	(71,450)	(73,800)	(65,376)	(70,300)	(68,775)
Total business-type activities general revenues	60,923	64,645	40,793	41,102	42,119	46,677	60,105	197,069
<b>Change in net assets --- business-type activities</b>	<b>\$ (18,331)</b>	<b>\$ 26,098</b>	<b>\$ 40,036</b>	<b>\$ 33,064</b>	<b>\$ 20,399</b>	<b>\$ 23,896</b>	<b>\$ (2,603)</b>	<b>\$ (69,153)</b>
<b>Total primary government</b>								
<b>Expenses</b>	<b>\$ 6,116,671</b>	<b>\$ 6,585,659</b>	<b>\$ 6,635,410</b>	<b>\$ 6,968,136</b>	<b>\$ 7,685,027</b>	<b>\$ 8,436,354</b>	<b>\$ 9,260,763</b>	<b>\$ 10,004,029</b>
<b>Program revenues</b>	<b>2,598,497</b>	<b>2,660,040</b>	<b>2,820,257</b>	<b>2,822,411</b>	<b>2,910,533</b>	<b>3,082,060</b>	<b>3,044,612</b>	<b>3,719,427</b>
<b>Net (expenses)/revenues</b>	<b>(3,518,174)</b>	<b>(3,925,619)</b>	<b>(3,815,153)</b>	<b>(4,145,725)</b>	<b>(4,774,494)</b>	<b>(5,354,294)</b>	<b>(6,216,151)</b>	<b>(6,284,602)</b>
<b>General revenues</b>	<b>3,540,539</b>	<b>3,848,030</b>	<b>4,272,366</b>	<b>4,717,555</b>	<b>5,158,255</b>	<b>5,823,492</b>	<b>6,199,753</b>	<b>6,171,379</b>
<b>Change in net assets --- primary government</b>	<b>\$ 22,365</b>	<b>\$ (77,589)</b>	<b>\$ 457,213</b>	<b>\$ 571,830</b>	<b>\$ 383,761</b>	<b>\$ 469,198</b>	<b>\$ (16,398)</b>	<b>\$ (113,223)</b>

Note: As a result of GASB 34 implementation in FY2002, only eight fiscal years are presented.

Source: Information was extracted from Exhibit 1-b, Statement of Activities, Page 43.

**Fund Balances, Governmental Funds  
Last Eight Fiscal Years**

Exhibit S-1C

(modified accrual basis of accounting, dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009
<b>General Fund</b>								
Reserved	\$ 545,414	\$ 568,243	\$ 607,903	\$ 1,110,770	\$ 1,045,560	\$ 1,135,459	\$ 957,977	\$ 703,694
Unreserved	319,914	329,114	607,112	473,913	389,582	358,541	286,745	216,789
<b>Total general fund</b>	<u>865,328</u>	<u>897,357</u>	<u>1,215,015</u>	<u>1,584,683</u>	<u>1,435,142</u>	<u>1,494,000</u>	<u>1,244,722</u>	<u>920,483</u>
<b>All other governmental funds</b>								
Reserved, reported in:								
Special revenue funds	324,687	249,434	239,291	249,911	321,878	460,556	465,229	507,678
Capital project funds	148,760	52,607	43,914	86,530	732,602	835,024	629,805	417,212
Unreserved, reported in:								
Capital project funds	(472,305)	(169,287)	(273,432)	(312,161)	-	-	-	-
<b>Total all other governmental funds</b>	<u>\$ 1,142</u>	<u>\$ 132,754</u>	<u>\$ 9,773</u>	<u>\$ 24,280</u>	<u>\$ 1,054,480</u>	<u>\$ 1,295,580</u>	<u>\$ 1,095,034</u>	<u>\$ 924,890</u>

Note: As a result of GASB Statement No. 34 implementation in FY2002, only eight fiscal years are presented.

Source: Information was extracted from Exhibit 2-a, Balance Sheet - Governmental Funds, Page 44.

## Changes in Fund Balances, Governmental Funds

Exhibit S-1D

## Last Eight Fiscal Years

(modified accrual basis of accounting, dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009
<b>REVENUES</b>								
Taxes	\$ 3,229,809	\$ 3,384,093	\$ 3,806,906	\$ 4,251,191	\$ 4,472,845	\$ 5,146,007	\$ 5,333,118	\$ 5,042,487
Fines and forfeits	88,495	90,238	102,828	111,146	112,919	101,971	99,452	106,169
Licenses and permits	52,003	62,189	62,968	82,093	81,222	89,072	94,988	91,230
Charges for services	145,546	170,736	134,314	133,923	131,273	143,934	184,709	202,079
Investment earnings	19,283	13,341	16,211	39,811	73,206	124,420	95,847	28,242
Miscellaneous	332,861	320,460	305,039	311,573	489,067	444,262	457,747	524,046
Federal contributions	490,373	380,100	393,928	382,966	362,075	440,962	433,206	573,446
Operating grants	1,561,621	1,555,404	1,842,922	1,828,461	1,912,675	1,999,090	1,920,910	2,420,724
<b>Total revenues</b>	<b>5,919,991</b>	<b>5,976,561</b>	<b>6,665,116</b>	<b>7,141,164</b>	<b>7,635,282</b>	<b>8,489,718</b>	<b>8,619,977</b>	<b>8,988,423</b>
<b>EXPENDITURES</b>								
Governmental direction and support	366,981	415,591	483,185	590,344	611,620	651,974	695,175	672,463
Economic development and regulation	223,760	224,811	236,220	267,335	348,091	444,508	461,707	405,140
Public safety and justice	899,116	907,670	984,062	1,034,456	1,133,800	1,241,684	1,369,907	1,381,873
Public education system	1,143,281	1,155,297	1,284,448	1,340,767	1,439,510	1,541,194	1,716,701	1,850,200
Human support services	2,249,303	2,445,336	2,563,646	2,657,848	2,952,637	2,975,821	3,222,979	3,485,267
Public works	149,302	164,753	164,231	175,300	184,200	329,942	416,982	388,713
Public transportation	184,883	272,726	162,602	167,783	187,615	198,484	214,905	230,499
Debt service:								
Principal	138,575	149,792	152,086	183,845	205,654	232,389	251,998	277,523
Interest and other charges	189,006	178,301	189,697	202,387	225,195	258,769	287,354	292,484
Fiscal charges	-	15,338	13,721	9,277	31,958	15,095	25,330	19,659
Total debt service	327,581	343,431	355,504	395,509	462,807	506,253	564,682	589,666
<b>Subtotal expenditures</b>	<b>5,544,207</b>	<b>5,929,615</b>	<b>6,233,898</b>	<b>6,629,342</b>	<b>7,320,280</b>	<b>7,889,860</b>	<b>8,663,038</b>	<b>9,003,821</b>
Capital outlay	905,418	762,145	666,649	615,089	901,204	1,024,541	1,390,415	1,130,971
<b>Total expenditures</b>	<b>6,449,625</b>	<b>6,691,760</b>	<b>6,900,547</b>	<b>7,244,431</b>	<b>8,221,484</b>	<b>8,914,401</b>	<b>10,053,453</b>	<b>10,134,792</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(529,634)</b>	<b>(715,199)</b>	<b>(235,431)</b>	<b>(103,267)</b>	<b>(586,202)</b>	<b>(424,683)</b>	<b>(1,433,476)</b>	<b>(1,146,369)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Debt issuance	338,465	856,703	325,726	386,370	1,342,612	610,580	664,105	491,645
Refunding debt issuance	69,715	163,170	-	-	116,475	251,155	675,895	580,140
Premium on sale of bonds	-	-	-	14,478	39,944	16,063	36,282	50,198
Payment to escrow agent	(69,487)	(234,179)	-	-	(136,137)	(264,334)	(675,385)	(607,640)
Other sources	-	-	9,557	89	-	-	-	-
Proceeds from capital lease	-	-	503	19	-	-	-	-
Equipment financing program	51,944	17,094	20,822	15,036	30,167	42,471	36,479	62,068
Transfers in	63,000	77,119	109,717	193,439	685,206	694,229	477,829	447,639
Transfers out	-	(34,476)	(36,217)	(121,989)	(611,406)	(628,853)	(407,529)	(378,864)
Sale of capital assets	-	-	-	-	-	12,168	726	6,800
<b>Total other financing sources</b>	<b>453,637</b>	<b>845,431</b>	<b>430,108</b>	<b>487,442</b>	<b>1,466,861</b>	<b>733,479</b>	<b>808,402</b>	<b>651,986</b>
Special items	-	-	-	-	-	(8,838)	175,250	-
<b>Net change in fund balances</b>	<b>\$ (75,997)</b>	<b>\$ 130,232</b>	<b>\$ 194,677</b>	<b>\$ 384,175</b>	<b>\$ 880,659</b>	<b>\$ 299,958</b>	<b>\$ (449,824)</b>	<b>\$ (494,383)</b>
Other capital expenditures	31,262	49,529	23,960	33,706	65,197	24,651	129,294	305,480
Total capital expenditures	936,680	811,674	690,609	648,795	771,069	857,739	1,402,291	1,222,453
<b>Debt service as a percentage of noncapital expenditures</b>	<b>5.94%</b>	<b>5.58%</b>	<b>5.50%</b>	<b>5.86%</b>	<b>5.78%</b>	<b>6.10%</b>	<b>6.23%</b>	<b>6.40%</b>

Note: As a result of GASB Statement No. 34 implementation in FY2002, only eight fiscal years are presented.

Source: Information was extracted from Exhibit 2-h, Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 45.

**Tax Revenues by Source, Governmental Funds  
Last Eight Fiscal Years**

Exhibit S-1E

(modified accrual basis of accounting, dollars in thousands)

Fiscal Year	Property Tax			Sales and Use	Income and Franchise	Gross Receipts	Other Taxes	Total
	Real	Personal	Rental					
2002	\$ 726,014	\$ 65,208	\$ 13,172	\$ 750,060	\$ 1,160,423	\$ 231,786	\$ 283,146	\$ 3,229,809
2003	822,845	67,294	11,749	779,920	1,167,452	261,643	273,191	3,384,094
2004	947,690	63,558	16,840	828,391	1,299,009	271,897	379,521	3,806,906
2005	1,058,100	72,068	18,165	957,394	1,472,432	295,819	377,213	4,251,191
2006	1,163,598	55,548	22,336	970,885	1,591,483	278,453	390,542	4,472,845
2007	1,452,267	67,394	32,239	1,056,780	1,736,361	302,768	498,198	5,146,007
2008	1,666,315	59,690	33,086	1,101,859	1,755,894	302,873	413,401	5,333,118
2009	1,832,748	69,163	32,612	1,052,011	1,478,068	315,976	261,909	5,042,487

Note: As a result of GASB Statement No. 34 implementation in FY2002, only eight fiscal years are presented.

Source: Information was extracted from Exhibit 2-b, Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 45.

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## **2. Revenue Capacity**

These schedules contain information regarding the District's most significant local revenue sources:  
property, income, and sales and use taxes.

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**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
*(dollars in thousands)*

Exhibit S-2A

Fiscal Year	Estimated Actual Value					Total Taxable	Tax Exempt	Total Value	Total Direct Tax Rate	Tax Exempt as a		
	Commercial		Residential		% of							
	Property	Property								Total Value		
	(1) (2) (3) (4) (5)											
2000	\$	19,357,631	\$	23,912,435	\$	43,270,066	\$	30,900,682	\$	74,170,748	1.43	41.7%
2001		21,960,148		22,268,968		44,229,116		32,086,134		76,315,250	1.45	42.0%
2002		27,619,604		24,902,543		52,522,147		33,812,037		86,334,184	1.39	39.2%
2003		29,684,430		28,379,237		58,063,667		35,728,289		93,791,956	1.38	38.1%
2004		33,752,889		32,701,220		66,454,109		43,234,068		109,688,177	1.35	39.4%
2005		36,905,213		49,982,554		86,887,767		43,219,725		130,107,492	1.37	33.2%
2006		40,400,447		58,090,888		98,491,335		59,664,865		158,156,200	1.34	37.7%
2007		51,748,487		73,126,786		124,875,273		57,690,545		182,565,818	1.31	31.6%
2008		61,557,827		81,400,361		142,958,188		67,869,520		210,827,708	1.30	32.2%
2009		68,495,502		84,544,053		153,039,555		81,211,121		234,250,676	1.29	34.7%

(1) After deduction of homestead exemption and credits against tax for 1999-2007

(2) Does not reflect the 2002 &amp; 2003 Cap Assessment of 25% for Class 01 with Homestead Exemptions

(3) Does not reflect the 2004 &amp; 2005 Cap Assessment of 12% for Class 01 with Homestead Exemptions

(4) Does not reflect the 2006 Cap Assessment of 10% for Class 01 with Homestead Exemptions

(5) After deduction of Homestead Exemption for 2008- 2009

Source: Office of Tax and Revenue

Note: Assessed value is 100 percent of estimated actual value

**Direct Property Tax Rates**  
**Last Ten Fiscal Years**

Exhibit S-2B

Fiscal Year	Basic Rate	Direct Property Tax Rate		Total Direct
		General Obligation Debt Service	Redevelopment Program	
2000	0.73	0.70	-	1.43
2001	0.75	0.70	-	1.45
2002	0.79	0.60	-	1.39
2003	0.78	0.60	-	1.38
2004	0.90	0.45	-	1.35
2005	0.92	0.45	-	1.37
2006	0.94	0.40	-	1.34
2007	0.86	0.45	-	1.31
2008	0.98	0.32	-	1.30
2009	1.01	0.28	-	1.29

Note:

The total direct rate is the weighted rate of all taxable real property, obtained by multiplying the weighted rate by the percentage of the total value of real property for each class.

Source: Office of Tax and Revenue

Major Tax Rates  
Last Ten Fiscal Years

Exhibit S-2C

Fiscal Year	Property (per \$100 of assessed value)						Sales and Use			Income and Franchise		Gross Receipt Public Utility (6)	
	Residential		Commercial			Personal	General (1)	Cigarette (2)	Motor Fuel (3)	Individual (4)	Business (5)	Commercial	Residential
	Owner occupied	Tenant occupied	Hotels	Improved	Unimproved								
2000	0.96	1.34	1.85	2.05	2.05	3.40	0.0575	0.65	0.20	.050-.095	0.09975	0.10	0.10
2001	0.96	1.15	1.85	1.95	1.95	3.40	0.0575	0.65	0.20	.050-.093	0.09975	0.10	0.10
2002	0.96	0.96	1.85	1.85	1.85	3.40	0.0575	0.65	0.20	.050-.093	0.09975	0.10	0.10
2003	0.96	0.96	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.050-.093	0.09975	0.11	0.11
2004	0.96	0.96	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.050-.093	0.09975	0.11	0.11
2005	0.96	0.96	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.050-.090	0.09975	0.11	0.10
2006	0.92	0.92	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.045-.087	0.09975	0.11	0.10
2007	0.88	0.88	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.040-.085	0.09975	0.11	0.10
2008	0.85	0.85	1.85	1.85	5.00	3.40	0.0575	1.00	0.20	.040-.085	0.09975	0.11	0.10
2009	0.85	0.85	1.65/1.85*	1.65/1.85*	10.00	3.40	0.0575	2/2.5**	0.20	.040-.086	0.09975	0.11	0.10

Source: Office of Tax and Revenue

\*\$1.65 for Commercial Improved properties assessed at up to \$3 million; 1.85 for all residuals above \$3 million.

\*\* \$2 per pack of 20 and \$2.50 per pack of 25

(1) Of sales value

(2) Per package of 20

(3) Per gallon

(4) Of taxable income

(5) Of net income

(6) Of gross charges (gas, lighting, telephone)

Principal Property Taxpayers  
Current Year and Nine Years Ago  
(dollars in thousands)

Exhibit S-2D

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
JBG/FEDERAL CENTER LLC	\$ 638,386	1	0.417%	\$ ***		
MANUFACTURERS LIFE INSURANCE	521,482	2	0.341%	143,896	5	0.333%
13TH & F ASSOCIATES LP	428,326	3	0.280%	145,899	4	0.337%
WASHINGTON SQUARE LIMITED PARTNERSHIP	413,897	4	0.270%	181,074	2	0.418%
SECOND ST HOLDING LLC	398,757	5	0.261%	***		
CARR CRHP PROPERTIES LLC	393,500	6	0.257%	161,333	3	0.373%
WARNER INVESTMENTS LP	390,000	7	0.255%	227,624	1	0.526%
UNITED BROTHERHOOD CRPT JNR AM NATL H S FD	385,753	8	0.252%	12,795	7	0.030%
BP/CRF 901 NEW YORK AVENUE LLC	354,257	9	0.231%	10,265	8	0.024%
DAVID NASSIF ASSOCIATES	338,876	10	0.221%	137,633	6	0.318%

\*\*\* 2000 exact rank can not be determined

Source: Office of Tax and Revenue



**Ten Highest Assessed Values For Tax Exempt Properties**  
**Current Year**  
*(dollars in thousands)*

Exhibit S-2E

Property	Value
INTERNATIONAL FINANCE CORPORATION	\$ 522,456
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	459,053
INTER-AMERICAN DEVELOPMENT BANK	451,702
CATHOLIC UNIVERSITY OF AMERICA	386,066
GEORGETOWN UNIVERSITY	375,992
INTERNATIONAL MONETARY FUND	298,701
INTERNATIONAL MONETARY FUND	284,032
PROTESTANT EPISCOPAL CATHEDRAL FOUNDATION DC	275,612
HOWARD UNIVERSITY	252,609
THE FREEDOM FORUM INC	243,474

Source: Office of Tax and Revenue

Note: Duplicate property listings result from properties with multiple addresses.

**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
*(dollars in thousands)*

Exhibit S-2F

Fiscal Year Ended Sept 30	Tax Levy	Tax Collections (1)			Percent of Collections to Levy	
		Current	Subsequent Years (2)	Total	Current	Total
2000	\$ 613,385	\$ 569,190	\$ 23,587	\$ 592,777	92.8%	96.6%
2001	669,016	576,965	58,359	635,324	86.2%	95.0%
2002	740,387	649,895	57,729	707,624	87.8%	95.6%
2003	847,980	774,989	63,110	838,099	91.4%	98.8%
2004	1,011,891	898,352	47,701	946,053	88.8%	93.5%
2005	1,198,319	1,021,836	46,314	1,068,150	85.3%	89.1%
2006	1,234,062	1,102,954	47,422	1,150,376	89.4%	93.2%
2007	1,525,002	1,361,132	66,500	1,427,632	89.3%	93.6%
2008	1,815,303	1,623,073	67,384	1,690,457	89.4%	93.1%
2009	2,103,251	1,760,938	69,483	1,830,421	83.7%	87.0%

(1) Approximately 45% of real property tax collections are deposited with fiscal agents, such as commercial banks, for payment of matured bonds and interest.

(2) Subsequent year collections related to collections on prior year levies.

Current year tax levy amounts include new billings for prior year penalties and interest.  
 Subsequent year collections relate to collections on prior year levies.

Source: Office of Tax and Revenue

**Personal Income Tax Rates  
Last Ten Fiscal Years**
**Exhibit S-2G**

Top Income Tax Rate Is Applied to Taxable Income in Excess of Listed Amounts						* Average Effective Rate
Year	Top Rate	Single	Married Filing Jointly	Head of Household		
2000	9.50%	\$ 20,000	\$ 20,000	\$ 20,000	6.39%	
2001	9.30%	30,000	30,000	30,000	6.60%	
2002	9.30%	30,000	30,000	30,000	6.55%	
2003	9.30%	30,000	30,000	30,000	6.66%	
2004	9.30%	30,000	30,000	30,000	6.65%	
2005	9.00%	30,000	30,000	30,000	6.68%	
2006	8.70%	40,000	40,000	40,000	6.45%	
2007	8.50%	40,000	40,000	40,000	6.20%	
2008	8.50%	40,000	40,000	40,000	5.93%	
2009	8.50%	40,000	40,000	40,000	N/A	

N/A: Not Available

\* Fiscal year personal income tax collections divided by prior-year personal income.

Source: Office of Tax and Revenue

**Personal Income Tax Filers and Liability by Income Level  
Current Year and Nine Years Ago**
**Exhibit S-2H**

Income Level	2009				2000			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	45,569	14.26%	\$ 844,254,011	67.34%	26,383	8.43%	\$ 510,463,890	54.85%
\$75,001 -- \$100,000	22,200	6.95%	102,695,376	8.19%	14,654	4.68%	86,826,379	9.33%
\$50,001 -- \$75,000	41,135	12.87%	118,813,034	9.48%	30,826	9.85%	121,228,336	13.03%
\$25,001 -- \$50,000	80,669	25.24%	112,233,486	8.95%	79,634	25.44%	155,401,662	16.70%
\$10,001 -- \$25,000	64,106	20.06%	27,344,664	2.18%	77,730	24.83%	48,670,964	5.23%
\$10,000 and lower	65,895	20.62%	48,355,988	3.86%	83,829	26.77%	8,075,638	0.86%
Total	319,574	100.00%	\$ 1,253,696,559	100.00%	313,056	100.00%	\$ 930,666,869	100.00%

Note: Amounts not expressed in thousands.

Source: Office of Tax and Revenue

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### **3. Debt Capacity**

These schedules present information showing the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

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**Ratios of General Obligation Bonds Outstanding  
Last Ten Fiscal Years**  
(dollars in thousands, except per capita)

Exhibit S-3A

<b>Fiscal Year</b>	<b>General Obligation Bonds (GO)</b>	<b>Actual Value of Taxable Property</b>	<b>GO Bonds as a Percentage of Actual Value of Taxable Property</b>	<b>GO Debt Per Capita *</b>
2000	\$ 3,109,728	\$ 43,270,066	7.19%	\$ 5,439
2001	2,582,017	44,229,116	5.84%	4,470
2002	2,670,573	52,522,147	5.08%	4,611
2003	3,251,118	58,063,667	5.60%	5,631
2004	3,418,933	66,454,109	5.14%	5,900
2005	3,632,198	86,887,767	4.18%	6,240
2006	3,773,863	98,491,335	3.83%	6,446
2007	4,140,133	124,875,273	3.32%	7,043
2008	4,592,518	142,958,188	3.21%	7,760
2009	3,766,628	153,039,555	2.46%	6,281

\* The prior year per capita amounts were updated to reflect the revised census population estimates.

**Pledged-Revenue Coverage  
Last Eight Fiscal Years**  
(dollars in thousands)

Exhibit S-3B

<b>Fiscal Year</b>	<b>Tax Increment Financing Debts</b>					<b>Coverage</b>
	<b>Sales Tax Increment</b>	<b>Real Property Tax Increment</b>	<b>Debt Service</b>			
			<b>Principal</b>	<b>Interest</b>		
2002	\$ 33	\$ -	\$ -	\$ 33		100.00%
2003	1,236	-	1,104	132		100.00%
2004	2,222	112	1,515	4,265		40.38%
2005	6,733	2,537	6,484	4,933		81.19%
2006	11,562	1,652	7,219	5,348		105.15%
2007	14,205	5,095	4,666	5,042		198.81%
2008	23,450	6,654	4,565	5,147		309.97%
2009	18,122	7,864	4,467	5,245		267.57%

Note: Details regarding the District's outstanding debt can be found in the Notes to the Basic Financial Statements.

**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
*(dollars in thousands, except per capita)*

Exhibit S-3C

Fiscal Year	Governmental Activities											Total Debt as a Percentage of Personal Income	Total Debt Per Capita	"Tax Supported Debt" Per Capita
	General Obligation Bonds	Income Tax Secured Bonds	TIF Bonds	Qualified Zone Academy Bonds	Certificates of Participation	Capital Leases	Ballpark Bonds	HPTF Bonds(3)	PILOT Revenue Bonds	Tobacco Bonds(1)	Total Debt			
2000	\$ 3,109,728	\$ -	\$ -	\$ -	\$ -	\$ 131,167	\$ -	\$ -	\$ -	\$ -	\$ 3,240,895	\$ 23,102,223	14.0%	\$ 5,669
2001	2,582,017	-	6,900	-	-	121,564	-	-	-	521,105	3,231,586	25,525,115	12.7%	5,594
2002	2,670,573	-	126,545	3,582	-	157,057	-	-	-	514,280	3,472,037	25,786,286	13.5%	5,995
2003	3,251,118	-	125,524	3,327	129,530	90,458	-	-	-	506,550	4,106,507	26,913,785	15.3%	7,112
2004	3,418,933	-	124,009	3,071	128,345	84,456	-	-	-	502,740	4,261,554	29,203,213	14.6%	7,354
2005	3,632,198	-	117,525	2,815	120,760	76,390	-	-	-	498,740	4,448,428	31,874,543	14.0%	7,643
2006	3,773,863	-	109,895	5,221	278,100	67,942	534,800	-	-	742,284	5,512,105	33,895,852	16.3%	9,416
2007	4,140,133	-	105,229	4,787	270,780	59,868	528,490	34,105	-	737,069	5,880,461	36,119,426	16.3%	10,003
2008	4,592,518	-	100,664	6,713	261,375	52,403	526,415	33,570	155,630	724,484	6,453,772	39,131,118	16.5%	10,905
2009	3,766,628	1,071,785	96,196	6,044	251,515	44,492	521,750	33,010	142,138	711,239	6,644,797	N/A	N/A	11,081

Note: There are no business type activities with outstanding debt.

Prior year per capita amounts were updated to reflect U.S. Census Bureau population estimates.

Convention Center bonds are neither reported nor included in this table.

(1) Tobacco bonds are not supported by general tax revenues and are not included in the Total "Tax Supported Debt" Per Capita calculation.

(2) The prior year personal income amounts were updated to reflect revised U.S. Bureau of Economic Analysis estimates.

(3) HPTF - Housing Production Trust Fund

## Legal Debt Margin Information

## Last Ten Fiscal Years

(dollars in thousands)

Exhibit S-3D

## Debt Service Cost Margin Calculation for Fiscal Year 2009:

General fund revenue	\$	<u>5,898,672</u>
Debt service cost limitation (17% of general fund revenue)	\$	1,002,774
Debt expenditure applicable to limit:		
Principal	\$	224,305
Interest		<u>207,360</u>
Subtotal for current year		<u>431,665</u>
Highest future year debt service cost	\$	<u>408,506</u>
Total debt service cost subject to the limitation		<u>431,665</u>
Debt service cost margin	\$	<u><u>571,109</u></u>

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt service cost limitation	\$ 688,754	\$ 718,024	\$ 622,331	\$ 627,516	\$ 735,472	\$ 823,558	\$ 875,852	\$ 1,000,684	\$ 1,039,711	\$ 1,002,774
Highest future year debt service cost	327,044	270,910	284,114	319,160	339,003	359,735	383,659	406,161	456,152	408,506
Debt service cost margin	\$ 361,710	\$ 447,114	\$ 338,217	\$ 308,356	\$ 396,469	\$ 463,823	\$ 492,193	\$ 594,523	\$ 583,559	\$ 571,109
Total debt service cost subject to the limit as a percentage of debt service cost limit	47.5 %	37.7 %	45.7 %	50.9 %	46.1 %	43.7 %	43.8 %	40.6 %	43.9 %	40.7 %
Debt limit ratio	9.7 %	6 %	7.8 %	8.6 %	7.8 %	7.4 %	7.4 %	6.9 %	7.5 %	6.9 %

Note: Under the District of Columbia Self-Government and Governmental Reorganization Act, no long term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long term debt to exceed 17 percent of the revenues of the fiscal year in which the debt is issued. The debt service percent is calculated using the highest fiscal year debt service divided by the total revenues.

**Limitation On Borrowing***(dollars in thousands)*

General Fund Expenditures:	\$	6,092,811
General Fund Transfers out:		231,727
<b>Total:</b>	<b>\$</b>	<b>6,324,538</b>
Limitation on borrowing (12%):	\$	758,945
Highest future year debt service cost:		
FY2010		631,229
<b>Margin on Limitation:</b>	<b>\$</b>	<b>127,716</b>

Debt Service Expenditures by Fiscal Year												
Long Term Debt	2009			2010			2011			2012		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
General Obligation Bonds	\$ 224,305	207,999	432,304	239,905	168,601	408,506	193,900	155,885	349,785	129,683	165,267	294,950
Income Tax Revenue Bonds	-	7,974	7,974	-	49,336	49,336	23,160	52,121	75,281	74,520	49,992	124,512
TIF Bonds	4,467	5,230	9,697	4,389	5,320	9,709	4,322	5,384	9,706	4,268	5,440	9,708
TIF Notes	6,051	4,750	10,801	2,113	4,626	6,739	11,675	7,304	18,979	1,758	4,339	6,097
QZAB	669	-	669	669	-	669	669	-	669	669	-	669
Capital Leases	7,911	3,011	10,922	8,384	2,536	10,920	8,675	2,039	10,714	9,189	1,521	10,710
Ballpark Bonds	4,665	27,912	32,577	4,360	27,690	32,050	4,540	27,472	32,012	4,915	27,237	32,152
Equipment Financing Program	33,774	4,475	38,249	36,572	4,448	41,020	33,065	2,895	35,960	24,767	1,587	26,354
HPTF Revenue Bonds	560	1,584	2,144	585	1,561	2,146	605	1,538	2,143	630	1,514	2,144
AWC PILOT Rev Bonds	5,760	4,790	10,550	6,020	4,530	10,550	6,290	4,258	10,548	6,575	3,974	10,549
NCRC Revenue Bonds	7,732	315	8,047	987	1,597	2,584	1,038	1,866	2,904	1,091	1,819	2,910
COPs	9,860	12,756	22,616	10,330	12,288	22,618	10,850	11,773	22,623	11,400	11,216	22,616
Washington Convention Center Authority	11,690	22,761	34,451	7,260	27,122	34,382	8,245	26,110	34,355	11,065	23,255	34,320
<b>Total</b>	<b>\$ 317,444</b>	<b>303,557</b>	<b>621,001</b>	<b>321,574</b>	<b>309,655</b>	<b>631,229</b>	<b>307,034</b>	<b>298,645</b>	<b>605,679</b>	<b>280,530</b>	<b>297,161</b>	<b>577,691</b>

Source: Office of Finance and Treasury

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#### **4. Demographic and Economic Information**

These schedules offer demographic and economic data to help explain the environment within which the District's financial activities take place. This information also facilitates comparisons of financial statement information over time and among governments.

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**Demographic and Economic Statistics  
Last Ten Fiscal Years**

Exhibit S-4A

Fiscal Year	Popula- tion (1)	Personal Income (2)(3)	Per Capita Income (2)	Median Age (1)	Employ- ment (4)	Unemploy- ment Rate (4)	Claims Accepted (5)	Claims Rejected (5)
2000	571,723	\$ 23,102,223	\$ 40,403	34.7	645,200	5.8%	22,113	6,002
2001	577,678	25,525,115	44,188	34.7	654,400	6.0%	18,189	6,514
2002	579,112	25,786,286	44,521	34.8	661,800	6.6%	26,166	10,706
2003	577,371	26,913,785	46,607	34.9	665,900	7.0%	21,527	7,342
2004	579,521	29,203,213	50,383	34.9	670,500	7.8%	18,554	6,450
2005	582,049	31,874,543	54,763	35.0	677,900	7.5%	17,223	6,074
2006	583,978	33,895,852	57,896	35.0	689,300	5.7%	17,021	6,212
2007	586,409	36,119,426	61,397	35.0	695,900	5.8%	17,111	5,918
2008	590,074	39,131,118	66,119	34.9	703,600	6.3%	20,425	7,123
2009	599,657	N/A	N/A	N/A	707,100	9.9%	34,668	13,697

N/A: Not Available

(1) Source: U.S. Bureau of the Census (As of July 1 - Updated each December for all of the years after the 2000 census)

(2) Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA). BEA uses slightly different population

estimates in its calculation of per capita income. Updates are made each year to prior year numbers, which will not match prior year CAFR figures.

(3) In thousands

(4) Source: D.C. Department of Employment Services

(5) Source: D.C. Unemployment Compensation Office

**Principal Employers  
Current Year and Nine Years Ago \*\***

Exhibit S-4B

Employer	2008 **			1999		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Howard University	*	1	*	*	4	*
Georgetown University	*	2	*	*	2	*
The George Washington University	*	3	*	*	1	*
Washington Hospital Center	*	4	*	*	3	*
Children's National Medical Center	*	5	*	*	5	*
Fannie Mae	*	6	*	*	6	*
Georgetown University Hospital	*	7	*	*	12	*
American University	*	8	*	*	10	*
The Catholic University of America	*	9	*	*	15	*
Providence Hospital	*	10	*	*	7	*
Howard University Hospital	*	11	*	*	11	*
George Washington University Hospital	*	13	*	*	19	*
Washington Post	*	14	*	*	8	*
Admiral Security	*	15	*	*	64	*
Total	51,451		7.4%	43,572		7.4%

\* This data is produced through the Quarterly Covered Employment and Wage (QCEW) Program, a Bureau of Labor Statistics federal/state cooperative statistical program. Release of data under this program is subject to the Confidential Information Protection and Statistical Efficiency Act of 2002. The District cannot release company specific employment information without the written consent of each of the companies that are included in the release of such data. As a result, we are only presenting rank and total employment information for the top ten principal employers.

\*\* 2009 data will not be available until fiscal year 2010

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## **5. Operating Information**

These schedules contain service and infrastructure data to better understand how the information in the District's financial reports relates to the services the District provides and the activities it performs.

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Operating Indicators by Function/Program  
Last Ten Fiscal Years

Exhibit S-5A

Function/Program	Operating Indicators									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>GOVERNMENTAL DIRECTION AND SUPPORT</b>										
<u>General Obligation Bonds</u>										
Bond rating by S&P	BBB	BBB+	BBB+	A-	A	A+	A+	A+	A+	A+
Bond rating by Moody's	Baa3	Baa1	Baa1	Baa1	A2	A2	A2	A1	A1	A1
Bond rating by Fitch	BBB	BBB+	BBB+	A-	A-	A	A	A+	A+	A+
<u>Income Tax Secured Revenue Bond *</u>										
Bond rating by S&P	-	-	-	-	-	-	-	-	-	AAA
Bond rating by Moody's	-	-	-	-	-	-	-	-	-	Aa2
Bond rating by Fitch	-	-	-	-	-	-	-	-	-	AA
*New for FY 2009										
<b>ECONOMIC DEVELOPMENT AND REGULATION</b>										
Taxable retail sales (\$ millions)	\$ 8,298	\$ 7,367	\$ 7,485	\$ 7,683	\$ 8,343	\$ 10,487	\$ 10,051	\$ 9,971	\$ 11,048	\$ 10,198
Commercial construction units	36	38	59	59	115	125	121	173	156	107
Value	\$ 301,372	\$ 889,830	\$ 919,252	\$ 418,049	\$ 1,720,869	\$ 1,466,587	\$ 1,366,931	\$ 1,300,454	\$ 1,938,197	\$ 2,321,216
Residential construction units	42	422	448	499	506	861	815	664	1,237	1,003
Value	\$ 8,217	\$ 100,366	\$ 102,861	\$ 68,931	\$ 117,803	\$ 192,609	\$ 186,685	\$ 182,298	\$ 276,722	\$ 269,812
<b>Housing Finance Agency</b>										
Number of Single-Family Units Financed	527	503	161	5	0	0	67	273	218	109
Amount of Single-Family Financing Provided (\$ 000s)	\$ 67,922	\$ 61,300	\$ 19,600	\$ 612	\$ 0	\$ 0	\$ 16,820	\$ 59,070	\$ 43,795	\$ 24,750
Number of Multi-Family Units Financed	1,115	1,555	1,893	1,237	525	7,623	1,165	1,198	917	297
Amount of Multi-Family Financing Provided (\$ 000s)	\$ 45,647	\$ 98,534	\$ 101,205	\$ 76,358	\$ 36,051	\$ 133,510	\$ 71,543	\$ 118,978	\$ 91,014	\$ 28,255
Total Number of Housing Units Financed	1,642	2,058	2,054	1,242	525	7,623	1,232	1,471	1,135	406
Total Amount of Housing Financing Provided (\$ 000s)	\$ 113,569	\$ 159,834	\$ 120,805	\$ 76,970	\$ 36,051	\$ 133,510	\$ 88,363	\$ 178,048	\$ 134,809	\$ 53,005
<b>PUBLIC SAFETY AND JUSTICE</b>										
<u>Police</u>										
Crime Index Offenses	39,651	40,305	40,213	39,797	36,246	32,678	32,311	33,043	35,351	34,977
Number of Police Officers	3,599	3,601	3,666	3,711	3,800	3,800	3,800	3,907	4,050	4,047
<u>Fire &amp; EMS</u>										
Number of Operational Personnel **	1,525	1,613	1,648	1,765	1,768	1,831	1,800	1,818	1,958	1,958
Total Number of Incidents	146,142	145,121	138,277	142,154	140,585	145,812	149,395	153,788	158,919	165,725
Total Number of Fire/Rescue Incidents	43,596	41,243	30,672	30,559	30,029	30,989	32,015	32,363	32,396	30,728
Number of Medical Incidents	102,546	103,878	107,605	11,595	110,556	114,823	117,380	121,415	126,523	134,997
Total number of Transports	77,040	71,267	75,785	79,245	77,289	73,314	75,186	76,841	81,981	86,824
Inspections	22,983	23,923	20,303	13,055	26,703	29,072	28,636	19,282	13,175	22,716
**Beginning in FY 2008 - The number of Fire Fighters and the number of Emergency Medical Personnel have been combined into a single measure, "Number of Operational Personnel" to reflect the agency's evolution into a unified all-hazards department.										
<b>PUBLIC LIBRARY</b>										
Number of Volumes	2,756,244	2,715,332	2,721,119	2,609,062	2,559,601	2,333,957	2,873,518	3,037,696	2,897,099	2,525,848

**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**  
*(Continued)*

Exhibit S-5A

Function/Program	Operating Indicators									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b><u>PUBLIC EDUCATION SYSTEM</u></b>										
<b><u>D.C. Public School System</u></b>										
Number of School Teachers	5,030	4,850	4,938	4,365	5,206	4,938	4,614	4,509	4,328	3,722
Number of School Students	70,762	68,925	67,522	65,093	62,306	62,306	56,943	52,945	46,208	46,132
Number of High School Graduates	2,695	2,808	2,894	2,723	2,740	2,680	2,450	2,489	2,555	2,679
<b><u>University of the District of Columbia</u></b>										
Number of Teachers	223	N/A	260	260	208	219	215	242	247	241
Number of Students	5,358	5,456	5,468	5,241	5,424	5,364	5,772	5,612	5,595	5,260
Number of Graduates	581	511	466	483	508	503	573	475	599	711
<b><u>PUBLIC WORKS/PUBLIC TRANSPORTATION</u></b>										
Street Resurfaced (includes reconstruction); regular cover; pavement restoration (miles)	39.4	78.8	103.1	27.8	36.5	90.0	65.2	52.3	32.1	18.0
Potholes Repaired	5,354	5,802	7,005	7,679	9,177	5,272	3,649	6,262	2,800	2,400
Refuse collected (tons per day)	526	466	491	511	506	485	425	406	404	378
Recyclables collected (tons per day)	79	82	78	83	84	85	86	95	98	105
Tons of Bulk Trash Removed	N/A	N/A	4,898	4,994	5,362	4,956	4,610	4,831	4,025	4,136
Tons of Leaves Removed	N/A	N/A	8,983	8,014	6,651	9,569	9,588	7,834	10,072	8,289
Tons of Snow Removed	3,070,883	1,475,619	638,106	8,056,083	2,472,659	880,000	855,712	661,050	674,225	808,732
<b><u>Department of Motor Vehicles</u></b>										
Number of motor vehicle registrations (1/1 - 12/31)	288,866	N/A	231,848	235,907	243,874	250,602	260,662	271,243	269,549	259,367
Number of operator licenses issued (1/1 - 12/31)	148,216	N/A	70,491	78,022	96,760	80,765	90,456	117,902	112,072	110,846
Number of operator licenses outstanding (1/1 - 12/31)	N/A	N/A	N/A	241,304	237,526	314,650	357,569	396,193	342,816	340,316
<b><u>D.C. WATER AND SEWER AUTHORITY</u></b>										
Number of Customer locations	127,882	124,749	130,000	122,502	122,802	123,062	123,465	124,109	124,582	125,130
Average daily water consumption (MGD)	134	132	135	86	87	86	87	87	84	80
Daily maximum sewer capacity (MGD)	740	740	1,076	370	370	370	370	370	370	370
Peak 4 Hour Flow, through complete process (MGD)	740	740	740	740	740	740	740	740	740	740
Excess Storm Flow, primary treatment only (MGD)	336	336	336	336	336	336	336	336	336	336
Peak Flow (MGD)	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076	1,076
<b><u>CONVENTION CENTER</u></b>										
Conferences held	116	165	162	163	201	185	106	151	183	204
Attendees	935,763	985,196	915,088	891,008	1,023,072	1,153,250	935,485	1,028,953	1,091,406	1,053,266

N/A: Not Available

**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

Exhibit S-5B

Function/Program	Fiscal Years									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b><u>Police</u></b>										
Police Stations Including Satellites	13	13	14	14	16	16	16	16	17	11
Number of Patrol Cars	N/A	N/A	N/A	N/A	1,207	1,199	1,234	1,222	1,242	1,200
<b><u>Fire</u></b>										
Number of Fire and EMS stations	34	34	34	34	34	34	33	34	34	34
Number of Front-line Emergency Vehicles	70	78	78	91	92	92	107	130	111	126
<b><u>EMS</u></b>										
Number of Ambulances	53	53	53	65	62	62	91	78	79	77
<b><u>D.C. Public School System</u></b>										
Schools	146	146	146	147	147	165	144	144	144	131
Number of School Buses	N/A	N/A	N/A	N/A	650	669	712	727	727	790
<b><u>Public Library</u></b>										
Number of Main and Branch Buildings	22	22	22	22	22	22	22	22	22	24
Number of Community and Kiosk Facilities	5	5	5	5	5	5	5	5	5	0
<b><u>Parks and Recreation</u></b>										
Acreage	800	800	800	800	800	800	832	836	836	836
Number of Recreation & Community Centers	77	77	78	75	75	72	70	73	75	75
Number of Day Camps	3	3	78	57	70	51	86	86	71	68
Number of Outdoor Swimming Pools	35	35	22	32	27	26	24	26	24	24
Number of Indoor Swimming Pools	7	7	7	6	6	8	6	8	7	7
<b><u>Public Works/Public Transportation</u></b>										
Number of Refuse Collection Trucks	52	52	52	52	52	71	71	77	77	84
Primary Street Miles	126	126	126	126	126	126	126	126	126	126
Secondary Street Miles	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007
Number of Street Lights	76,565	64,349	66,089	66,570	66,562	66,650	66,630	68,000	68,000	68,000
Number of Signalized Intersections	1,519	1,519	1,529	1,533	1,534	1,538	1,563	1,570	1,575	1,600
Number of Trees	N/A	N/A	106,000	110,000	114,000	118,000	120,934	128,540	144,000	145,312
<b><u>D.C. Water &amp; Sewer Authority</u></b>										
Miles of Water Mains	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Miles of Sewer Mains	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800

**Full-Time Equivalent General Fund District Government Employees by Function/Program \***  
**Last Ten Fiscal Years**  
*(Year ended Sept 30)*

Exhibit S-5C

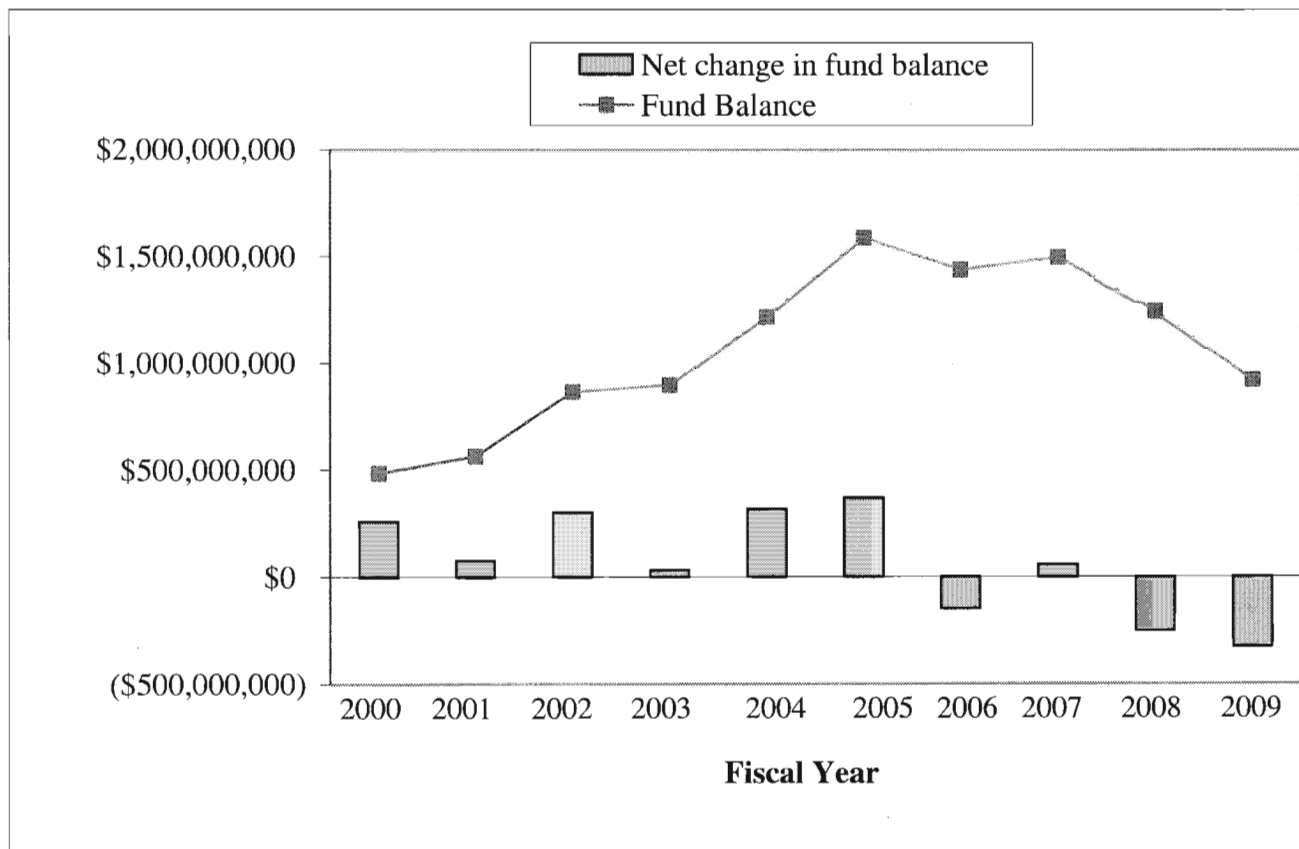
Function/Program	Full-time Equivalent District Government Employees									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental direction and support	1,953	2,659	2,647	2,417	2,358	2,419	2,475	2,613	2,445	2,726
Economic development and regulation	1,205	597	556	538	1,000	986	1,104	1,157	992	1,230
Public safety and justice	8,244	7,328	7,169	7,379	7,547	7,963	7,919	8,234	7,953	8,728
Public education system	9,662	10,824	11,344	10,818	10,770	9,211	9,714	9,367	8,991	8,323
Human support services	4,666	1,957	4,095	4,280	4,211	4,555	4,611	4,571	4,158	4,559
Public works	1,718	2,071	1,585	1,454	1,624	1,752	1,789	1,889	2,843	2,197
<b>Total</b>	<b>27,448</b>	<b>25,436</b>	<b>27,396</b>	<b>26,886</b>	<b>27,510</b>	<b>26,886</b>	<b>27,612</b>	<b>27,831</b>	<b>27,382</b>	<b>27,763</b>

\* Full-time equivalent general fund District Government employees by function/program is obtained from the FY 2010 Proposed Full-Time Equivalent Authority General Fund.

\*\* The statistics for FY 2008 were revised and obtained from the FY 2010 Proposed Full-Time Equivalent Authority General Fund.

Exhibit S-5D

# General Fund Fund Balance Trend Chart





**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
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**PHOTOS**

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OCFO Office of Communications

**YEAR ENDED SEPTEMBER 30, 2009**