

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



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2010

ADRIAN M. FENTY, MAYOR  
2007-2010

VINCENT C. GRAY, MAYOR  
2011-2014

NATWAR M. GANDHI, CHIEF FINANCIAL OFFICER

# CAFR 2010





VINCENT C. GRAY  
MAYOR

January 27, 2011

Dear Residents of the District of Columbia,

I am pleased to present the District of Columbia's (District) Fiscal Year 2010 Comprehensive Annual Financial Report (CAFR). Despite a nationwide economic downturn, the District's finances remain strong. We completed Fiscal Year 2010 with a budgetary surplus of \$58 million, resulting in a General Fund balance of \$890 million at September 30, 2010, and the audit opinion is unqualified for the fourteenth consecutive year.

As in previous years, the District was able to continue to invest in neighborhoods and commercial projects and continues to be an attractive destination for visitors from all over the world. We now enjoy a "AAA" rating from Standard & Poor's on our Income Tax secured revenue bonds, with ratings of "AA+" and "Aa1" from Fitch Ratings and Moody's Investors Service, respectively. All three rating agencies have "stable" outlooks on the District's income tax bonds. The District's general obligation bond ratings are "A+" from Standard & Poor's, "AA-" from Fitch Ratings, and "Aa2" from Moody's Investors Service, also with "stable" outlooks. This strong bond rating allows the District to incur debt at lower interest rates, which permits us to continue to improve both infrastructure and service delivery.

Because of measures taken over the last few years, the District is faring better in this national recession than most state and local governments, but we continue to face challenges. Revenues continue to decline requiring more creative approaches to reducing expenses. As "One City", 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 communities in every Ward to provide our children with a proud legacy, and a much brighter future.

Sincerely,

A handwritten signature in black ink that reads "Vincent C. Gray".

Vincent C. Gray

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



Natwar M. Gandhi  
Chief Financial Officer

January 27, 2011

The Honorable Vincent C. Gray  
Mayor of the District of Columbia  
1350 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

Dear Mayor Gray:

I am pleased to present the District of Columbia's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2010, on which our independent auditors, KPMG, LLP, issued an unqualified (clean) opinion. This is the 14<sup>th</sup> consecutive year in which the District has received a clean audit opinion on its annual financial statements.

This financial report presents the results of the collaborative efforts of the Mayor, Council, Agency Directors, and other District managers and staff to maintain financial stability in fiscal year 2010, even as the District continued to experience the effects of the national economic downturn. Due to the District's disciplined financial management practices, we have weathered the economic storm relatively well in comparison with many other jurisdictions. As presented in the CAFR, at the end of fiscal year 2010, General Fund revenues exceeded expenditures by \$58 million on a budgetary basis and the cumulative General Fund fund balance was \$890 million, down from \$920 million in fiscal year 2009. Although this represents a significant decrease, the District's General Fund fund balance position is better than that of many other state and local governments. For some time, however, I have expressed my concerns about the depletion of our General Fund fund balance and the possible effect on our bond ratings. In its most recent report on our General Obligation (GO) bonds issued by Standard & Poor's on December 14, 2010, they state that "...the District's financial position was, in our opinion, good but we expect it to weaken based on a trend of using reserves to offset revenue shortfalls." It is imperative that the District adopt future budgets on the principle of current year spending not exceeding current year revenues. The Sustained Capital Investment and Fund Balance Restoration Act of 2010, adopted last year, was an important step in replenishing General Fund fund balance.

The District refunded approximately \$828.7 million of its outstanding general obligation bonds through the issuance of Income Tax Secured Revenue Refunding Bonds. The refunding, also considered a debt restructuring because it changed the amortization structure of the District's debt portfolio, reduced the District's debt service payments in FY 2010 and other years without extending the final maturity of any particular bond issue. The primary reason for doing this refunding/restructuring transaction was that the substantial reduction in revenues caused by the economic recession pushed the District's debt cap close to its limit. This transaction allowed the District to continue making important

long-term investments in its infrastructure with on-going financing of its Capital Improvements Program, including Schools Modernization, while keeping annual debt service payments at levels that remain within the 12 percent debt cap throughout the financial plan period.

The District continued to enjoy strong ratings on both its general obligation and income tax bonds. The District's Income Tax Secured Revenue Bonds are currently rated as follows: AA+ by Fitch Ratings; Aa1 by Moody's Investors Service; and AAA by Standard and Poor's Rating Service. All three rating agencies have assigned "stable" outlooks to the District's bonds. The credit rating agencies have also rated the District's general obligation bonds favorably with current ratings as follows: AA- (Fitch Ratings); Aa2 (Moody's Investors Service); and A+ (Standard and Poor's Rating Service), all of which also carry "stable" outlooks.

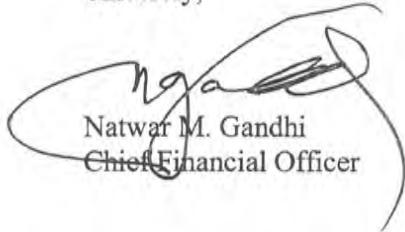
Maintaining strong bond ratings has never been more important as the District continues to be impacted by the economic decline of recent years. Measures must be taken to avoid practices that will compromise the District's bond ratings or present the risk of a downgrade in ratings. Accordingly, the District should make every effort to limit the use of reserves to meet operational needs or close budget gaps. The District must be prudent in its use of available financial resources.

The ability to effectively manage the District's finances depends on sound and reasonable revenue estimates. Although the economy began to show signs of recovery in fiscal year 2010, the economic climate impacted the District's revenue streams and presented significant budget challenges during the year. During the first quarter of fiscal year 2010, estimated revenues totaled \$5.182 billion. However, based on the results of economic analysis and trending, by the end of the fiscal year, the revenue estimate decreased by \$38 million to \$5.144 billion. As the anticipated economic impact on the District's operations continued to worsen, the Mayor and the Council responded quickly to close the resulting budget gaps.

Although the District has been able to maintain financial stability and operate within budgetary constraints, the tenuous nature of the economy will continue to impact the District's financial condition in future fiscal years. Recognizing that fact, 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.

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 2010. Through their joint efforts, the District, as one government, was able to complete its fiscal year 2010 CAFR in four months instead of the six-month period allowed most jurisdictions. This is no small accomplishment, and the District truly has much of which to be proud.

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, 2010**

**Adrian M. Fenty  
Mayor  
2007 – 2010**

**Vincent C. Gray  
Mayor  
2011 - 2014**

**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, 2010**

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

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2010

# INTRODUCTORY SECTION

# CAFR 2010



# Government of the District of Columbia



**Office of the Chief Financial Officer  
Office of Financial Operations and Systems**  
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Washington, D.C. 20024  
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January 27, 2011

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, 2010, is herewith submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with District management and the Office of the Chief Financial Officer. 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, the District of Columbia, and the District.

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, effected 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 about whether the financial statements are free of misstatement. 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 controls. In accordance with D.C. Code Section 47-119, an independent auditor audited the District's financial statements for the year ended September 30, 2010. 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, KPMG, LLP, 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, an 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 2010 Single Audit Report will be issued at a later date.

GASB Statement No. 34 requires management to provide a narrative introductory overview and analysis (termed management's discussion and analysis (MD&A)) to accompany the basic financial statements. 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. (the District of Columbia) 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 territorial governor and council was subsequently eliminated in 1878. In that year, Congress passed legislation which established a three-member Board of Commissioners to govern the District of Columbia. This form of District governance lasted for almost 100 years.

With the ratification of the 23<sup>rd</sup> Amendment to the U.S. Constitution in 1961, citizens of the District of Columbia 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 of the District of Columbia. In 1970, Congress passed the District of Columbia Delegate Act, and in 1971, Walter Fauntroy became the first Congressional Delegate to represent the District of Columbia.

Congress passed the District of Columbia Home Rule Act in 1973, which provides for a popularly elected mayor and a 13-member Council of the District of Columbia (Council). Congress retained and continues to retain the right to review and overturn the legislative acts of the Council if both houses vote within 30 legislative days to do so. 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, other 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 city's history, District of Columbia 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 the nation's capital. The following are some of her major recent accomplishments:

- Secured \$5.8 million in federal Stimulus funding for the construction of a levee in the area near 17<sup>th</sup> Street and Constitution Avenue. The Federal Emergency Management Administration (FEMA) has identified potential flood zones in the Southeast and Southwest areas of the District, surrounding the U.S. Capitol and monuments; residents within the 100-year flood zones will be required to obtain flood insurance until a levee is constructed by the Army Corps of Engineers.
- Launched inter-city bus service from the District's Union Station as part of efforts to transform Union Station, making it a model inter-modal transportation center that offers AMTRAK, Washington Metropolitan Area Transit Authority (WMATA) rail and bus, Virginia Railway Express (VRE), Maryland Area Regional Commuter (MARC), bike-sharing, taxicab, and low-cost privately-owned bus services. Such transformation is occurring as train service at Union Station is being expanded and plans are under way to develop the air space above the railroad tracks into retail and commercial space.
- Maximized District funding made possible by the passage of the American Recovery and Reinvestment Act (ARRA), or federal "Stimulus Bill" by securing more than \$3 billion to be used to save critical city

jobs, upgrade schools, and make infrastructure improvements. The District also received Stimulus funds for the U.S. Department of Homeland Security Headquarters, being constructed in the District's Ward 8, and the repair and upgrade of federal buildings located in the District. Secured \$135 million in the Stimulus Bill to rehabilitate the National Mall and National Park Service parks within the District.

- Achieved renewal of the \$5,000 District homebuyer and small business tax credits in an effort to help District residents through the mortgage crisis and the declining job market.

For more information on the goals and accomplishments 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, University of the District of Columbia, Washington Convention and Sports Authority, Water and Sewer Authority, and the Not-For-Profit Hospital Corporation (the United Medical Center)); 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. Around March of each year, consistent with Section 442 of the Home Rule Act, 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 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 established in the system of record is then reconciled to the levels of funding authorized by the Appropriations Act. In addition, on an annual basis, independent auditors review the budgetary comparison statement to ensure compliance with federally approved amounts and to determine whether 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% or \$1 million, 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 later 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 submit jointly 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 assess 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 financial 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, Special Revenue Fund, or the fund for Federal Payments.

## Cash Reserves

Through Congressional mandate, the District is required to maintain cash reserves totaling 6% of the previous fiscal year general fund expenditures less debt service cost. 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 government-wide financial statements and fund 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 as a result of the following:
  - **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, an 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:
    1. Fund balance released from restrictions
    2. Proceeds from debt restructuring
    3. Accounts receivable allowance
    4. 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 present its budgetary comparisons as required supplementary information (RSI). The District does not have any significant budgetary

perspective differences that limit its ability to present budgetary comparisons of its general fund. The District's *Budgetary Comparison Statement* is presented as part of the basic financial statements in Exhibit 2-d beginning on page 47.

- **Timing Differences** – Timing differences can exist when there are significant variances between budgetary practices and GAAP, which may include continuing appropriations, project appropriations, automatic re-appropriations, and biennial budgeting. The District has no significant timing differences between its budgetary practices and its GAAP presentation of its financial statements.

#### Cash Management

It is the District's policy 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.

However, pursuant to the Financial Institutions Deposit and Investment Amendment Act of 1997 (D.C. Code §47-351.03), the District may invest in certain obligations that are not guaranteed by the federal government. Such deposits and investments must be 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.

#### **Transparency in Financial Reporting**

The Office of the Chief Financial Officer (OCFO) continues to promote openness in government and transparency in financial reporting. Over the last ten years, the District has opened its books to the public by posting online the annual operating budget and capital plan, the comprehensive annual financial report, and the popular

annual financial report. In addition, the OCFO's website provides information that allows taxpayers to review and assess the District's financial status, programs, activities and services, and determine how their tax dollars are being used. This information includes: monthly cash collection reports; debt management policy and data regarding bond issuances; monthly reviews of economic trends; other economic indicators and reports; CFO News (including press releases and Council Hearing written testimonies); and links to other useful information, such as the Taxpayer Service Center, the D.C. College Savings Plan, Unclaimed Property Division, and the Office of Contracting and Procurement.

With the receipt of Stimulus Funds, the District broadened its efforts to be transparent in financial reporting by creating the website, [www.recovery.dc.gov](http://www.recovery.dc.gov). This website offers a wealth of information regarding the District's receipt and use of federal Stimulus funds. More specifically, it allows the general public to track the District's applications for Stimulus funds, and the receipt and use of such funds (by project category and District agency). This site also: (a) provides information on how District residents may access the benefits associated with Stimulus funds, such as health care assistance through Medicaid, additional job training and placement programs, unemployment benefits, and nutrition assistance programs; (b) discusses how the District's Stimulus funds are managed; and (c) presents guidance on applying for federal Stimulus awards.

To ensure accurate and consistent accounting for and reporting of Stimulus funding, the OCFO implemented Stimulus 360, a web-based application that provides background information on the Act and details on how Stimulus awards are to be recorded in the District's accounting system of record. It also presents specific guidelines for completing a Stimulus application, drawing down awarded funds from the federal government, and preparing the required financial and programmatic reports. Stimulus 360 also provides information on the key District programs which are funded by Stimulus dollars; presents legislative updates pertaining to the Stimulus Act; presents Stimulus Frequently Asked Questions; and provides links to other pertinent information (e.g., copy of the American Recovery and Reinvestment Act, OMB Memoranda for the Heads of Departments and Agencies, U.S. Department of Education Race to the Top Budget Guidance, etc.) and related websites (e.g., the Mayor's Official Recovery website ([www.recovery.dc.gov](http://www.recovery.dc.gov)), the federal government's Recovery website ([www.recovery.gov](http://www.recovery.gov)), [www.grants.gov](http://www.grants.gov), and other related sites.)

## ECONOMIC CONDITION AND OUTLOOK

### Impact of the Recession on the District in Fiscal Year 2010

The impact of the recession on the District's economy was mixed in fiscal year 2010. During the recession, the District and the entire metropolitan region benefitted greatly from the presence of the federal government, which is the source of jobs from both direct federal hiring and contracts. Jobs located within the District remained strong compared to the rest of the nation; however, unemployment among District residents continued to be high in fiscal year 2010.

The District's economy is strongly influenced by its position as the central city of one of the best performing metropolitan areas in the country. The District accounted for 23.8% of the Washington metropolitan area's wage and salary employment and 10.5% of its resident employment during the quarter ending June 30, 2010.

Some of the factors that demonstrate the District's mixed economic picture in fiscal year 2010 include the following:

- During the three-month period ending July 2010, there were approximately 12,500 (1.8%) more wage and earned salary jobs located in the District than a year earlier. The federal government gained 10,367 (5.2%) more jobs over the past year, while the private sector gained 2,733 (0.6%) more jobs. (The private sector gains were in the relatively low wage miscellaneous business services category.)
- District resident employment during the three-month period ending July 2010 was 3,402 (1.1%) more than a year earlier. However, the total labor force also increased by 3,682 (1.1%), resulting in only a minor reduction in the unemployment rate.
- The District's unemployment rate in July 2010 (9.8% seasonally adjusted) moved closer to the national rate of 9.5%.
- During the summer of 2010, the number of housing sales declined compared with the prior year, while average prices were higher. Single family sales for the three-month period ending July 2010, were down 3.3% from a year ago, and the average selling prices were 2.2% higher. Condominium sales in that three-month period were down 25.8% but average prices were 8.4% higher over the prior year. Due principally to the decline in the number of condominium sales, the value of all home sale contracts for the three-month period ending in July 2010, was 7.7% less than the prior year.

- In the quarter ending in September 2010, occupied office space rose by 1.5% from the prior quarter and 4.8% from the prior year. At the same time, the commercial office vacancy rate fell from 10% (including sublet) in June 2010 to 9.1% in September 2010. The September 2010 vacancy rate was well below the metropolitan area average of 12.2%.

### Local Economy

#### Population

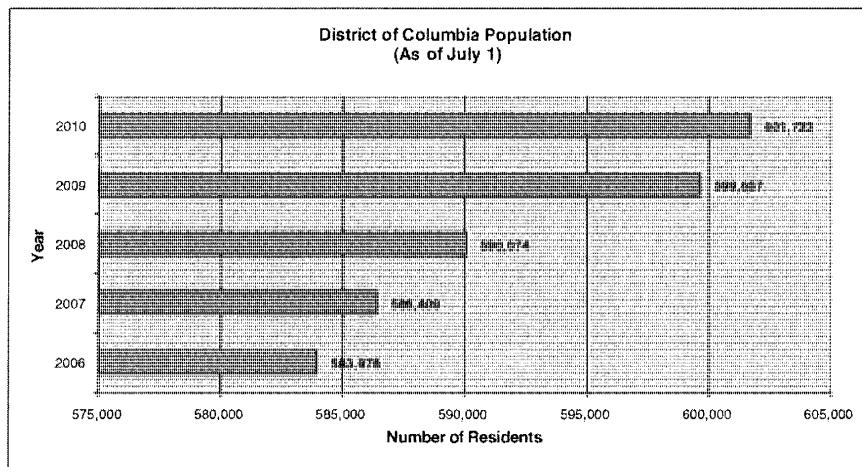
The U.S. Census Bureau estimated that there were 601,723 residents in Washington, D.C., as of July 1, 2010. This represents an increase of 2,066, or 3.45%, from the revised July 1, 2009, estimate of 599,657. The annual census estimates are based on birth and death records, changes in tax return filings, and estimates of the number of immigrants who move into the District each year. **Chart 1** found on the following page presents the District's population trends for calendar years 2006 through 2010.

#### Employment Trends

Total wage and salary employment in the Washington metropolitan area increased to approximately 2,984,000 in fiscal year 2010 from the revised 2,928,600 for fiscal year 2009, representing a 1.9% increase. These numbers exclude the self-employed, domestic workers, and military and foreign government personnel, which represent a significant portion of the total workforce of the region. Some of the references to the 2009 employment numbers may differ from those presented in the fiscal year 2009 CAFR because of updates and revisions. **Table 1** found on the following page presents 2010 labor market data for the District and the metropolitan region.

During the past three years, total wage and salary employment within the District increased slightly to 24.0% of the metropolitan area's total wage and salary employment. The seasonally adjusted September 2010 unemployment rate in the District was 9.8%, compared to the September 2009 seasonally adjusted rate of 11.1%.

Total employment within the District increased to 718,000 as of September 2010 from the revised 695,700 as of September 2009. 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 2010 federal workforce in the Washington metropolitan area was 379,000; with approximately 212,200 federal employees located in Washington, D.C. and 166,800 additional federal employees who worked elsewhere in the Washington metropolitan area. Federal employment in the region has remained strong due to the activities of and related spending by the Department of Homeland Security and the Department of Defense.

**Chart 1 – Population Trends (2006 – 2010)****Table 1 – 2010 Labor Market Data for the District and Surrounding Metropolitan Area****Labor Market (000s): FY 2010**

Item	District of Columbia			Metropolitan Area		
	Level	1 yr. change (number)	1 yr. change (%)	Level	1 yr. change (number)	1 yr. change (%)
Employed residents	299.7	6.1	2.1	2,870.7	28.0	1.0
Labor force	331.4	0.6	0.2	3,051.9	20.4	0.7
Total wage and salary employment	718.2	22.5	3.2	2,984.7	56.1	1.9
Federal government	212.2	10.6	5.3	379.0	15.7	4.3
Local government	37.4	-1.8	-4.6	308.7	6.0	2.0
Leisure & hospitality	59.3	1.4	2.4	272.6	12.7	4.9
Trade	22.2	0.2	0.9	322.7	9.4	3.0
Education and health	104.9	2.1	2.0	355.0	9.0	2.6
Prof., bus., and other services	219.6	9.8	4.7	866.1	14.6	1.7
Other private	62.6	0.2	0.3	480.6	-11.3	-2.3
Unemployed	31.6	-5.5	-14.8	181.2	-7.5	-4.0
New Unemployment Claims	1.6	-0.2	-12.3			

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

All data are monthly averages for the fiscal year and are preliminary, not seasonally adjusted.

**Income Trends**

In recent years, income has grown considerably in the District. From the third quarter of 2000 to the third quarter of 2010, personal income grew 83.8% in the District, as compared to 45.8% nationally. Over the past five years, personal income in the District grew 31.6% as compared to 19.2% in the U.S. Data regarding the District's 2010 per capita income is not yet available; however, the District's per capita income of \$68,013 in 2009 was 71.6% higher than the U.S. average.

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 2008 and 2009, the District's median household income of \$54,260 was 8.6% above the U.S. average. The Census Bureau estimates that 18.4% of the District's population was below the poverty line in 2009 as compared to 14.3% 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 more than the Federal minimum wage. Beginning on July 24, 2009, the Federal minimum wage rate was increased to \$7.25 per hour. Therefore, effective July 24, 2009, the District's minimum wage rate increased to \$8.25 per hour.

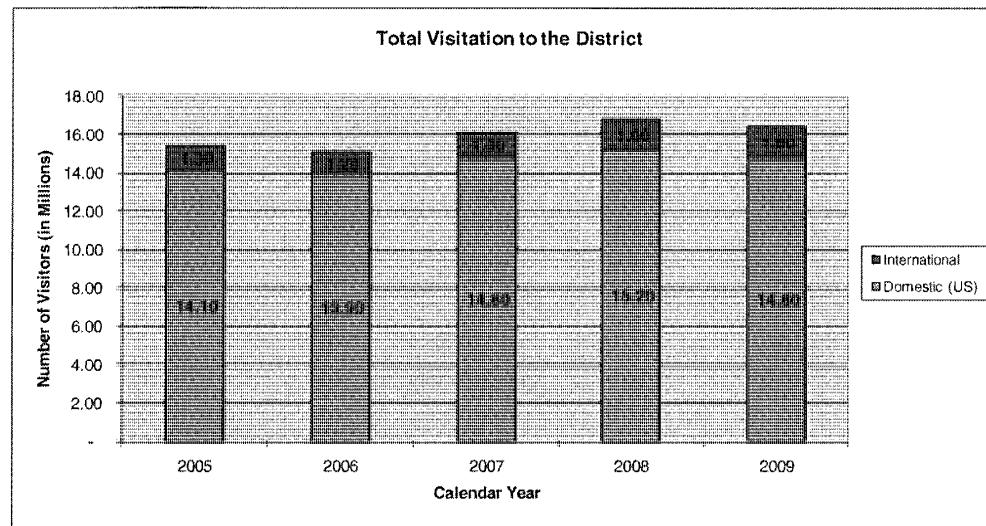
### Tourism and Hospitality

Millions of U.S. citizens and international tourists visit the District's more than 400 museums and historical landmarks each year. During calendar year 2009, the District was the ninth most visited U.S. city among domestic travelers and the seventh most visited destination in the U.S. for international travelers. Popular attractions include sites along the National Mall, monuments to U.S. presidents, war memorials, and other museums.

The presence of a large number of foreign embassies, recognized diplomatic missions, and other international organizations in the District helps to boost tourism/visitation within the District. In calendar year 2009, approximately 14.8 million domestic visitors and 1.6 million international visitors traveled to the District. **Chart 2** presents the trends in tourism for calendar years 2005 through 2009. Tourism data for calendar year 2010 are not yet available.

Direct visitor spending generated additional business activity in related industries (*e.g.*, hotel, restaurant, and retail) and continues to sustain the local and regional economy. The District's hospitality industry generated an estimated \$5.25 billion in visitor spending on hotels, retail, transportation and entertainment in 2009, which was a decrease of 7.1% over the prior year. Hotel occupancy was approximately 77.9% at September 30, 2010. Travel and tourism support more than 66,706 full-time jobs in the District, generating approximately \$2.6 billion in wages.

**Chart 2 – Trends in District Tourism (2005 – 2009)**



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

### Construction

The construction sector showed signs of recovery during calendar year 2010 as the vacancy rate for commercial office properties fell. During the year, leased space increased by 5.1 million square feet, outpacing the net addition to inventory of 4.5 million square feet. Consequently, the vacancy rate (including sublet) declined from 10.5% at the end of 2009 to 9.1% at the end of 2010. Federal leasing activities (including 900,000 square feet for the Securities and Exchange Commission) were responsible for the declining vacancy rate, as private sector tenants were hesitant to lease new space. Through 2012,

2.1 million square feet of inventory is scheduled to be delivered from the construction pipeline.

Development in the District continues to be strong in the retail sector. Eleven 7-11 stores will open soon in the District. By the end of calendar year 2010 stores at the following locations were slated to open: 7<sup>th</sup> Street and Georgia Avenue, N.W.; Florida Avenue and 2<sup>nd</sup> Street, N.E.; 900 block of H Street, N.E.; 1200 Brentwood Road, N.E.; and 1751 Columbia Road, N.W.

In addition, in June 2010, an Apple Store opened in Georgetown. Although this is the ninth Apple store to open in the metropolitan area, it is the first to open in the District.

Costco, the wholesale grocer, will open a store in the planned Washington Gateway shopping center in 2011. The D.C. Council approved a \$10 million loan in 2005 for the shopping center project, which is located in the District's Fort Lincoln neighborhood.

Development in the hospitality sector also continues to be strong. A \$59 million, 204-room, 128,500 square foot Hilton Garden Inn will open in 2011. The hotel will be part of the Constitution Square development located in the District's North of Massachusetts Avenue (NoMa) neighborhood.

Plans are also underway to restore the 251-room luxury Watergate Hotel. The renovations, which are expected to cost the developer more than \$50 million, include a spa, ample meeting space, restaurants, and bars.

In addition, Capella Hotels and Resorts will open a property in Georgetown. Capella, IGC Properties and Castleton Holdings will redevelop an existing five-story building at 1050 31<sup>st</sup> Street, NW into the Capella Georgetown Hotel. Construction is expected to begin in January 2011, with an opening scheduled for January 2012. The Capella Georgetown Hotel will include 48 rooms and suites, a premium restaurant and lounge, and a rooftop pool with a bar and spa.

## **American Recovery and Reinvestment Act (Stimulus Act) Expenditures**

On February 17, 2009, the American Recovery and Reinvestment Act (ARRA), or federal "Stimulus Bill" was signed into law. The Stimulus Bill was created to jump start the economy, preserve existing jobs, create new employment opportunities, and promote economic recovery throughout the country. Stimulus funding was made available for investments in infrastructure, energy efficiency, science, and state and local fiscal stabilization.

The District received stimulus funding for a variety of activities, including: road and bridge construction; public transportation improvements; energy efficiency and environmental projects; health care and health research; education; and public safety. Budget authority for stimulus funding was established in the financial system based on the notices of award received by District agencies from the federal government. For fiscal 2009, total stimulus budget authority (operating and capital) available for expenditure was approximately \$277 million. By the

end of fiscal year 2010, this amount had increased to approximately \$655.3 million.

Total stimulus expenditures were approximately \$422.7 million in fiscal year 2010, comprised of \$360 million in operating expenditures and \$62.7 million in capital expenditures. Approximately \$330 million, or 91.7%, of the District's total stimulus operating expenditures were made by the following agencies: Department of Health Care Finance, Office of the State Superintendent for Education, Department of Housing and Community Development, Unemployment Compensation Fund, Department of Employment Services, District Department of the Environment, and the Child and Family Services Agency. Approximately \$49.4 million, or 78.8%, of the District's stimulus capital expenditures were made by the District Department of Transportation and approximately \$13.3 million, or 21.2% of the remaining stimulus capital expenditures were made by the District Department of the Environment.

### **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 agencies that rate municipal debt are: (1) Fitch Ratings; (2) Moody's Investors Service; and (3) Standard & Poor's Rating Service. **Table 2** presents the District's bond ratings from these rating agencies for the past four years. The District's ratings for its general obligation bonds have remained high over the last several years. As a result, the District has been able to issue bonds more cost effectively.

During fiscal year 2009, the District issued its first Income Tax Secured Revenue Bonds. 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). The bonds do not constitute a debt of the District, or lending of the public credit for private undertakings. As presented in **Table 2**, the District's ratings for its Income Tax Secured Revenue Bonds continued to be high in fiscal year 2010.

**Table 2 – Bond Rating History (Last Four Fiscal Years)**

	General Obligation Bonds				Income Tax Secured Revenue Bonds	
	2007	2008	2009	2010	2009	2010
Fitch Ratings	A+	A+	A+	AA-	AA	AA+
Moody's Investors Service	A1	A1	A1	Aa2	Aa2	Aa1
Standard & Poor's Rating Service	A+	A+	A+	A+	AAA	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 area’s poor and needy population. The District’s overall poverty rate of 18% and child poverty rate of 30% 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.

Moreover, the District’s service delivery costs are high. Labor costs in the District are 23% above the national average for public services, and the costs associated with acquiring capital goods and services are 54% above the national average. This combination of a significant population in need of services and the high costs of service delivery severely strains the District’s financial resources. It has been estimated that 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% more than the national average to deliver it.

The District’s ability to pay the high costs of delivering services to its population is constrained by several federal mandates. The federal government has restricted the District’s tax base by prohibiting the taxation of federal real property; however, the federal government does not provide a Payment in Lieu of Taxes to compensate for the revenue forgone from this federally-mandated prohibition. In addition, the Home Rule Act prohibits the District from taxing nonresident income. This prohibition significantly reduces the District’s income tax base because approximately 66% 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), in its report entitled, “District of Columbia – Structural Imbalance and Management Issues,” described the impact of the high cost of living, high poverty and crime rates, and limited tax base on the District’s financial operations and estimated the range of the District’s structural deficit to be between \$470 million to \$1.143 billion annually. Although the GAO’s report, which was issued in May 2003, discusses conditions that existed at that time, the District’s financial operations continue to be negatively impacted by the conditions reported.

## Long-Term Financial Planning

As a result of improved financial management practices over the years, the District has been able to develop and operate within more disciplined budgets and address the challenges resulting from the economic downturn.

District officials have developed and implemented a plan for maintaining a strong, stable financial environment, which includes:

- Monitoring and analyzing the District’s quarterly revenue estimates and making spending adjustments throughout the year, as necessary;
- Identifying sound measures to enhance revenue streams; and
- Developing and implementing plans to minimize costs without sacrificing essential programs or services.

## Major Initiatives

Many initiatives and projects have been completed or planned to help 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 pedestrian-friendly, mixed-use project on the site of the former Waterside Mall located at M and 4th Streets, S.W. Waterfront Station, an \$800 million multi-phase redevelopment project, will consist of

1.2 million square feet of new office space, approximately 1,000 new residential units, underground parking, and a minimum of 110,000 square feet of retail space.

The office component is complete and is fully leased to the District of Columbia government. In April 2010, employees from several District agencies including the Office of the Chief Financial Officer, Office of Planning, and the Department of Consumer and Regulatory Affairs, moved into Waterfront Station's two office towers.

The retail component includes two existing retailers: Safeway, which opened its new ground-floor store in April 2010, and CVS, which opened its new store in July 2010. Several other new dining and neighborhood service-related retail tenants are planned. In all, approximately 85,000 square feet of retail space will open as a part of the project's first phase.

- **U.S. Department of Homeland Security Headquarters (St. Elizabeth's West Campus):**

In September 2009, the U.S. Department of Homeland Security (DHS) and the U.S. General Services Administration (GSA) broke ground for the \$3.4 billion consolidated DHS headquarters. Currently, DHS operates in more than 35 offices around the national capital region and expects to save approximately \$163 million over the next 30 years by moving to a consolidated headquarters. DHS is building its headquarters on the west campus of St. Elizabeth's Hospital located in Southeast Washington, D.C. This project is the largest in the Washington area since the Pentagon was built in the 1940s and will help to revitalize and stimulate development in the Anacostia community.

In August 2009, GSA awarded a \$435 million contract to a local contractor to design the site's first phase, the new energy-efficient 1.18 million square-foot Coast Guard headquarters facility. The Coast Guard facility will receive LEED Silver certification from the U.S. Green Building Council, incorporating state-of-the-art efficiency technologies, including green roofs, landscaped courtyards to capture and reuse surface water runoff, and innovative heating, ventilation, and air conditioning systems. Occupancy of the new Coast Guard headquarters is slated to begin in 2013.

When completed, the DHS headquarters will house approximately 14,000 employees working in the following DHS components: Transportation

Security Administration (TSA), Customs and Border Protection, Immigration and Customs Enforcement (ICE), and the Federal Emergency Management Administration (FEMA).

- **Saint Elizabeth's Mental Hospital (New Facility):**

After a three-year construction period, the new 450,000 square-foot Saint Elizabeth's Mental Hospital opened in April 2010 on the grounds of the original hospital's East Campus, located at 2700 Martin Luther King, Jr. Avenue, S.E. The \$161 million, 448,190 square-foot facility is designed to serve approximately 300 patients. In addition, the new facility will allow patients to receive their meals, treatment, and medical care in one building. The hospital offers treatment areas that include a comfort room for relaxation; enclosed courtyards for use by patients; and an Activities of Daily Living Apartment to help patients prepare for transition back into a home environment.

- **The Park at the Yards:**

The grand opening of the Park at the Yards, a 5.4-acre public waterfront park overlooking the Anacostia River, was held in September 2010. The park, which is located between Nationals Park and the Navy Yard, 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. 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 residents and create approximately 7,700 jobs.

At a cost of \$42 million, The Park at the Yards includes a riverfront promenade, vast open lawns, 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 runs through the park, providing vital pedestrian and bicycle links to the rest of the Anacostia waterfront.

- **D.C. Streetcar:**

The District is planning to build a \$1.5 billion network of eight streetcar lines throughout the city by 2020, providing transit links in areas lacking Metrorail access. The first two lines, H Street/Benning Road in Northeast and Martin Luther King Boulevard in Anacostia,

are scheduled to begin ferrying riders by spring 2012.

Construction of the line in Anacostia has begun; tracks are being laid on H Street and Benning Road, and planning is underway for the additional segments. The District purchased “modern streetcars” which were shipped from the Czech Republic to the United States in late 2009. These cars are approximately eight feet wide and approximately 66 feet long, about 10 inches narrower and one-third the length of a light rail double car train. They are able to operate in mixed traffic and easily accommodate existing curbside parking and loading.

The D.C. Streetcar will make travel within the District much easier for residents, workers, and visitors, and it will complement the District’s existing transit options by: (a) linking neighborhoods with a modern, convenient, and attractive transportation alternative; (b) providing quality service to attract and reach new transit ridership; (3) offering a broader range of transit options for District residents and visitors; (4) reducing short inner-city auto trips, parking demand, traffic congestion, and air pollution; and (5) encouraging economic development and affordable housing options along streetcar corridors.

Several District projects and initiatives have been implemented with a focus on protecting the environment. Two of these initiatives are described more fully below:

- **Capital Bikeshare:** In September 2010, the District launched Capital Bikeshare, a regional bikesharing network of 1,100 bicycles throughout the District and Arlington, Virginia. This new program couples modern electronic gadgetry with 19<sup>th</sup> century invention to create a system that encourages casual cyclists to pedal around town. Bikes will be docked at bike stations in the District and Arlington, where they will be locked to racks until a Capital Bikeshare member comes along to use one. Anyone can become a Bikeshare member by paying the following fees: for 24 hours, \$5; for 30 days, \$25; or for a full year, \$75.

Members who sign up for longer than a day receive palm-size cards that have bar codes. These cards are slipped into a slot to release a bike. The first 30 minutes of each ride are free, after which, the meter starts running (\$1.50 for the next 30 minutes; \$3 for the third half-hour; and \$6 for each 30-minute period after that.) The

pricing is designed to encourage short trips from place to place rather than leisurely cruising.

Amounts owed will be billed to the member’s credit card and \$1,000 will be charged if the bike is not returned within 24 hours. The billing system is activated with the insertion of the bar-coded membership card at the bike station, and another insertion when the bike is returned, both of which are transmitted to Bikeshare headquarters through a wireless, solar-powered communications network.

Each station will begin the day with about 10 bikes and five empty docking spaces. On the Capital Bikeshare Website, a click of the mouse on each station reveals the number of bikes which are available at any given moment, and the number of docking stations which are open for those who want to return a bike. In addition, smartphone applications will also be available.

Capital Bikeshare, which expands the District’s current SmartBike program, is the nation’s largest program of its type.

- **Anacostia River Clean Up and Protection Fund/ Carryout Bag Fees:** During fiscal year 2010, the District established the Anacostia River Clean Up and Protection Fund, which is to be used solely to fund efforts to clean and protect the Anacostia River and the other impaired waterways.

Funds may be used for the following projects (in order of priority): (a) a public education campaign to educate residents, businesses, and tourists about the impact of trash on the District’s environmental health; (b) providing reusable carryout bags to District residents, with priority distribution to seniors and low-income residents; (c) purchasing and installing equipment designed to minimize trash pollution that enters the waterways through storm drains; (d) creating youth-oriented water resource and water pollution educational campaigns for students at District public and charter schools; (e) monitoring and recording pollution indices; (f) preserving or enhancing water quality and fishery or wildlife habitat; (g) promoting conservation programs; (h) purchasing and installing equipment designed to minimize trash pollution, including recycling containers, and covered trash receptacles; (i) restoring and enhancing wetlands and green infrastructure to protect the health of the watershed and restore the aquatic and land resources of its watershed; (j) funding community cleanup events and other activities that reduce

trash, such as increased litter collection; (k) funding a circuit rider program with neighboring jurisdictions to focus river and tributary clean-up efforts upstream; (l) supporting vocational and job training experiences in environmental and sustainable professions that enhance the health of the watershed; (m) maintaining a public website that educates District residents on the progress of clean-up efforts; and (n) paying for the administration of this program.

In January 2010, to help fund such environmental conservation activities, the District began levying a five-cent “bag tax” that is to be charged to every consumer in the District. A consumer making a purchase from a retail establishment within the District must pay at the time of purchase a fee of five cents for each disposable carryout bag he or she receives. By the end of fiscal year 2010, the District had collected approximately \$1.5 million in bag taxes.

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**  
1100 Fourth Street, S.W., Suite E650  
Washington, D.C. 20024  
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: <http://www.gsa.gov>

## AWARDS AND ACKNOWLEDGMENTS

### Awards

The Government Finance Officers Association of the United States and Canada (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, 2009. The District has received this award for twenty-six of the last twenty-eight years. 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 generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the fiscal year 2010 CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

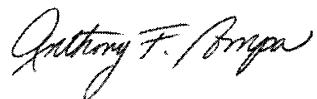
The District also earned an award from GFOA for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the fiscal year ended September 30, 2009, for the seventh consecutive year. The PAFR presents the District's financial results in a format and language that allows information to be 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 photographs.

Like the Certificate of Achievement, the Award for Popular Annual Financial Reporting is valid for one year only. The District expects that the fiscal year 2010 PAFR, which will be issued 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 award.

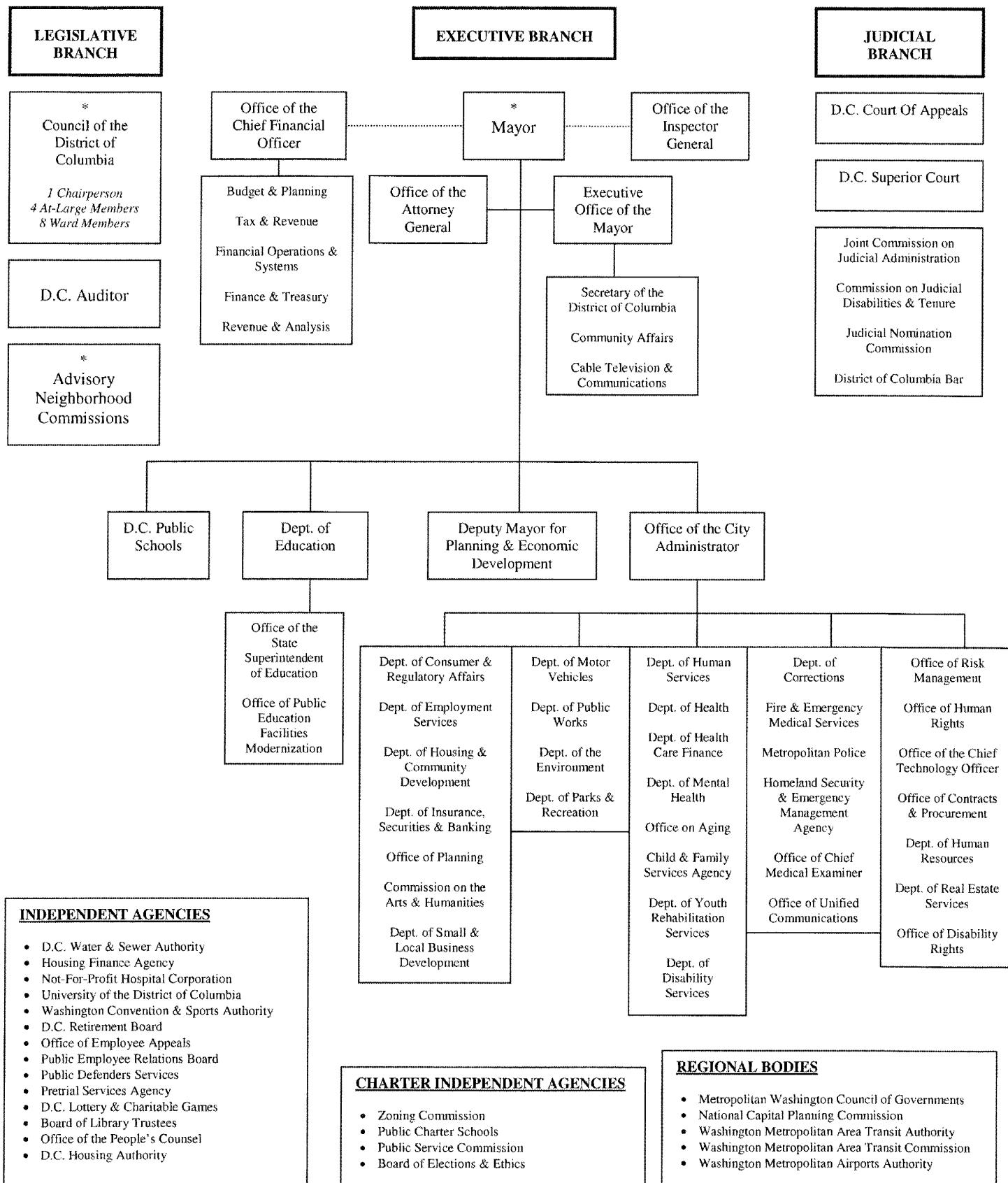
## Acknowledgments

I would like to thank the District's accounting and financial management personnel who worked collaboratively 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 teams. 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, KPMG LLP, assisted by Bert Smith & Company, for their efforts throughout the audit engagement.

Respectfully submitted,



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

**INDEPENDENT AGENCIES**

- D.C. Water & Sewer Authority
- Housing Finance Agency
- Not-For-Profit Hospital Corporation
- University of the District of Columbia
- Washington Convention & Sports Authority
- D.C. Retirement Board
- Office of Employee Appeals
- Public Employee Relations Board
- Public Defenders Services
- Prelit Services Agency
- D.C. Lottery & Charitable Games
- Board of Library Trustees
- Office of the People's Counsel
- D.C. Housing Authority

**CHARTER INDEPENDENT AGENCIES**

- Zoning Commission
- Public Charter Schools
- Public Service Commission
- Board of Elections & Ethics

**REGIONAL BODIES**

- Metropolitan Washington Council of Governments
- National Capital Planning Commission
- Washington Metropolitan Area Transit Authority
- Washington Metropolitan Area Transit Commission
- Washington Metropolitan Airports Authority

\* Elected Officials

**DISTRICT OF COLUMBIA  
PRINCIPAL OFFICIALS  
September 30, 2010**

Name	Position	First Took Office	Term Expires
<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
Gordon 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
Rumman Dastgir	Interim Associate CFO, Government Services
Deloras A. Shepherd	Associate CFO, Human Support Services
Angelique Hayes	Associate CFO, Public Safety and Justice
George B. Dines, Jr.	Interim Agency CFO, D.C. Public Schools
Buddy Roogow	Executive Director, D.C. Lottery

**DISTRICT OF COLUMBIA  
PRINCIPAL OFFICIALS**  
**January 2, 2011**

Name	Position		First Took Office	Term Expires
<b>Chief Executive Officer</b>				
Vincent C. Gray	Mayor		2011	2014
Kwame R. Brown	Chairman		2011	2014
Michael A. Brown	At Large		2009	2013
David Catania	At Large		1997	2014
Phil Mendelson	At Large		1999	2014
Sekou Biddle	At Large	[Interim until Special Election 4/26/2011]	2011	2011
Jim Graham	Ward 1		1999	2014
Jack Evans	Ward 2		1991	2013
Mary C. Cheh	Ward 3		2007	2014
Muriel Bowser	Ward 4		2007	2013
Harry Thomas, Jr.	Ward 5		2007	2014
Tommy Wells	Ward 6		2007	2014
Yvette M. Alexander	Ward 7		2007	2013
Marion Barry, Jr.	Ward 8		2005	2013
<b>House of Representatives</b>				
Eleanor Holmes Norton	Delegate		1991	2013

**Executive Officers**

Allen Lew	City Administrator
Natwar M. Gandhi	Chief Financial Officer
Irvin B. Nathan	Acting Attorney General
Gerri Mason Hall	Chief of Staff
De'Shawn Wright	Deputy Mayor for Education
Victor L. Hoskins	Deputy Mayor for Planning and Economic Development
Cynthia Brock-Smith	Secretary of the District of Columbia
Kaya Henderson	Interim Chancellor for D.C. Public Schools
Charles J. Willoughby	Inspector General
Gordon 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
Rumman Dastgir	Interim Associate CFO, Government Services
Deloras A. Shepherd	Associate CFO, Human Support Services
Angelique Hayes	Associate CFO, Public Safety and Justice
George B. Dines, Jr.	Interim Agency CFO, D.C. Public Schools
Buddy Roogow	Executive Director, D.C. Lottery

# 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, 2009

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 handwritten signature in black ink.

President

A handwritten signature in black ink.

Executive Director



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

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2010

## FINANCIAL SECTION

# CAFR 2010



## **INDEPENDENT AUDITORS' REPORT**



**KPMG LLP**  
2001 M Street, NW  
Washington, DC 20036-3389

### Independent Auditors' Report

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, the budgetary comparison statement, 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, 2010, 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 basic financial statements of the District as of and for the year ended September 30, 2009, were audited by other auditors whose report dated January 28, 2010, expressed an unqualified opinion on those financial statements.

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. The financial statements of the District of Columbia Water and Sewer Authority, and District of Columbia Housing Financing Agency, both discretely presented component units of the District, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general and federal and private resources funds for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2011, 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.



The accompanying management's discussion and analysis on pages 23 through 40 and the required supplementary information on pages 121 through 123 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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 presented in the financial section, and the statistical section, as listed in the accompanying 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.

*KPMG LLP*

January 27, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**September 30, 2010**

(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, 2010, 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, 2010, by \$3,021,333. The District had negative unrestricted net assets totaling \$(771,735) at the end of fiscal year 2010. (See Table 1)
- The District's total net assets increased by \$173,221 as a result of an increase of \$506,627 in revenues in fiscal year 2010 and an increase in expenses of approximately \$199,988. General revenues declined by approximately \$(92,064); however, the District's revenues from operating grants and contributions increased by more than \$508,000, much of which was in the form of federal American Recovery and Reinvestment Act (or Stimulus) funding. In addition, in fiscal year 2010, the District implemented self-imposed cost reduction plans to address potential revenue shortfalls which proved to be successful in limiting expenses. (See Table 2)
- As of September 30, 2010, the District's governmental funds reported combined ending fund balances of \$1,583,524, a decrease of \$(261,849) in comparison with the prior year. (See Table 3)
- The District's total long-term liabilities increased by \$622,331, or 8.2%, during fiscal year 2010. This increase resulted, in large part, from the District's issuance of Income Tax Secured Revenue Bonds during the year. The District issued more than \$1 billion in Income Tax Secured Revenue Bonds to fund infrastructure improvements/capital projects and refund certain series of outstanding general obligation bonds. The amount of general obligation bonds defeased through the fiscal year 2010 refundings totaled \$828,735. Other factors which contributed to the increase in long-term liabilities include the issuance of Deed Transfer Bonds (Housing Production Trust Fund) totaling \$53,190 and increases in liabilities for disability compensation totaling \$18,197 and accreted interest totaling \$25,597.
- On July 9, 2010, the District acquired the United Medical Center (UMC) after foreclosing on UMC's assets for non-payment of loans owed to the District. The District established the Not-for-Profit Hospital Corporation (the Hospital Corporation) as a separate legal entity of the District government, to receive the assets of UMC (including land, buildings, equipment, furnishings, and accounts) and operate the hospital until such time that a buyer is identified. Upon the purchase of UMC, the District also assumed certain liabilities previously incurred by UMC. The District simultaneously transferred the foreclosed assets and the assumed liabilities to the Hospital Corporation. The fair market value of identifiable net assets acquired and transferred by the District to the Hospital Corporation was \$48,128. For further discussion on the hospital, refer to Note 1B, Financial Reporting Entity, on page 56.

### **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 possible, the District, in accordance with generally accepted accounting principles (GAAP) presents: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements.

## Government –Wide Financial Statements

The 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*. These 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 focus of the District's operations is not to accumulate net assets, in general, gauging increases or decreases in this amount is one way to assess the District's financial position over time. Other factors, such as changes in population, the property tax base, infrastructure conditions, and other non-financial matters, should 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 include the District's basic functional services which are generally financed through taxes, intergovernmental revenues and other revenues. Business-type activities include enterprise operations which are primarily funded by fees for services which 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, the 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 statement 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. Governmental 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 net change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column of the government-wide 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; a statement of revenues, expenses, and changes in fund net assets; and a 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 Unemployment Compensation Fund is reported as a proprietary fund similar to a public entity risk pool because the District is required by law to recover its costs.

The District's proprietary fund financial statements are presented on pages 48 through 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. These statements are prepared using the full accrual basis of accounting similar to that used to prepare the government-wide financial statements. 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 121 through 123 of this report.

Individual fund financial statements, combining statements (in connection with nonmajor governmental funds), and supporting schedules are presented immediately following the required supplementary information on postemployment benefits. Individual fund statements and combining statements and schedules can be found in the other supplementary information presented on pages 125 through 151 of this report.

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

The District's overall financial position improved moderately as a result of the year's activities. The District's financial position and operations for the past two fiscal years are summarized in **Tables 1 and 2**. These tables are based on the information provided in the government-wide financial statements presented on pages 42 and 43 of this report.

**Table 1 - Net Assets as of September 30, 2010**

	Governmental activities		Business-type activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 3,453,157	\$ 3,483,849	\$ 364,234	\$ 451,471	\$ 3,817,391	\$ 3,935,320
Capital assets	9,228,531	8,114,819	4,827	16,012	9,233,358	8,130,831
Total assets	<u>12,681,688</u>	<u>11,598,668</u>	<u>369,061</u>	<u>467,483</u>	<u>13,050,749</u>	<u>12,066,151</u>
Long-term liabilities	8,174,105	7,545,839	29,218	35,153	8,203,323	7,580,992
Other liabilities	1,733,001	1,551,366	93,092	85,681	1,826,093	1,637,047
Total liabilities	<u>9,907,106</u>	<u>9,097,205</u>	<u>122,310</u>	<u>120,834</u>	<u>10,029,416</u>	<u>9,218,039</u>
Net assets:						
Invested in capital assets, net of related debt	2,437,385	2,155,206	4,827	16,012	2,442,212	2,171,218
Restricted	1,117,560	852,061	233,296	304,773	1,350,856	1,156,834
Unrestricted	(780,363)	(505,804)	8,628	25,864	(771,735)	(479,940)
<b>Total net assets</b>	<b>\$ 2,774,582</b>	<b>\$ 2,501,463</b>	<b>\$ 246,751</b>	<b>\$ 346,649</b>	<b>\$ 3,021,333</b>	<b>\$ 2,848,112</b>

**Table 2 - Change in Net Assets for the year ended September 30, 2010**

	Governmental activities		Business-type activities		Total		Variance
	2010	2009	2010	2009	2010	2009	
Revenues:							
Program revenues:							
Charges for services	\$ 450,022	\$ 399,478	\$ 250,150	\$ 288,794	\$ 700,172	\$ 688,272	\$ 11,900
Operating grants and contributions	3,321,671	2,813,568	36,998	36,985	3,358,669	2,850,553	508,116
Capital grants and contributions	259,277	180,602	-	-	259,277	180,602	78,675
General revenues:							
Property taxes	1,877,264	1,951,345	-	-	1,877,264	1,951,345	(74,081)
Sales and use taxes	1,081,005	1,052,011	-	-	1,081,005	1,052,011	28,994
Income and franchise taxes	1,434,131	1,478,068	-	-	1,434,131	1,478,068	(43,937)
Other taxes	560,490	577,885	129,471	94,622	689,961	672,507	17,454
Non tax revenues	466,524	559,089	243,293	171,222	709,817	730,311	(20,494)
<b>Total revenues</b>	<b>9,450,384</b>	<b>9,012,046</b>	<b>659,912</b>	<b>591,623</b>	<b>10,110,296</b>	<b>9,603,669</b>	<b>506,627</b>
Expenses:							
Governmental direction and support	871,240	878,219	-	-	871,240	878,219	(6,979)
Economic development and regulation	374,149	470,567	-	-	374,149	470,567	(96,418)
Public safety and justice	1,563,505	1,407,166	-	-	1,563,505	1,407,166	156,339
Public education system	1,989,518	1,937,238	-	-	1,989,518	1,937,238	52,280
Human support services	3,677,405	3,598,570	-	-	3,677,405	3,598,570	78,835
Public works	497,027	553,233	-	-	497,027	553,233	(56,206)
Public transportation	243,668	230,499	-	-	243,668	230,499	13,169
Interest on long-term debt	324,319	336,536	-	-	324,319	336,536	(12,217)
Lottery and games	-	-	163,393	176,625	163,393	176,625	(13,232)
Unemployment compensation	-	-	480,976	370,775	480,976	370,775	110,201
Nursing home services	-	-	18,817	44,601	18,817	44,601	(25,784)
<b>Total expenses</b>	<b>9,540,831</b>	<b>9,412,028</b>	<b>663,186</b>	<b>592,001</b>	<b>10,204,017</b>	<b>10,004,029</b>	<b>199,988</b>
Special item	266,942	287,137	-	-	266,942	287,137	(20,195)
<b>Increase in net assets before transfers</b>	<b>176,495</b>	<b>(112,845)</b>	<b>(3,274)</b>	<b>(378)</b>	<b>173,221</b>	<b>(113,223)</b>	<b>286,444</b>
Transfer in (out)	96,624	68,775	(96,624)	(68,775)	-	-	-
Change in net assets	273,119	(44,070)	(99,898)	(69,153)	173,221	(113,223)	286,444
Net assets - Oct 1	2,501,463	2,545,533	346,649	415,802	2,848,112	2,961,335	(113,223)
<b>Net assets - Sept 30</b>	<b>\$ 2,774,582</b>	<b>\$ 2,501,463</b>	<b>\$ 246,751</b>	<b>\$ 346,649</b>	<b>\$ 3,021,333</b>	<b>\$ 2,848,112</b>	<b>\$ 173,221</b>

Please refer to Note 1W – Reconciliation of Government-Wide and Fund Financial Statements, on page 70, 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 (governmental and business-type activities) increased by \$173,221, or 6.1%, from \$2,848,112 in fiscal year 2009 to \$3,021,333 in fiscal year 2010. This increase in net assets resulted from an increase of \$199,988 in expenses, primarily in the area of public safety and justice and an increase of \$506,627 in revenues, primarily operating grants and contributions. In fiscal year 2010, the District's debt service costs decreased as a result of refundings of certain outstanding bonds. In addition, the District also benefitted from the receipt of federal Stimulus funding.
- 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 enabling legislation. Restricted net assets totaled \$1,350,856 in fiscal year 2010 and \$1,156,834 in fiscal year 2009, representing an increase of \$194,022, or 16.8%. Most of this increase is due to more funds being held for debt services, grants, and special purposes.

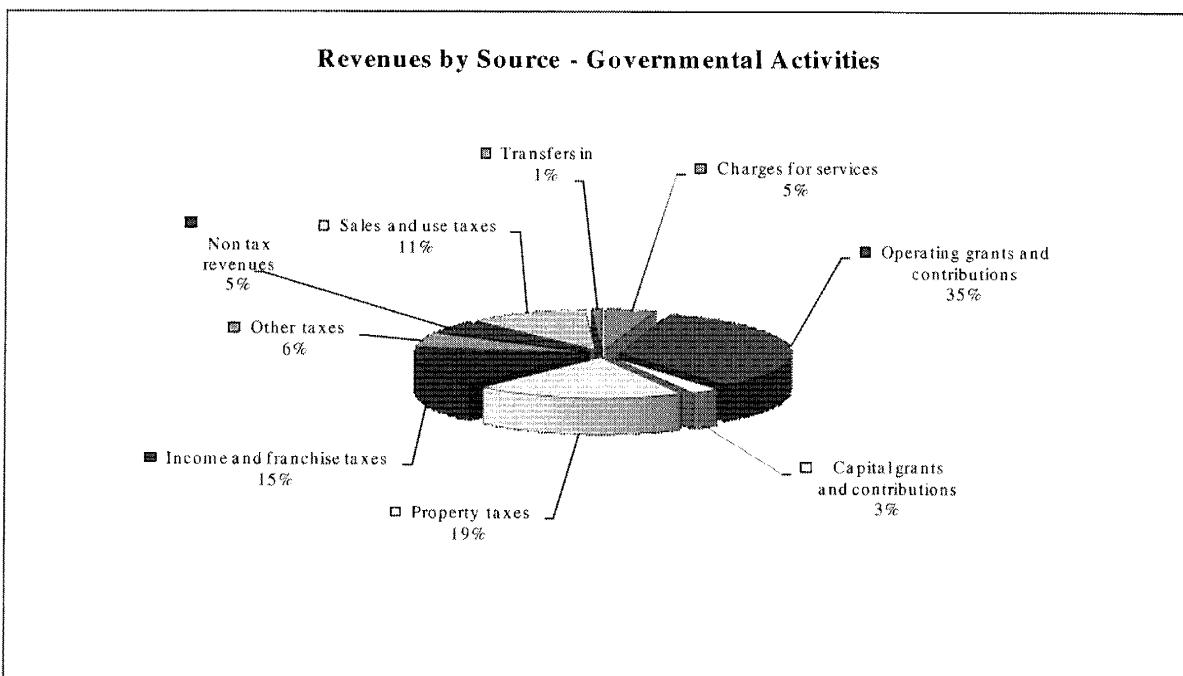
Total net assets of governmental activities was \$2,774,582 in fiscal year 2010, which was \$273,119 or 10.9%, more than total net assets of governmental activities in fiscal year 2009. Expenses increased by \$128,803 from the prior year and revenues increased by \$438,338.

- As a result of the District using current resources to finance capital projects, absorbing Medicaid disallowances, and utilizing available net assets to finance operations, there was a negative unrestricted net asset amount of \$(780,363) for governmental activities for fiscal year 2010. This amount, combined with the unrestricted net assets for business-type activities totaling \$8,628, resulted in negative total unrestricted net assets for fiscal year 2010 of \$(771,735).

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 2010 and 2009, the Lottery transferred \$66,750 and \$68,775 to the District's General Fund, respectively. Additionally, in fiscal year 2010, with the closure of the Washington Center for Aging Services, \$29,874 was transferred from that entity to the District's General Fund. Total transfers from the proprietary funds to the primary government were \$96,624 in fiscal year 2010.

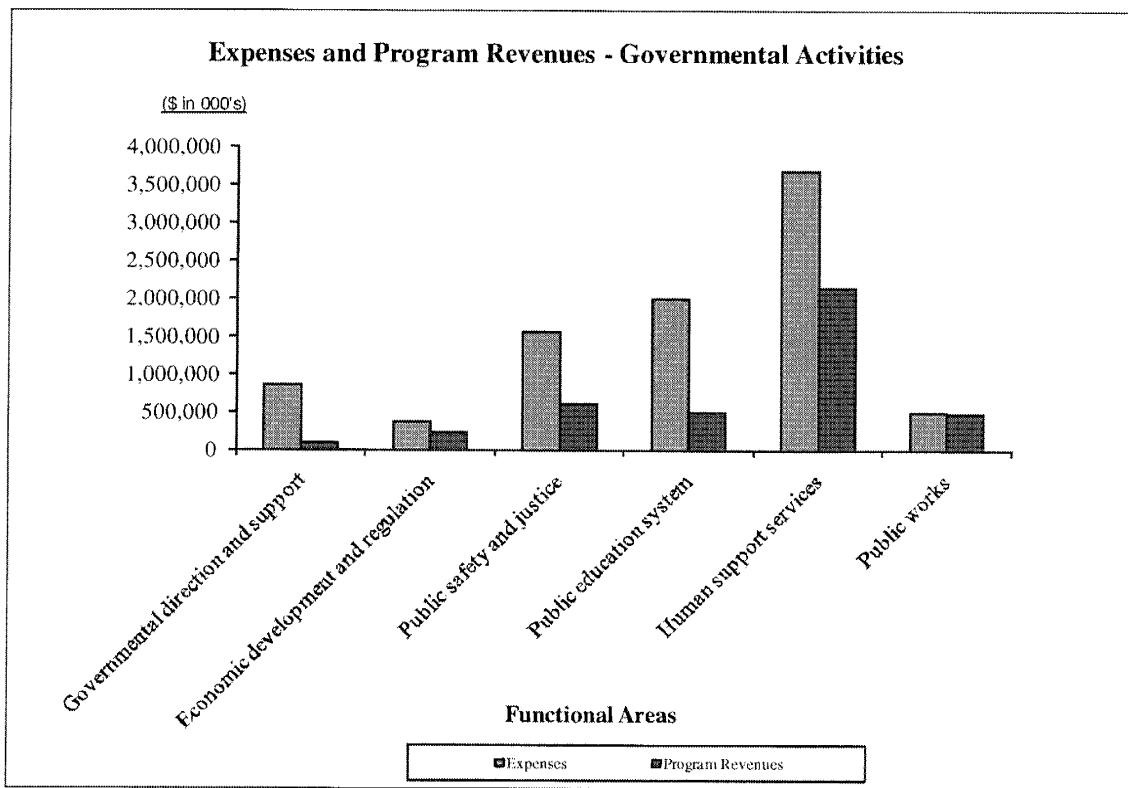
**Chart 1** graphically depicts the District's sources of revenues as presented in Table 2, *Change in Net Assets* for the year ended September 30, 2010, found on page 26.

**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, 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 (GAAP), 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 136 and 137 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 as of the end of the fiscal year.

Most basic services are reported in the governmental funds, which are further classified as General, Federal and Private Resources, General Capital Improvements, 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 \$1,583,524 in fiscal year 2010 and \$1,845,373 in fiscal year 2009, which represents a decrease of \$(261,849), or -14.2%, from the prior year. The components of the combined fund balance of the governmental funds are presented in **Table 3**.

**Table 3 – Comparison of FY 2010 and FY 2009 Fund Balance**

<b>Governmental Fund</b>	<b>FY 2010 Balance</b>	<b>FY 2009 Balance</b>	<b>Dollar Variance</b>	<b>Percentage Variance</b>
General	\$ 890,126	\$ 920,483	\$ (30,357)	-3.3%
Federal and Private Sources	191,023	142,566	48,457	34.0%
General Capital Improvements	133,438	406,854	(273,416)	-67.2%
Nonmajor governmental funds	368,937	375,470	(6,533)	-1.7%
<b>Total Fund Balance</b>	<b>\$ 1,583,524</b>	<b>\$ 1,845,373</b>	<b>\$ (261,849)</b>	<b>-14.2%</b>

The most significant change in the total fund balance of the governmental funds was in the General Capital Improvements Fund. The fund balance of the General Capital Improvements Fund decreased by more than \$273 million primarily because the capital outlays increased by \$253 million in fiscal year 2010. At the end of fiscal year 2010, cash and cash equivalents totaled approximately \$566 million, which was \$174 million less than the prior year balance of \$740 million. In addition, the General Capital Improvements Fund owed \$302 million to other funds which was \$98 million higher than the \$204 million owed to other funds at the end of fiscal year 2009. Debt issuances increased by approximately \$211 million in fiscal year 2010 to finance capital projects. Although capital outlays increased sharply by \$253 million, total revenues and other financing sources and uses of the General Capital Improvements Fund only increased by \$160 million.

The largest portion of the fund balance of the governmental funds is in the General Fund, the District's primary operating fund. A more detailed discussion of the District's General Fund is provided below:

- **Revenues:** General Fund revenues decreased by \$148,911 in fiscal year 2010. The collection of taxes and other revenues decreased as the District continued to be impacted in fiscal year 2010 by the economic decline over the last three years. Property taxes and income and franchise taxes decreased while sales and use taxes increased. **Table 4** presents the most significant one-year variances in General Fund revenues.

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

<b>Tax Category</b>	<b>Fiscal Year 2010</b>	<b>Fiscal Year 2009</b>	<b>Dollar Variance</b>	<b>Percentage Variance</b>
Property	\$ 1,876,815	\$ 1,934,523	\$ (57,708)	-3.0%
Sales and Use	1,081,005	1,052,011	28,994	2.8%
Income and Franchise	1,434,131	1,478,068	(43,937)	-3.0%
<b>Total (These Categories)</b>	<b>\$ 4,391,951</b>	<b>\$ 4,464,602</b>	<b>\$ (72,651)</b>	<b>-1.6%</b>

**Property tax.** There is a two year lag between the time real property values are assessed and when the revenue from the assessments is realized. Prior to fiscal year 2009, the District experienced significant increases in tax collections as a result of robust growth in property values, as evidenced by a growing number of property sales, and increases in average sales prices. As the housing market declined and the recession worsened, both the number and sales prices of residential and commercial property sales declined in late 2008 and 2009. The effect of these declines resulted in lower real property tax collections in fiscal year 2010.

Personal property tax collections also declined as a result of a stalled economy, as the level of business activity and new business investment decreased.

**Sales and use tax.** The increase in the sales and use tax was driven primarily by an increase in the general sales tax rate to 6.00% from 5.75%. Sales tax revenues began to rebound in fiscal year 2010 as the national and local economy began to show signs of recovery.

**Income and franchise tax.** Income tax collections through withholdings increased by \$49 million over the prior year. However, the non-withholding component of income tax revenue, which includes declarations (estimated payments), declined by \$75 million. The behavior of the declarations component is related to the performance of the stock market which declined sharply in recent years. In addition, losses from steep declines of recent years continued to affect amounts collected through non-withholdings and contributed to weakness in the corporate and unincorporated franchise taxes.

Although corporate franchise tax revenues increased in fiscal year 2010 due to a rebound in the equity markets, overall economic recovery has been slow and the markets remained relatively flat. Continued weakness in fiscal year 2010, due to depressed real estate activity, led to declines in unincorporated business franchise taxes.

#### 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 (the major component of the general fund), and is not available for general budgeting. In fiscal year 2010, the District dedicated a total of \$304,400 in tax revenues to fund the projects shown in Tables 5a and 5b. There were \$76,982 non-budgetary dedicated tax revenues and \$227,418 budgetary dedicated tax revenues.

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

Source	Non-Budgetary Dedicated Taxes						
	Gross Collection	Housing Production Trust Fund	DDOT	Convention Center	Baseball Special Revenue Fund	Highway Trust Fund	Net Collection
Public Space Rental	\$ 34,264		\$ (31,170)			\$ (3,094)	\$ -
General Sales	976,690		(9,476)	\$ (1,306)	\$ (3,042)	(985)	961,881
Public Utility	149,877				(10,301)		139,576
Toll Telecommunications	62,826				(489)		62,337
Deed Recordation	113,198	\$ (9,034)					104,164
Deed Transfer	94,202	(8,085)					86,117
<b>Total</b>	<b>\$ 1,431,057</b>	<b>\$ (17,119)</b>	<b>\$ (40,646)</b>	<b>\$ (1,306)</b>	<b>\$ (13,832)</b>	<b>\$ (4,079)</b>	<b>\$ 1,354,075</b>

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

Source	Budgetary Dedicated Taxes									
	Local Collection	TIF	DDOT	Baseball Special Revenue Fund	Nursing Facility Fund	Convention Center	Housing Production Trust Fund	Highway Trust Fund	Neighborhood Investment Fund	Available for General Fund Use
Real Property	\$ 1,821,459	\$ (11,145)								\$ 1,810,314
Personal Property	52,032								\$ (2,588)	49,444
General Sales	961,881	(22,995)	\$ (17,800)	\$ (6,935)		\$ (93,054)		\$ (113)		820,984
Motor Fuel Tax	22,180							(22,180)		-
Toll Telecommunications	62,337			(1,434)						60,903
Healthcare Provider Tax	12,423				\$ (12,423)					-
Baseball gross receipts	23,712			(23,712)						-
Deed Recordation	104,164					\$ (7,389)				96,775
Deed Transfer	86,117					(5,650)				80,467
<b>Total</b>	<b>\$ 3,146,305</b>	<b>\$ (34,140)</b>	<b>\$ (17,800)</b>	<b>\$ (32,081)</b>	<b>\$ (12,423)</b>	<b>\$ (93,054)</b>	<b>\$ (13,039)</b>	<b>\$ (22,293)</b>	<b>\$ (2,588)</b>	<b>\$ 2,918,887</b>

- Expenditures:** The District's general fund expenditures, excluding debt service, decreased by \$253,592 from the previous year. Variances by program or function are presented in **Table 6:**

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

Program/Functional Area	Fiscal Year 2010	Fiscal Year 2009	Dollar Variance	Percentage Variance
Governmental direction and support	\$ 579,457	\$ 589,492	\$ (10,035)	-1.7%
Economic development and regulation	247,355	339,783	(92,428)	-27.2%
Public safety and justice	1,018,335	984,892	33,443	3.4%
Public education system	1,400,832	1,497,302	(96,470)	-6.4%
Human support services	1,564,143	1,643,779	(79,636)	-4.8%
Public works	276,990	298,625	(21,635)	-7.2%
Public transportation	243,668	230,499	13,169	5.7%
<b>Total Functional Expenditures</b>	<b>\$ 5,330,780</b>	<b>\$ 5,584,372</b>	<b>\$ (253,592)</b>	<b>-4.5%</b>

Explanations for significant variances in General Fund expenditures are presented below:

**Economic Development and Regulation** - The one-year variance in spending was due to the implementation of cost-saving measures across all agencies within the Economic Development and Regulation cluster. However, some of the more significant reductions in expenditures over the one-year period occurred in the Office of the Deputy Mayor for Planning and Economic Development (ODMPED), Department of Employment Services (DOES), Housing Production Trust Fund Subsidy, and the Commission on Arts and Humanities (CAH).

- ODMPED expenditures decreased by approximately \$43 million as a result of the budget and associated expenditures for Business Improvement Districts being transferred to a separate agency in fiscal year 2010. In addition, ODMPED expenditures were approximately \$23 million less in the local fund because pass-through grants were removed from the Mayor's budget in fiscal year 2010. However, these variances were offset by a higher pace of spending in the Neighborhood Investment Fund in fiscal year 2010.
- DOES expenditures were approximately \$18 million less in fiscal year 2010 when compared to fiscal year 2009 due to program cost savings in the Summer Youth Employment and Transitional Employment Programs.
- Housing Production Trust Fund Subsidy expenditures were approximately \$15 million less in fiscal year 2010 than in the prior year due to lower revenue collections. Expenditures cannot exceed the amount of revenues collected.
- CAH expenditures accounted for approximately \$8 million of the cluster's one-year expenditure variance. During fiscal year 2010, CAH's budget for grants to local artists was reduced as part of the District's city-wide cost-savings plan; therefore, CAH had fewer resources available to spend for this purpose.

**Public Education** – Much of the reductions in Public Education resulted from organizational and operational changes made within the Office of the State Superintendent for Education (OSSE). Throughout fiscal year 2010, OSSE continued to assess its operations and purpose and as a result reduced or otherwise eliminated functions and contractual expenses more directly related to local education agencies. OSSE reduced the number of administrative staff in several units across the agency and reduced costs associated with direct educational services more appropriately provided at the local school level. In addition, OSSE delayed office furniture purchases and other non-essential equipment acquisitions, eliminated duplicative information technology contracts, and reduced costs for supplies, materials, and travel.

**Human Support Services** – The decrease in Human Support Services expenditures was due, in large part, to reductions within the Department of Human Services (DHS), Department of Health (DOH), Department of Mental Health (DMH), and the Child and Family Services Agency (CDSA).

- The decrease in DHS expenditures was primarily associated with the provision of Temporary Assistance for Needy Families (TANF) benefits to program recipients. Local costs associated with providing TANF cash assistance was reduced by approximately \$10.3 million without reducing the overall benefits to clients. The mandated local Maintenance of Effort (MOE) was achieved through partnerships with other agencies. In addition, DHS's Family Services Administration had cost reductions of approximately \$7.5 million associated with homeless services, including the Housing First Initiative. Other cost savings totaling approximately \$1.7 million resulted from the reallocation of local personnel costs to federal grants.
- DOH expenditures decreased approximately \$22.9 million over the one-year period. Approximately \$6.5 million of this variance resulted from the Addiction, Prevention and Recovery Administration (APRA): (a) outsourcing its detoxification center and its referral and assessment services; and (b) realigning APRA's administrative staff. In addition, in fiscal year 2010, DOH's Health Care Regulation and Licensing Administration was legally mandated to transfer the function of licensing of day care facilities to the Office of the State Superintendent for Education (OSSE). Transferring this function to OSSE resulted in a decrease in Human Support Services expenditures of approximately \$1.6 million. DOH also experienced cost savings of approximately \$9.4 million in its Community Health Administration (CHA) as a result of the outsourcing of the Commodity Supplemental Food Program and the realignment of CHA's administrative staff. Other reductions of approximately \$3.4 million were realized in the HIV/AIDS Administration through the elimination of the Ticket to Work Project. Moreover, like other agencies within the cluster, DOH reduced spending for utilities, telecommunications, rent and janitorial services across multiple programs within the agency resulting in additional savings.
- The reduction in DMH expenditures resulted from the closing of the D.C. Community Services Agency (DCCSA) which was a component of DMH. The services previously provided by DCCSA are now being provided through community-based agencies through contractual services. The cost savings associated with the closing of DCCSA were approximately \$17.2 million.
- On a comparative basis, CDSA's expenditures were lower than the previous years due to a write-off of \$32 million in uncollectible Medicaid receivables. A Medicaid receivable write-off was not necessary in fiscal year 2010.

#### 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 \$1,307,946 on general capital improvements which exceeded the general capital improvements revenues of \$264,296 by \$1,043,650, which is reported as a deficiency in the capital projects fund. This deficiency was subsequently financed with a total of \$770,234 from bond proceeds and other financing sources. The net change in the general capital improvements fund balance was a decrease of (\$273,416).

#### **Proprietary Funds**

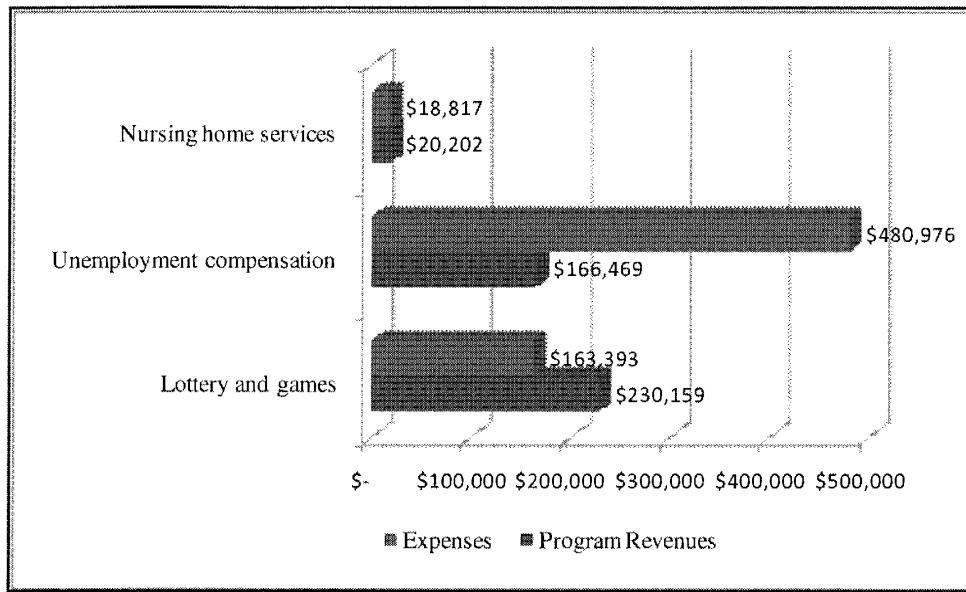
The District currently has two major Proprietary Funds: the D.C. Lottery & Charitable Games Board (Lottery), and the Unemployment Compensation Fund (Unemployment). There is one nonmajor proprietary fund, Nursing Home Services, which includes the operations of the JB Johnson Nursing Center.

The total assets for the Lottery decreased by \$4,981, or 9.8%, over the prior year, due to scheduled payments to long-term prize winners. Total assets for Unemployment decreased by \$(44,915), or -11.4%, due to decreases in restricted cash. Due to the economic decline in recent years, the District paid a high level of unemployment compensation benefits to eligible

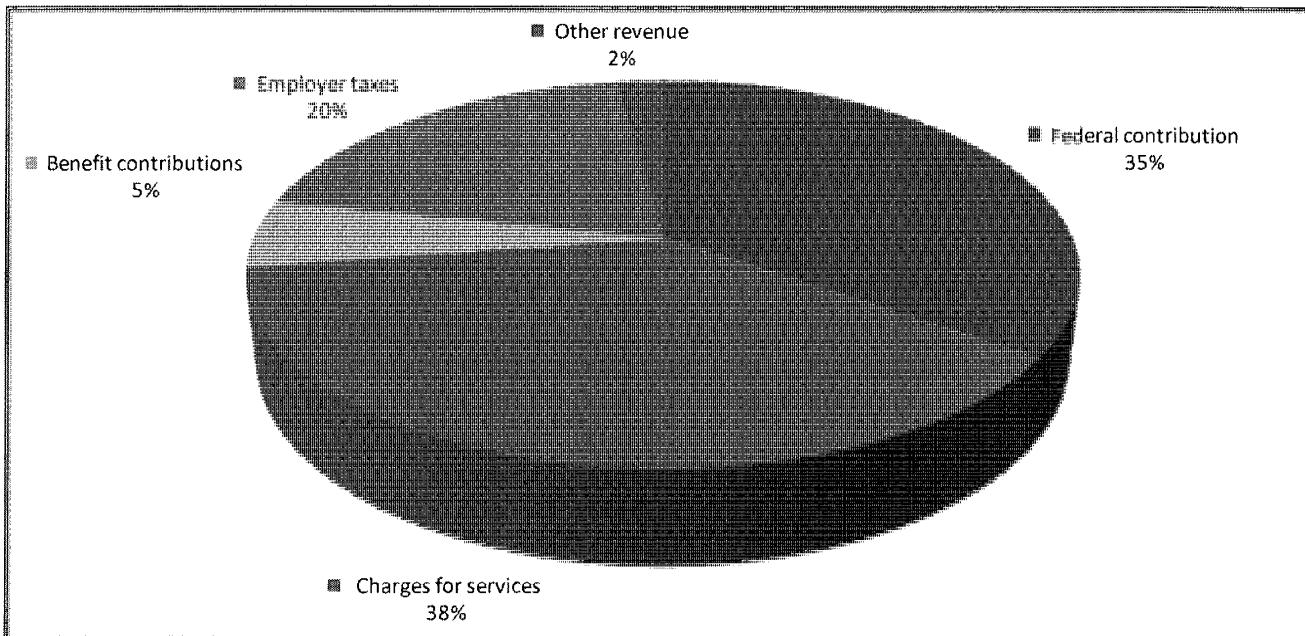
recipients in fiscal year 2010. Overall total net assets of the District's proprietary funds decreased by \$(99,898), or -28.8%, over the prior year, due in large part to these factors. Exhibits 3-a, 3-b, and 3-c on pages 48 through 50 present the financial statements of the proprietary funds.

**Charts 3 and 4** graphically present comparisons of the revenues and expenses of the District's proprietary funds, 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, C-2, and C-3, presented on pages 140, 141, and 142 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.

The changes in the net assets of the Pension Trust Funds and OPEB Trust Fund are presented in **Table 7**.

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

Trust Fund	Fiscal Year 2010	Fiscal Year 2009	Dollar Variance	Percentage Variance
Police and Firefighters Pension	\$ 2,925,742	\$ 2,524,994	\$ 400,748	15.9%
Teachers Pension	1,317,470	1,204,391	113,079	9.4%
Other Postemployment Benefits	424,254	309,136	115,118	37.2%
<b>Total Net Assets (End of Year)</b>	<b>\$ 4,667,466</b>	<b>\$ 4,038,521</b>	<b>\$ 628,945</b>	<b>15.6%</b>

Net assets of the fiduciary funds increased due to contributions received and increases in the value of equity investments. In addition, there were significant reductions in accounts payable and other current liabilities in these funds.

Private-purpose trust funds are used to report any trust arrangement not reported in the pension or OPEB 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, comprises the Private-Purpose Trust Fund.

## Component Units

Component units are legally separate organizations for which the District is financially accountable. The District has five discretely presented component units: (1) Water and Sewer Authority; (2) Washington Convention and Sports Authority; (3) Not-For-Profit Hospital Corporation, which was established in July 2010; (4) Housing Finance Agency; and (5) University of the District of Columbia. Effective October 1, 2009, the Sports and Entertainment Commission was abolished and its operations were merged with those of the Washington Convention Center Authority, thereby creating the Washington Convention and Sports Authority. The District established the Not-For-Profit Hospital Corporation (the Hospital Corporation) as an independent instrumentality of the District government in fiscal year 2010. As a legally separate entity, the Hospital Corporation is a discretely presented component unit because the Mayor and Council appoint a voting majority of the Hospital Corporation's governing board and the District is able to impose its will on the Hospital Corporation. In addition, the Hospital Corporation operates as the United Medical Center, and as such, provides healthcare services to District residents and the general public.

The District is financially accountable for these organizations because the Mayor, with the consent of the Council, appoints a voting majority of the governing bodies of these organizations. In addition, the District has an obligation to provide financial support to the Washington Convention and Sports 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 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 Management's Discussion and Analysis. 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 \$500,000 in Tax Revenue Anticipation Notes (TRANs) on October 30, 2009, at an interest rate of 2.50%. 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, 2010.

### **Long-Term Debt**

The District is empowered by law (Section 461 of the District of Columbia Home Rule Act, as amended) to issue general obligation bonds to refund indebtedness of the District and to provide for the payment of the cost of acquiring or undertaking the District's various capital projects. The District also issues income tax secured revenue bonds pursuant to the Bond Authorization Act of 2008 (D.C. Code §§ 47-340.26 to 47-340.36). The payment of principal and interest on these bonds comes solely from the associated trust estate and the available pledged tax revenues. The income tax secured revenue bonds are without recourse to the District, and are not a pledge of, and do not involve the full faith and credit or the taxing power of the District.

The District also issues, on a less frequent basis, other types of long term debt, including Tax Increment Financing (TIF) Bonds, Tobacco Bonds, Housing Production Trust Bonds, Qualified Zone Academy Bonds, and other revenue bonds.

At September 30, 2010, the District had \$8,174,105 in long term debt outstanding, of which \$6,883,433, or 84.2%, was in the form of bonds. Of the outstanding bonds, \$2,781,053, or 40.4%, were general obligation bonds, and \$2,570,650, or 37.3%, were income tax secured revenue bonds. **Table 8** presents the District's outstanding bonds as of September 30, 2010.

**Table 8 – Outstanding Bonds at September 30, 2010 and 2009**

Type of Bonds	2010	2009	Dollar Variance	Percentage Variance
General Obligation Bonds	\$ 2,781,053	\$ 3,766,628	\$ (985,575)	-26.2%
Income Tax Secured Revenue Bonds	2,570,650	1,071,785	1,498,865	139.8%
Other Bonds:				
Tobacco Bonds	699,779	711,239	(11,460)	-1.6%
Ballpark Bonds	517,390	521,750	(4,360)	-0.8%
AWC PILOT Revenue Bonds	96,950	102,970	(6,020)	-5.8%
TIF Bonds	91,807	96,197	(4,390)	-4.6%
HPTF Bonds	85,615	33,010	52,605	159.4%
NCRC Revenue Bonds	30,671	39,168	(8,497)	-21.7%
Qualified Zone Academy Bonds	9,518	6,044	3,474	57.5%
<b>Total</b>	<b>\$ 6,883,433</b>	<b>\$ 6,348,791</b>	<b>\$ 534,642</b>	<b>8.4%</b>

As presented in **Table 8**, the amount of general obligation bonds outstanding at September 30, 2010, decreased significantly from the prior year while the amount of income tax secured revenue bonds increased dramatically. In fiscal year 2010, the District refunded \$828,735 of its outstanding general obligation bonds through the issuance of Income Tax Secured Revenue Refunding Bonds. In March 2010, the District issued \$694,300 in Income Tax Secured Revenue Refunding Bonds, Series 2010A (Tax-Exempt), to refund the following outstanding general obligation bonds: Series 1998B, Series 1999A, Series 2001B, Series 2001C, Series 2001D, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2005A, Series 2007C, Series 2008E, and Series 2008F. In April 2010, the District issued \$126,670 in Income Tax Secured Revenue Refunding

Bonds, Series 2010C, to currently refund the outstanding principal amount of the District's Multimodal General Obligation Refunding Bonds, Series 2008B (Variable Rate Demand Obligations).

The total debt per capita as of September 30, 2010, was \$11,949 (not in thousands). This represents an increase of \$868 (not in thousands), or 7.8%, over the prior year. This increase is due to the District's issuance of additional Income Tax Secured Revenue Bonds in fiscal year 2010. Exhibit S-3C, on page 171, presents ratios of total outstanding debt for the last ten fiscal years.

For more detailed information on the District's long-term debt activity, refer to Note 8, Long-Term Liabilities, found on pages 89 through 106.

### **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 fiscal year 2010, total capital assets increased by \$1,113,712, or 13.7%, over the prior year. Total overall capital assets has continued to increase because the District has been investing more resources in the construction of new assets and the rehabilitation of existing infrastructure, such as roads, streets, and bridges.

At September 30, 2010, total net capital assets (capital assets less depreciation) were \$9,233,358. Net capital assets of the governmental activities totaled \$ 9,228,531 and the net capital assets of the business-type activities totaled \$4,827. The governmental activities depreciation charges for fiscal year 2010 totaled \$314,938 compared to the prior year's amount of \$304,354. **Table 9** presents more detailed information on the District's net capital assets.

**Table 9 – Net Capital Assets as of September 30, 2010**

<b>Asset Category</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2010</b>		<b>2009</b>		<b>2010</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Land	\$ 916,721	\$ 594,593	\$ -	\$ 1,264	\$ 916,721	\$ 595,857
Buildings	3,429,054	3,035,186	3,192	12,000	3,432,246	3,047,186
Infrastructure	2,279,590	2,121,095	-	-	2,279,590	2,121,095
Equipment	427,976	502,961	1,635	2,748	429,611	505,709
Construction in progress	2,175,190	1,860,984	-	-	2,175,190	1,860,984
<b>Total net capital assets</b>	<b>\$ 9,228,531</b>	<b>\$ 8,114,819</b>	<b>\$ 4,827</b>	<b>\$ 16,012</b>	<b>\$ 9,233,358</b>	<b>\$ 8,130,831</b>

For more detailed information on the District's capital asset activity, refer to Note 5, Capital Assets, found on pages 83 through 88.

## **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 is responsible for forecasting revenue for the District government. Each February, the Chief Financial Officer issues the official revenue estimate that is used to develop the District's budget for the next fiscal year. This estimate is revised as the new fiscal year begins and is periodically reviewed and adjusted at regular intervals throughout the fiscal year to reflect current economic trends and outlook, new legislative mandates, and other similar factors. As the revenue estimates are revised, the District's expenditure budget is also revised to be consistent with the updated revenue estimates.

## General Fund Budgetary Highlights

The General Fund is the chief budgetary operating fund of the primary government. **Table 10** presents a Schedule of Budgetary Basis Revenues and Expenditures for the General Fund for the fiscal year ended September 30, 2010.

**Table 10 – Schedule of Budgetary Basis Revenues and Expenditures**

	Original Budget	Revised Budget	Actual	Variance
<b>Revenues and Sources:</b>				
Taxes	\$ 4,964,926	\$ 5,044,968	\$ 4,903,867	(141,101)
Licenses and permits	60,959	66,155	60,852	(5,303)
Fines and forfeits	180,411	147,203	111,488	(35,715)
Charges for services	45,901	37,774	46,125	8,351
Miscellaneous	122,069	83,185	119,743	36,558
Other sources	460,574	440,479	439,908	(571)
General obligation bonds	15,000	15,000	5,079	(9,921)
Fund Balance released from restrictions	129,047	214,852	138,421	(76,431)
Interfund transfer from lottery and games	65,775	67,350	66,750	(600)
Interfund transfer - others	3,497	23,897	24,287	390
<b>Total revenues and other sources</b>	<b>6,048,159</b>	<b>6,140,863</b>	<b>5,916,520</b>	<b>(224,343)</b>
<b>Expenditures and Other Uses:</b>				
Governmental direction and support	373,596	388,565	375,801	12,764
Economic development and regulation	318,012	323,801	265,865	57,936
Public safety and justice	1,020,190	1,040,529	1,018,244	22,285
Public education	1,380,532	1,417,923	1,406,991	10,932
Human support services	1,410,425	1,479,115	1,461,272	17,843
Public works	579,216	592,453	565,731	26,722
Repay bonds and interest	476,922	375,656	353,965	21,691
Other expenditures and uses	434,332	484,752	410,522	74,230
<b>Total expenditures and other uses</b>	<b>5,993,225</b>	<b>6,102,794</b>	<b>5,858,391</b>	<b>244,403</b>
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses - Budgetary Basis</b>	<b>\$ 54,934</b>	<b>\$ 38,069</b>	<b>\$ 58,129</b>	<b>\$ 20,060</b>

### Revenues and Other Sources

Actual General Fund revenues and other sources were \$(224,343) less than the revised budget. As presented in **Table 10**, this \$(224,343) variance was primarily due to shortfalls in taxes and fund balance released from restrictions which are discussed below.

#### Taxes

Tax revenues were \$(141,101) less than the final revised budget for fiscal year 2010. Revenues from property taxes and gross receipts and other taxes exceeded the revised budget by \$34,957 and \$11,114, respectively. The positive variance in property taxes was due to increased collections resulting from the reclassification of vacant property. The excess in gross receipts and other tax revenue was due to increased deed recordation and transfer taxes and estate taxes which offset declines in gross receipts taxes due to reclassification of dedicated amounts. However, the excess revenues from property taxes and

gross receipts and other taxes were offset by significant shortages in other taxes. Actual income and franchise tax revenues were \$138,549 less than the revised budget while revenues derived from sales and use taxes were \$48,623 less than the revised budget. The shortfalls in income taxes were due to much lower final payments and estimated payments as a result of the decline in investment returns over the past several years. The shortfall in sales and use taxes was due to the economic conditions in the fall and winter of fiscal year 2010.

#### *Fund Balance Released from Restrictions*

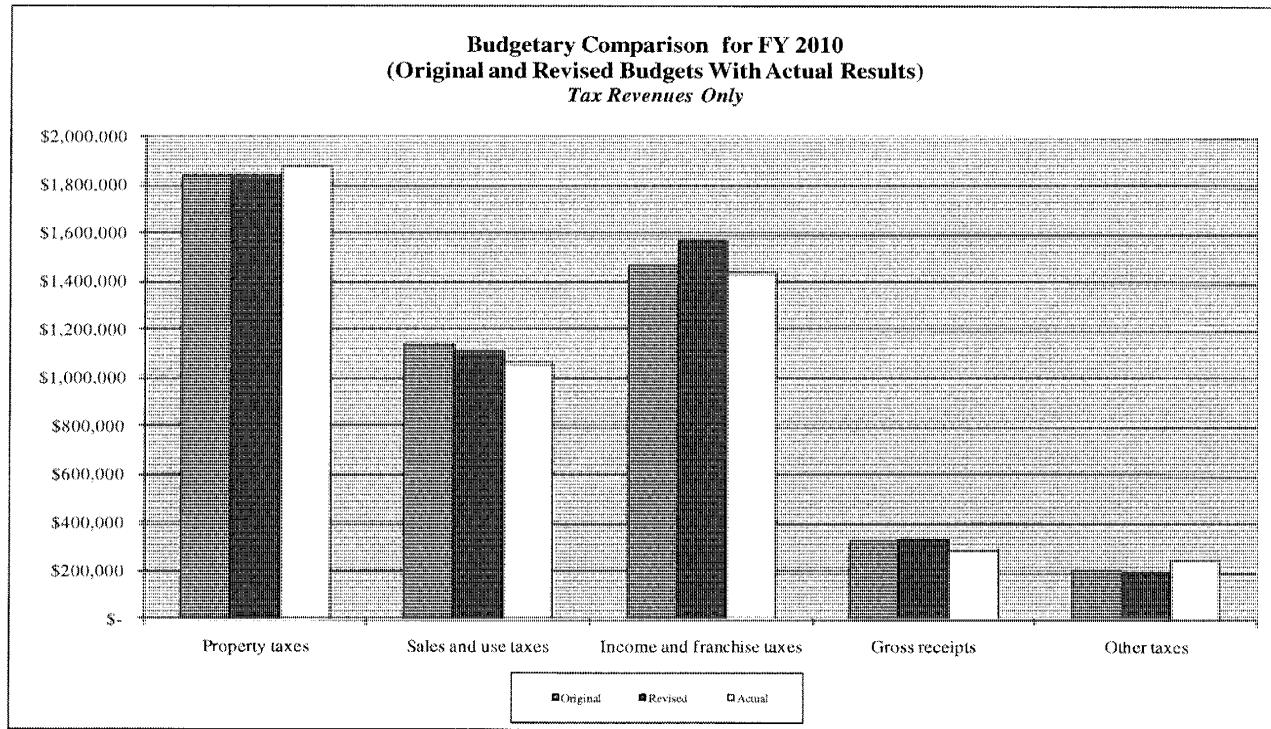
Fund balance released from restrictions represents the portion of assets that were restricted for either a period of time or for a particular purpose for which the imposed conditions have been met, allowing the assets to become available for use. In other words, this amount of fund balance was used to finance current year's operations. As presented in **Table 10**, the actual amount of fund balance released from restrictions was \$(76,431) less than the revised budget.

#### *Expenditures and Other Uses*

Actual General Fund expenditures and other uses were \$244,403 less than the revised budget. As presented in **Table 10**, this \$244,403 variance was primarily due to underspending in the areas of Economic Development and Regulation and Public Works. In addition, of the \$74,230 amount under-spent in Other Expenditures and Uses, \$47,480 was in the Emergency and Contingency Reserve.

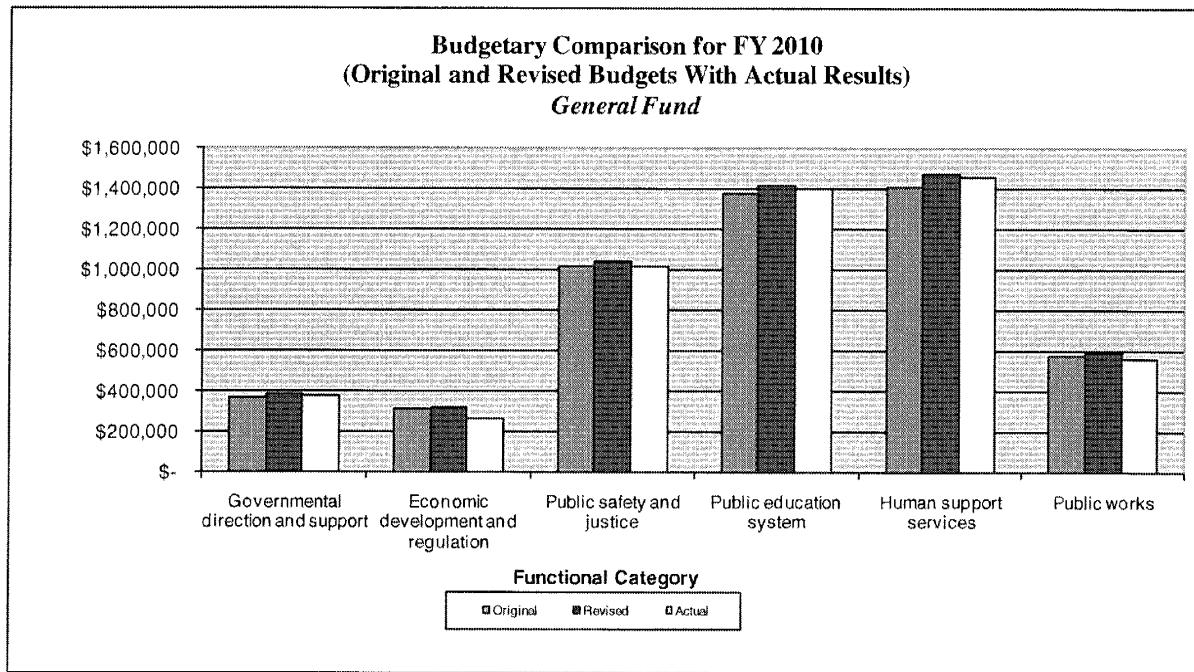
More than 80% of the General Fund's revenues are derived from taxes. **Chart 5** graphically presents differences between the General Fund's original budget, final revised budget and actual revenues (by type of tax) for fiscal year 2010.

**Chart 5 – Budgetary Comparison – FY 2010 Tax Revenues**



More than 60% of the General Fund's expenditures were in the areas of Human Support Services, Public Education, and Public Safety and Justice combined. **Chart 6** graphically presents differences between the General Fund's original budget, revised budget, and actual expenditures (by functional category) for fiscal year 2010.

#### Chart 6 – General Fund Expenditures (by Function)



For more detailed information, refer to the budgetary schedules for the General Fund, Exhibits A-4 – A-6 which are presented on pages 131 through 133.

#### SUBSEQUENT EVENTS

##### Short-Term Debt

On October 25, 2010, the District issued \$700,000 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 2011. These fixed rate TRANs were issued at an interest rate of 2.50% and mature on September 30, 2011. 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 November 22, 2010, the District issued \$63,860 in Income Tax Secured Revenue Refunding Bonds, Series 2010E. The proceeds of the Series 2010E Bonds will be used, together with other funds of the District, to: (a) currently refund \$63,335 of the outstanding principal amount of the District's Income Tax Secured Revenue Refunding Bonds, Series 2010C and (b) pay the costs and expenses of issuing and delivering the Series 2010E Bonds. The Series 2010E Bonds bear interest at a rate equal to an Adjusted Securities Industry and Financial Markets Association (SIFMA) Rate.

Other subsequent events are presented in Note 16, found on pages 118 through 120.

**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 following:

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.cfo.dc.gov](http://www.cfo.dc.gov)

## **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, 2010**  
**(With Comparative Totals at September 30, 2009)**  
**(\$000s)**

	<b>Primary Government</b>		<b>Totals</b>		<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>2010</b>	<b>2009</b>	
<b>ASSETS</b>					
Cash and cash equivalents (unrestricted)	\$ 76,455	\$ 13,919	\$ 90,374	\$ 401,453	\$ 147,975
Investments (unrestricted)	-	288	288	5,627	160,871
Due from federal government	585,463	5,505	590,968	462,781	40,264
Taxes receivable, net	355,860	-	355,860	351,096	-
Accounts receivable, net	214,741	23,730	238,471	232,327	62,034
Other receivables	-	-	-	-	29,795
Due from primary government	-	-	-	-	15,513
Due from component units	61,014	-	61,014	26,016	-
Due from fiduciary funds	1,882	-	1,882	4,677	-
Internal balances	31,510	(31,510)	-	-	-
Inventories	13,753	-	13,753	11,431	8,318
Other current assets	6,128	258	6,386	1,753	25,558
Cash and cash equivalents (restricted)	1,443,419	322,826	1,766,245	1,975,701	367,509
Investments (restricted)	319,945	29,218	349,163	220,573	463,978
Other long term assets	113,300	-	113,300	142,192	543,161
Deferred outflow of resources	61,697	-	61,697	-	-
Deferred charges	167,990	-	167,990	99,693	-
Depreciable capital assets, net	6,136,620	4,827	6,141,447	5,673,990	3,421,622
Non-depreciable capital assets	3,091,911	-	3,091,911	2,456,841	399,226
<b>Total assets</b>	<b>12,681,688</b>	<b>369,061</b>	<b>13,050,749</b>	<b>12,066,151</b>	<b>5,685,824</b>
<b>LIABILITIES</b>					
Accounts payable	734,032	82,197	816,229	753,671	127,220
Compensation payable	153,376	1,452	154,828	181,791	34,687
Due to primary government	-	-	-	-	61,014
Due to component units	15,513	-	15,513	14,151	-
Due to fiduciary funds	2,292	-	2,292	-	-
Unearned revenues	295,111	152	295,263	281,467	69,580
Accrued liabilities	351,513	9,291	360,804	306,542	48,076
Accrued interest payable	107,960	-	107,960	88,736	-
Other current liabilities	11,507	-	11,507	10,689	68,792
Derivative instrument liabilities	61,697	-	61,697	-	-
Long-term liabilities:					
Due within one year	421,311	6,873	428,184	518,243	63,166
Due in more than one year	7,752,794	22,345	7,775,139	7,062,749	3,560,204
<b>Total liabilities</b>	<b>9,907,106</b>	<b>122,310</b>	<b>10,029,416</b>	<b>9,218,039</b>	<b>4,032,739</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,437,385	4,827	2,442,212	2,171,218	1,163,678
Restricted for:					
Expendable					
Debt service	288,336	-	288,336	203,298	-
Benefit payments	-	233,296	233,296	304,773	-
Capital projects	4,484	-	4,484	-	-
Grants and special purposes	276,895	-	276,895	142,566	-
Budget and subsequent years expenditures	74,447	-	74,447	-	-
Purpose restriction	118,143	-	118,143	104,626	-
Emergency reserves	337,945	-	337,945	284,316	-
Other	17,310	-	17,310	117,255	200,779
Nonexpendable	-	-	-	-	7,242
Unrestricted (deficit)	(780,363)	8,628	(771,735)	(479,940)	281,386
<b>Total net assets</b>	<b>\$ 2,774,582</b>	<b>\$ 246,751</b>	<b>\$ 3,021,333</b>	<b>\$ 2,848,112</b>	<b>\$ 1,653,085</b>

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, 2010

(With Comparative Totals for the Year Ended September 30, 2009)

(\$000s)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services, Fees, Fines & Forfeits	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Primary Government		Component Units
							2010	2009	
<b>Primary government:</b>									
<b>Governmental activities:</b>									
Governmental direction and support	\$ 871,240	\$ 28,388	\$ 40,199	\$ 15,000	\$ (787,653)		\$ (787,653)	\$ (757,632)	
Economic development and regulation	374,149	112,074	118,202	-	(143,873)		(143,873)	(288,728)	
Public safety and justice	1,563,505	76,952	528,688	-	(957,865)		(957,865)	(943,348)	
Public education system	1,989,518	449	495,727	-	(1,493,342)		(1,493,342)	(1,527,277)	
Human support services	3,677,405	13,154	2,104,280	18,760	(1,541,211)		(1,541,211)	(1,750,044)	
Public works	497,027	219,005	34,575	225,517	(17,930)		(17,930)	(184,316)	
Public transportation	243,668	-	-	-	(243,668)		(243,668)	(230,499)	
Interest on long-term debt	324,319	-	-	-	(324,319)		(324,319)	(336,536)	
<b>Total governmental activities</b>	<b>9,540,831</b>	<b>450,022</b>	<b>3,321,671</b>	<b>259,277</b>	<b>(5,509,861)</b>		<b>(5,509,861)</b>	<b>(6,018,380)</b>	
<b>Business-type activities:</b>									
Lottery and games	163,393	230,159	-	-	\$ 66,766		66,766	68,745	
Unemployment compensation	480,976	-	36,998	-	(443,978)		(443,978)	(333,790)	
Nursing home services	18,817	19,991	-	-	1,174		1,174	(1,177)	
<b>Total business-type activities</b>	<b>663,186</b>	<b>250,150</b>	<b>36,998</b>		<b>(376,038)</b>		<b>(376,038)</b>	<b>(266,222)</b>	
<b>Total primary government</b>	<b>\$ 10,204,017</b>	<b>\$ 700,172</b>	<b>\$ 3,358,669</b>	<b>\$ 259,277</b>	<b>(5,509,861)</b>	<b>(376,038)</b>	<b>(5,885,899)</b>	<b>(6,284,602)</b>	
<b>Component units:</b>									
Water and sewer authority	\$ 387,495	\$ 357,093	\$ -	\$ 30,403				\$ 1	
Convention center	111,990	21,365	-	-				(90,625)	
United Medical Center	20,560	21,336	-	-				776	
Housing finance	58,048	7,151	-	-				(50,897)	
University	141,266	27,907	29,079	1,473				(82,807)	
<b>Total component units</b>	<b>\$ 719,359</b>	<b>\$ 434,852</b>	<b>\$ 29,079</b>	<b>\$ 31,876</b>				<b>(223,552)</b>	
<b>General revenues:</b>									
Taxes:									
Property taxes				1,877,264	-	1,877,264	1,951,345	-	
Sales and use taxes				1,081,005	-	1,081,005	1,052,011	-	
Income and franchise taxes				1,434,131	-	1,434,131	1,478,068	-	
Gross receipts taxes				295,531	-	295,531	315,976	-	
Other taxes				264,959	129,471	394,430	356,531	-	
Investment earnings				19,156	13,584	32,740	47,303	52,142	
Miscellaneous				447,368	229,709	677,077	683,008	27,213	
Subsidy from primary government				-	-	-	-	156,178	
Special item - federal real property swap				266,942	-	266,942	287,137	-	
Transfer in (out)				96,624	(96,624)	-	-	48,128	
Total general revenues, special item and transfers				<b>5,782,980</b>	<b>276,140</b>	<b>6,059,120</b>	<b>6,171,379</b>	<b>283,661</b>	
Change in net assets				273,119	(99,898)	173,221	(113,223)	60,109	
Net assets at October 1,				2,501,463	346,649	2,848,112	2,961,335	1,592,976	
Net assets at September 30				<b>\$ 2,774,582</b>	<b>\$ 246,751</b>	<b>\$ 3,021,333</b>	<b>\$ 2,848,112</b>	<b>\$ 1,653,085</b>	

The accompanying notes are an integral part of this statement.

## Exhibit 2-a

**District of Columbia**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2010**  
**(With Comparative Totals at September 30, 2009)**  
**(\$000s)**

	<b>General</b>	<b>Federal &amp; Private Resources</b>	<b>General Capital Improvements</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>	
					<b>2010</b>	<b>2009</b>
<b>ASSETS</b>						
Cash and cash equivalents (unrestricted)	\$ 76,455	\$ -	\$ -	\$ -	\$ 76,455	\$ 385,459
Due from federal government	25,910	496,130	63,423	-	585,463	443,898
Taxes receivable, net	355,860	-	-	-	355,860	351,096
Accounts receivable, net	99,531	81,028	3,696	30,486	214,741	207,629
Due from component units	59,873	-	-	1,141	61,014	26,016
Due from other funds	593,501	37,131	73	18,273	648,978	388,834
Inventories	9,614	4,139	-	-	13,753	11,431
Other current assets	2,005	824	3,299	-	6,128	1,107
Cash and cash equivalents (restricted)	311,945	195,297	565,523	370,654	1,443,419	1,609,298
Investments (restricted)	319,945	-	-	-	319,945	181,583
Other long term assets	22,030	12,889	-	78,381	113,300	142,192
<b>Total assets</b>	<b>1,876,669</b>	<b>827,438</b>	<b>636,014</b>	<b>\$ 498,935</b>	<b>3,839,056</b>	<b>3,748,543</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	403,254	111,364	192,365	27,049	734,032	679,832
Compensation payable	133,562	16,844	2,779	191	153,376	178,646
Due to other funds	24,051	268,790	302,210	22,827	617,878	364,387
Due to component units	12,050	3,285	178	-	15,513	14,151
Deferred revenue	190,877	95,981	5,042	79,813	371,713	357,128
Accrued liabilities	214,658	136,737	-	118	351,513	298,337
Other current liabilities	8,091	3,414	2	-	11,507	10,689
<b>Total liabilities</b>	<b>986,543</b>	<b>636,415</b>	<b>502,576</b>	<b>129,998</b>	<b>2,255,532</b>	<b>1,903,170</b>
<b>Fund balances:</b>						
Reserved for:						
General fund purposes	836,181	-	-	-	836,181	703,694
Special revenue funds purposes	-	191,023	-	364,453	555,476	507,678
Capital project purposes	-	-	133,438	4,484	137,922	417,212
Unreserved, designated, reported in:						
General fund	53,945	-	-	-	53,945	216,789
<b>Total fund balances</b>	<b>890,126</b>	<b>191,023</b>	<b>133,438</b>	<b>368,937</b>	<b>1,583,524</b>	<b>1,845,373</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,876,669</b>	<b>\$ 827,438</b>	<b>\$ 636,014</b>	<b>\$ 498,935</b>		<b>\$ 3,748,543</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.					9,228,531	
Certain long term assets are not available to pay current period expenditures and are therefore deferred in the funds.					76,602	
Adjustment for deferred charges.					167,990	
Certain liabilities (such as bonds payable and accrued expenses) are not due and payable in the current period:						
General obligation bonds				2,781,053		
Income tax revenue bonds				2,570,650		
Tobacco settlement bonds				699,779		
TIF bonds				91,807		
Ballpark bonds				517,390		
QZAB				9,518		
Accrued interest payable				107,960		
Capital leases				36,108		
Other long-term liabilities				1,467,800		
					(8,282,065)	
Net assets of governmental activities						<b>\$ 2,774,582</b>

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, 2010**  
**(With Comparative Totals for the Year Ended September 30, 2009)**  
**(\$000s)**

	<b>Federal</b>	<b>General</b>	<b>Nonmajor</b>	<b>Total</b>	
	<b>&amp; Private</b>	<b>Capital</b>	<b>Governmental</b>	<b>Governmental Funds</b>	<b>2010</b>
	<b>General</b>	<b>Resources</b>	<b>Improvements</b>		<b>2009</b>
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 1,876,815	\$ -	\$ -	\$ 1,876,815	\$ 1,934,523
Sales and use taxes	1,081,005	-	-	1,081,005	1,052,011
Income and franchise taxes	1,434,131	-	-	1,434,131	1,478,068
Gross receipts taxes	295,531	-	-	295,531	315,976
Other taxes	264,959	-	-	264,959	261,909
Fines and forfeitures	128,473	-	-	128,473	106,169
Licenses and permits	86,946	5	-	86,951	91,230
Charges for services	223,454	4,411	-	234,598	202,079
Investment earnings	2,325	757	114	19,156	28,242
Miscellaneous	356,122	36,168	4,905	447,365	524,046
Federal contributions	-	655,186	15,000	670,186	573,446
Operating grants	-	2,666,485	244,277	2,910,762	2,420,724
<b>Total revenues</b>	<b>5,749,761</b>	<b>3,363,012</b>	<b>264,296</b>	<b>72,863</b>	<b>8,988,423</b>
<b>EXPENDITURES</b>					
Current:					
Governmental direction and support	579,457	43,936	-	34,542	657,935
Economic development and regulation	247,355	100,993	-	40,076	388,424
Public safety and justice	1,018,335	528,138	-	-	1,546,473
Public education system	1,400,832	503,191	-	-	1,904,023
Human support service	1,564,143	2,095,367	-	9,857	3,669,367
Public works	276,990	41,600	-	-	318,590
Public transportation	243,668	-	-	-	243,668
Debt service:					
Principal	175,019	-	-	34,727	209,746
Interest	233,536	-	-	66,587	300,123
Fiscal charges	64,532	-	-	-	64,532
Capital outlay	-	-	1,307,946	51,542	1,359,488
<b>Total expenditures</b>	<b>5,803,867</b>	<b>3,313,225</b>	<b>1,307,946</b>	<b>237,331</b>	<b>10,662,369</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(54,106)</b>	<b>49,787</b>	<b>(1,043,650)</b>	<b>(164,468)</b>	<b>(1,212,437)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt issuance	21,269	-	699,656	29,373	750,298
Refunding debt issuance	835,010	-	-	-	835,010
Premium on sale of bonds	74,840	-	13,321	1,344	89,505
Payment to refunded bond escrow agent	(855,011)	-	-	-	(855,011)
Equipment financing program	-	-	34,162	-	34,162
Transfers in	125,002	259	81,177	222,595	429,033
Transfers out	(177,361)	(1,589)	(58,082)	(95,377)	(332,409)
Sale of capital assets	-	-	-	-	6,800
<b>Total other financing sources (uses)</b>	<b>23,749</b>	<b>(1,330)</b>	<b>770,234</b>	<b>157,935</b>	<b>950,588</b>
<b>Net change in fund balances</b>	<b>(30,357)</b>	<b>48,457</b>	<b>(273,416)</b>	<b>(6,533)</b>	<b>(261,849)</b>
Fund balances at October 1	920,483	142,566	406,854	375,470	1,845,373
Fund balances at September 30	\$ 890,126	\$ 191,023	\$ 133,438	\$ 368,937	\$ 1,583,524
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, 2010**  
(\$000s)

Net change in fund balances - total governmental funds	\$ (261,849)
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.	1,113,713
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.	449
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.	(553,215)
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.	<u>(25,979)</u>
Change in net assets of governmental activities	<u>\$ 273,119</u>

*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, 2010 (\$000s)														
	General Fund				Federal and Private Resources				Totals				Variance Positive (Negative)	
	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	\$ 1,835,702	\$ 1,838,534	\$ 1,873,491	\$ 34,957	\$ -	\$ -	\$ -	\$ -	\$ 1,835,702	\$ 1,838,534	\$ 1,873,491	\$ 34,957		
Sales and use taxes	1,141,396	1,109,544	1,060,921	(48,623)	-	-	-	-	1,141,396	1,109,544	1,060,921	(48,623)		
Income and franchise taxes	1,463,177	1,572,680	1,434,131	(138,549)	-	-	-	-	1,463,177	1,572,680	1,434,131	(138,549)		
Other taxes	524,651	524,210	535,324	11,114	-	-	-	-	524,651	524,210	535,324	11,114		
Total taxes	4,964,926	5,044,968	4,903,867	(141,101)	-	-	-	-	4,964,926	5,044,968	4,903,867	(141,101)		
Licenses and permits	60,959	66,155	60,852	(5,303)	-	-	-	-	60,959	66,155	60,852	(5,303)		
Fines and forfeits	180,411	147,203	111,488	(35,715)	-	-	-	-	180,411	147,203	111,488	(35,715)		
Charges for services	45,901	37,774	46,125	8,351	-	-	-	-	45,901	37,774	46,125	8,351		
Miscellaneous	122,069	83,185	119,743	36,558	-	-	-	-	122,069	83,185	119,743	36,558		
Other sources	460,574	440,479	439,908	(571)	-	-	-	-	460,574	440,479	439,908	(571)		
General obligation bonds	15,000	15,000	5,079	(9,921)	-	-	-	-	15,000	15,000	5,079	(9,921)		
Federal contributions	-	-	-	-	136,175	186,207	135,839	(50,368)	136,175	186,207	135,839	(50,368)		
Operating grant	-	-	-	-	2,646,603	2,854,733	2,493,351	(361,382)	2,646,603	2,854,733	2,493,351	(361,382)		
Fund balance released from restrictions	129,047	214,852	138,421	(76,431)	-	14,156	14,156	-	129,047	229,008	152,577	(76,431)		
Interfund transfer-from lottery and games	65,775	67,350	66,750	(600)	-	-	-	-	65,775	67,350	66,750	(600)		
Interfund transfer-others	3,497	23,897	24,287	390	-	-	-	-	3,497	23,897	24,287	390		
Total revenues and other sources	6,048,159	6,140,863	5,916,520	(224,343)	2,782,778	3,055,096	2,643,346	(411,750)	8,830,937	9,195,959	8,559,866	(636,093)		
<b>Expenditures and Other Uses:</b>														
Governmental direction and support	373,596	388,565	375,801	12,764	28,280	29,795	28,931	864	401,876	418,360	404,732	13,628		
Economic development and regulation	318,012	323,801	265,865	57,936	115,456	187,811	102,021	85,790	433,468	511,612	367,886	143,726		
Public safety and justice	1,020,190	1,040,529	1,018,244	22,285	263,556	255,860	117,779	138,081	1,283,746	1,296,389	1,136,023	160,366		
Public education system	1,380,532	1,282,280	1,271,348	10,932	357,228	534,995	395,372	139,623	1,737,760	1,817,275	1,666,720	150,555		
Public education AY11 expenditure	-	135,643	135,643	-	-	-	-	-	135,643	135,643	-	-		
Human support services	1,410,425	1,479,115	1,461,272	17,843	1,947,166	1,987,698	1,881,865	105,833	3,357,591	3,466,813	3,343,137	123,676		
Public works	579,216	592,453	565,731	26,722	56,092	43,269	41,745	1,524	635,308	635,722	607,476	28,246		
Emergency planning and security costs	-	-	-	-	15,000	15,624	15,624	-	15,000	15,624	15,624	-		
Wilson building	3,625	3,242	3,226	16	-	-	-	-	3,625	3,242	3,226	16		
Repay bonds and interest	472,061	370,795	351,816	18,979	-	-	-	-	472,061	370,795	351,816	18,979		
Repay revenue bonds and interest	4,861	4,861	2,149	2,712	-	-	-	-	4,861	4,861	2,149	2,712		
Bond fiscal charge	15,000	15,000	6,514	8,486	-	-	-	-	15,000	15,000	6,514	8,486		
Interest on short term borrowing	9,000	3,000	2,373	627	-	-	-	-	9,000	3,000	2,373	627		
Certificates of participation	32,285	32,285	32,257	28	-	-	-	-	32,285	32,285	32,257	28		
Settlements and judgments fund	21,477	21,477	21,470	7	-	-	-	-	21,477	21,477	21,470	7		
Presidential inauguration	-	-	-	-	-	44	44	-	-	44	44	-	-	
Baseball tax transfer	32,081	32,081	32,081	-	-	-	-	-	32,081	32,081	32,081	-		
Convention center transfer	93,054	93,054	93,054	-	-	-	-	-	93,054	93,054	93,054	-		
Highway trust transfer	29,762	29,762	24,889	4,873	-	-	-	-	29,762	29,762	24,889	4,873		
TIF and pilot transfer	45,992	45,992	34,140	11,852	-	-	-	-	45,992	45,992	34,140	11,852		
Equipment lease operating	46,157	44,320	43,863	457	-	-	-	-	46,157	44,320	43,863	457		
Emergency and contingency reserve	-	47,480	-	47,480	-	-	-	-	-	47,480	-	47,480		
Pay-go capital	2,984	14,933	14,933	-	-	-	-	-	2,984	14,933	14,933	-		
Schools modernization fund	8,612	8,612	8,612	-	-	-	-	-	8,612	8,612	8,612	-		
District retiree health contribution	90,700	90,700	90,700	-	-	-	-	-	90,700	90,700	90,700	-		
Cash reserve	-	53	-	53	-	-	-	-	-	53	-	53		
Non-departmental agency	3,603	2,761	2,410	351	-	-	-	-	3,603	2,761	2,410	351		
Total expenditures and other uses	5,993,225	6,102,794	5,858,391	244,403	2,782,778	3,055,096	2,583,381	471,715	8,776,003	9,157,890	8,441,772	716,118		
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES -- BUDGETARY BASIS</b>														
	\$ 54,934	\$ 38,069	\$ 58,129	\$ 20,060	\$ -	\$ -	\$ 59,965	\$ 59,965	\$ 54,934	\$ 38,069	\$ 118,094	\$ 80,025		

The accompanying notes are an integral part of this statement.

## Exhibit 3-a

## District of Columbia

Statement of Net Assets  
Proprietary Funds  
September 30, 2010(With Comparative Totals at September 30, 2009)  
(\$000s)

	<b>Lottery and Games</b>	<b>Unemployment Compensation</b>	<b>Nonmajor* Proprietary Fund</b>	<b>Totals</b>				
				<b>2010</b>	<b>2009</b>			
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents (unrestricted)	\$ 10,858	\$ -	\$ 3,061	\$ 13,919	\$ 15,994			
Investments (unrestricted)	-	-	288	288	5,627			
Due from federal government	-	5,505	-	5,505	18,883			
Accounts receivable, net	4,969	16,006	2,755	23,730	24,698			
Due from other funds	-	5,621	-	5,621	-			
Other current assets	7	-	251	258	646			
Cash and cash equivalents (restricted)	-	322,826	-	322,826	366,403			
Total current assets	<u>15,834</u>	<u>349,958</u>	<u>6,355</u>	<u>372,147</u>	<u>432,251</u>			
Noncurrent assets:								
Investments (restricted)	29,218	-	-	29,218	38,990			
Capital assets, net	579	-	4,248	4,827	16,012			
Total noncurrent assets	<u>29,797</u>	<u>-</u>	<u>4,248</u>	<u>34,045</u>	<u>55,002</u>			
<b>Total assets</b>	<b>45,631</b>	<b>349,958</b>	<b>10,603</b>	<b>406,192</b>	<b>487,253</b>			
<b>LIABILITIES</b>								
Current liabilities								
Accounts payable	2,221	79,531	445	82,197	73,839			
Accrued compensated absences	838	-	614	1,452	3,145			
Due to other funds	-	37,131	-	37,131	19,770			
Deferred revenue	152	-	-	152	492			
Accrued liabilities	9,291	-	-	9,291	8,205			
Long term liabilities due within one year	6,873	-	-	6,873	7,406			
Total current liabilities	<u>19,375</u>	<u>116,662</u>	<u>1,059</u>	<u>137,096</u>	<u>112,857</u>			
Noncurrent liabilities								
Long term liabilities due in more than one year	<u>22,345</u>	<u>-</u>	<u>-</u>	<u>22,345</u>	<u>27,747</u>			
Total noncurrent liabilities	<u>22,345</u>	<u>-</u>	<u>-</u>	<u>22,345</u>	<u>27,747</u>			
<b>Total liabilities</b>	<b>41,720</b>	<b>116,662</b>	<b>1,059</b>	<b>159,441</b>	<b>140,604</b>			
<b>NET ASSETS</b>								
Invested in capital assets	579	-	4,248	4,827	16,012			
Restricted - expendable	-	233,296	-	233,296	304,773			
Unrestricted	<u>3,332</u>	<u>-</u>	<u>5,296</u>	<u>8,628</u>	<u>25,864</u>			
<b>Total net assets</b>	<b>\$ 3,911</b>	<b>\$ 233,296</b>	<b>\$ 9,544</b>	<b>\$ 246,751</b>	<b>\$ 346,649</b>			

\* This column includes Washington Center for Aging activities.

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, 2010**  
**(With Comparative Totals for the Year Ended September 30, 2009)**

(\$000s)

	<b>Lottery and Games</b>	<b>Unemployment Compensation</b>	<b>Nonmajor* Proprietary Fund</b>	<b>Totals</b>	
				<b>2010</b>	<b>2009</b>
<b>Operating revenues:</b>					
Employer taxes	\$ -	\$ 129,471	\$ -	\$ 129,471	\$ 94,622
Charges for services	230,159	-	19,991	250,150	288,794
Benefit contributions	-	36,998	-	36,998	36,985
Miscellaneous	-	-	211	211	919
<b>Total operating revenues</b>	<b>230,159</b>	<b>166,469</b>	<b>20,202</b>	<b>416,830</b>	<b>421,320</b>
<b>Operating expenses:</b>					
Benefits	-	480,976	-	480,976	370,775
Prizes, agents commission & advertising	138,558	-	-	138,558	148,274
Personnel services	10,177	-	2,438	12,615	17,677
Contractual services	14,508	-	12,077	26,585	44,525
Depreciation	150	-	427	577	2,354
Miscellaneous	-	-	3,875	3,875	8,396
<b>Total operating expenses</b>	<b>163,393</b>	<b>480,976</b>	<b>18,817</b>	<b>663,186</b>	<b>592,001</b>
<b>Operating income (loss)</b>	<b>66,766</b>	<b>(314,507)</b>	<b>1,385</b>	<b>(246,356)</b>	<b>(170,681)</b>
<b>Nonoperating revenues:</b>					
Interest and investment revenue	25	13,532	27	13,584	19,061
Federal contribution	-	229,498	-	229,498	151,242
<b>Total nonoperating revenue</b>	<b>25</b>	<b>243,030</b>	<b>27</b>	<b>243,082</b>	<b>170,303</b>
<b>Income (loss) before transfers</b>	<b>66,791</b>	<b>(71,477)</b>	<b>1,412</b>	<b>(3,274)</b>	<b>(378)</b>
Transfer out	(66,750)	-	(29,874)	(96,624)	(68,775)
<b>Change in net assets</b>	<b>41</b>	<b>(71,477)</b>	<b>(28,462)</b>	<b>(99,898)</b>	<b>(69,153)</b>
Total net assets at October 1	3,870	304,773	38,006	346,649	415,802
Total net assets at September 30	\$ 3,911	\$ 233,296	\$ 9,544	\$ 246,751	\$ 346,649

\* This column includes Washington Center for Aging activities.  
*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, 2010**  
**(With Comparative Totals for the Year Ended September 30, 2009)**

(\$000s)

	<u>Lottery and Games</u>	<u>Unemployment Compensation</u>	<u>Nonmajor* Proprietary Fund</u>	<u>Totals</u>	
			<u>2010</u>	<u>2009</u>	
<b>Cash Flows from Operating activities:</b>					
Cash receipts from customers/employers	\$ 232,001	\$ 157,914	\$ 18,560	\$ 408,475	\$ 415,728
Other cash receipts	453	-	80	533	1,417
Cash payments to vendors	(22,494)	-	(17,187)	(39,681)	(66,235)
Cash payments to employees/claimants	(7,014)	(475,173)	-	(482,187)	(352,306)
Other cash payments, including prizes	(132,793)	-	(4,735)	(137,528)	(143,172)
Net cash provided by (used in) operating activities	<u>70,153</u>	<u>(317,259)</u>	<u>(3,282)</u>	<u>(250,388)</u>	<u>(144,568)</u>
<b>Cash Flows from Noncapital financing activities:</b>					
Intergovernmental grants	-	261,298	-	261,298	143,559
Interfund transfers out	(66,750)	-	(29,874)	(96,624)	(71,916)
Reimbursement of administrative cost	-	(1,148)	-	(1,148)	-
Net cash provided by (used in) noncapital financing activities	<u>(66,750)</u>	<u>260,150</u>	<u>(29,874)</u>	<u>163,526</u>	<u>71,643</u>
<b>Cash Flows from Capital and related financing activities:</b>					
Acquisitions of capital assets	(250)	-	29,581	29,331	(1,617)
Net cash used in capital and related financing activities	<u>(250)</u>	<u>-</u>	<u>29,581</u>	<u>29,331</u>	<u>(1,617)</u>
<b>Cash Flows from Investing activities:</b>					
Receipts of interest and dividends	25	13,532	27	13,584	19,061
Net proceeds from related party	-	-	(1,417)	(1,417)	(800)
Sales of investments	-	-	(288)	(288)	(1,889)
Net cash provided by (used in) investing activities	<u>25</u>	<u>13,532</u>	<u>(1,678)</u>	<u>11,879</u>	<u>16,372</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
	3,178	(43,577)	(5,253)	(45,652)	(58,170)
<b>Cash and cash equivalents at October 1</b>	<u>7,680</u>	<u>\$ 366,403</u>	<u>\$ 8,314</u>	<u>382,397</u>	<u>440,567</u>
<b>Cash and cash equivalents at September 30</b>	<u>\$ 10,858</u>	<u>\$ 322,826</u>	<u>\$ 3,061</u>	<u>\$ 336,745</u>	<u>\$ 382,397</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 66,766	\$ (314,508)	\$ 1,385	\$ (246,357)	\$ (170,681)
Depreciation	150	-	427	577	2,354
Decrease (increase) in assets:					
Accounts receivable	2,323	(8,554)	(1,431)	(7,662)	(5,164)
Allowance for uncollectible	-	-	1,146	1,146	2,761
Deposits	-	-	28	28	(356)
Other current assets	1	-	(4,735)	(4,734)	67
Increase (decrease) in liabilities:					
Accounts payable	(251)	5,803	30	5,582	25,654
Accrued liabilities	617	-	(132)	485	694
Deferred revenue	(28)	-	-	(28)	(123)
Other current liabilities	575	-	-	575	226
<b>Net cash provided by (used in) operating activities:</b>	<u>\$ 70,153</u>	<u>\$ (317,259)</u>	<u>\$ (3,282)</u>	<u>\$ (250,388)</u>	<u>\$ (144,568)</u>

\* This column includes Washington Center for Aging activites.  
*The accompanying notes are an integral part of this statement.*

## Exhibit 4-a

<b>District of Columbia</b> <b>Statement of Fiduciary Net Assets</b>			
<b>Fiduciary Funds</b>			
<b>September 30, 2010</b>			
(\$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	\$ 317,268	\$ -	\$ 77,638
Investments - restricted:			
Equities	2,736,517	100,398	-
Fixed income securities	966,605	45,628	-
Real estate	188,543	-	-
Private Equity	614,419	-	-
Collateral for securities lending transactions	515,203	-	-
Accounts receivable	-	30	-
Due from federal government	1,321	-	-
Benefit contribution receivables	8,650	-	-
Due from other funds	-	-	2,292
Other receivables	-	-	18,077
Other current assets	219,913	-	-
Capital assets	16	-	-
Total assets	<u>5,568,455</u>	<u>146,056</u>	<u>98,007</u>
<b>LIABILITIES</b>			
Accounts payable	5,043	38	8,520
Securities lending collateral	519,562	-	-
Due to other funds	1,882	-	-
Other current liabilities	374,502	-	89,487
Total liabilities	<u>900,989</u>	<u>38</u>	<u>\$ 98,007</u>
<b>NET ASSETS</b>			
Held in trust for pension and OPEB benefits and other purposes	<u>\$ 4,667,466</u>	<u>\$ 146,018</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, 2010**  
(\$000s)

	<b>Pension/OPEB Trust Funds</b>	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 223,000	\$ -
Plan members	61,755	27,012
Total contributions	<u>284,755</u>	<u>27,012</u>
Investment earnings:		
<i>From investment activities</i>		
Net increase in fair value of investments	251,413	9,160
Other revenue	2,250	-
Interest and dividends	<u>185,687</u>	<u>2,091</u>
Total investment gain	439,350	11,251
Less - investment expenses	<u>(13,479)</u>	<u>(1,382)</u>
Net gain from investing activities	<u>425,871</u>	<u>9,869</u>
<i>From securities lending activities</i>		
Securities lending income	3,238	-
Less: securities lending expenses	<u>(1,193)</u>	<u>-</u>
Net income from securities lending activities	<u>2,045</u>	<u>-</u>
Net investment gain	427,916	9,869
<b>Total additions</b>	<b><u>712,671</u></b>	<b><u>36,881</u></b>
<b>DEDUCTIONS</b>		
Benefits	74,212	-
Administrative expenses	9,514	406
Distributions to participants	<u>-</u>	<u>8,384</u>
<b>Total deductions</b>	<b><u>83,726</u></b>	<b><u>8,790</u></b>
<b>Change in net assets</b>	<b><u>628,945</u></b>	<b><u>28,091</u></b>
Net assets at October 1	<u>4,038,521</u>	<u>117,927</u>
Net assets at September 30	<b><u>\$ 4,667,466</u></b>	<b><u>\$ 146,018</u></b>

*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, 2010**  
**(With Comparative Totals at September 30, 2009)**  
**(\$000s)**

	Water and Sewer Authority	Washington Convention and Sports Authority	Not-for-Profit Hospital Corporation	Housing Finance Agency	University	2010	Totals	2009
<b>ASSETS</b>								
<b>Current Assets:</b>								
Cash and cash equivalents (unrestricted) \$ 81,069 \$ 14,103 \$ 8,148 \$ 20,348 \$ 24,307 \$ 147,975 \$ 158,018								
Cash and cash equivalents (unrestricted)	70,255	81,645	-	8,971	-	160,871	183,176	
Investments (unrestricted)								
Receivables, net:								
Accounts	39,742	2,185	9,372	-	10,735	62,034	45,921	
Other	8,531	-	1,702	12,646	6,916	29,795	46,939	
Due from federal government	40,077	-	187	-	-	40,264	69,857	
Due from primary government	1,996	8,487	-	-	5,030	15,513	14,151	
Inventories	7,339	-	979	-	-	8,318	9,369	
Other current assets	371	1,527	499	21,836	1,325	25,558	1,068	
Restricted cash	116,786	2,500	19,607	227,778	838	367,509	312,348	
Restricted investments	40,027	83,137	-	305,959	34,855	463,978	524,755	
Total current assets	406,193	193,584	40,494	597,538	84,006	1,321,815	1,365,602	
<b>Noncurrent Assets:</b>								
Loans receivable	-	-	-	525,321	1,141	526,462	578,664	
Other	7,990	5,892	327	2,194	296	16,699	18,590	
Total long term assets	7,990	5,892	327	527,515	1,437	543,161	597,254	
<b>Capital assets, net</b>								
Property and equipment	2,673,074	626,555	53,370	1,807	66,816	3,421,622	3,075,258	
Non-depreciable capital assets	327,738	45,004	8,100	573	17,811	399,226	453,804	
Total assets	3,414,995	871,035	102,291	1,127,433	170,070	5,685,824	5,491,918	
<b>LIABILITIES</b>								
<b>Current Liabilities:</b>								
Payables:								
Accounts	95,184	5,234	13,626	991	12,185	127,220	116,360	
Compensation	15,043	599	8,736	182	10,127	34,687	25,540	
Due to primary government	2,510	2,422	26,000	-	30,082	61,014	26,016	
Accrued liabilities	32,289	11,111	-	-	4,676	48,076	48,131	
Deferred revenue	25,354	2,807	-	25,923	15,496	69,580	85,446	
Current maturities	17,793	12,700	-	32,673	-	63,166	83,416	
Other current liabilities	29,200	719	1,399	32,397	5,077	68,792	51,493	
Total current liabilities	217,373	35,592	49,761	92,166	77,643	472,535	436,402	
<b>Noncurrent Liabilities:</b>								
Long term debt:								
Bonds payable	1,234,726	453,298	-	923,092	-	2,611,116	2,565,508	
Other long-term liabilities	20,568	7,932	3,009	454	-	31,963	29,903	
Refundable advances	-	884	-	-	1,388	2,272	1,350	
Deferred revenue	914,853	-	-	-	-	914,853	865,779	
Total long term liabilities	2,170,147	462,114	3,009	923,546	1,388	3,560,204	3,462,540	
<b>Total Liabilities</b>	<b>2,387,520</b>	<b>497,706</b>	<b>52,770</b>	<b>1,015,712</b>	<b>79,031</b>	<b>4,032,739</b>	<b>3,898,942</b>	
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	880,934	196,913	-	1,204	84,627	1,163,678	1,076,962	
Restricted - expendable	44,333	83,282	-	72,829	335	200,779	187,111	
Restricted - nonexpendable	-	-	-	-	7,242	7,242	7,242	
Unrestricted	102,208	93,134	49,521	37,688	(1,165)	281,386	321,661	
<b>Total Net Assets</b>	<b>\$ 1,027,475</b>	<b>\$ 373,329</b>	<b>\$ 49,521</b>	<b>\$ 111,721</b>	<b>\$ 91,039</b>	<b>\$ 1,653,085</b>	<b>\$ 1,592,976</b>	

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, 2010**  
**(With Comparative Totals for the Year Ended September 30, 2009)**  
**(\$000s)**

	Water and Sewer Authority	Washington Convention and Sports Authority	Sports Commission	Not-for-Profit Hospital Corporation	Housing Finance Agency	University	Totals	
							2010	2009
<b>Expenses</b>	\$ 387,495	\$ 111,990	-	\$ 20,560	\$ 58,048	\$ 141,266	\$ 719,359	\$ 682,912
<b>Program Revenues:</b>								
Charges for services, fees, fines & forfeits	357,093	21,365	-	21,336	7,151	27,907	434,852	378,820
Operating grants and contributions	-	-	-	-	-	29,079	29,079	29,109
Capital grants and contributions	<u>30,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,473</u>	<u>31,876</u>	<u>33,140</u>
<b>Net (Expense) Revenue</b>	<u>1</u>	<u>(90,625)</u>	<u>-</u>	<u>776</u>	<u>(50,897)</u>	<u>(82,807)</u>	<u>(223,552)</u>	<u>(241,843)</u>
<b>General Revenues:</b>								
Investment earnings	1,561	959	-	94	47,225	2,303	52,142	67,720
Miscellaneous	6,655	1,998	-	523	10,747	7,290	27,213	40,173
Subsidy from primary government	-	94,108	-	-	-	62,070	156,178	153,538
<b>Total general revenues</b>	<u>8,216</u>	<u>97,065</u>	<u>-</u>	<u>617</u>	<u>57,972</u>	<u>71,663</u>	<u>235,533</u>	<u>261,431</u>
<b>Capital Contributions</b>	<u>-</u>	<u>19,843</u>	<u>(19,843)</u>	<u>48,128</u>	<u>-</u>	<u>-</u>	<u>48,128</u>	<u>-</u>
<b>Change in net assets</b>	<u>8,217</u>	<u>26,283</u>	<u>(19,843)</u>	<u>49,521</u>	<u>7,075</u>	<u>(11,144)</u>	<u>60,109</u>	<u>19,588</u>
<b>Net assets at October 1</b>	<u>1,019,258</u>	<u>347,046</u>	<u>19,843</u>	<u>-</u>	<u>104,646</u>	<u>102,183</u>	<u>1,592,976</u>	<u>1,573,388</u>
<b>Net assets at September 30</b>	<u><b>\$ 1,027,475</b></u>	<u><b>\$ 373,329</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 49,521</b></u>	<u><b>\$ 111,721</b></u>	<u><b>\$ 91,039</b></u>	<u><b>\$ 1,653,085</b></u>	<u><b>\$ 1,592,976</b></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, 2010

(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, from territory ceded by Maryland and Virginia. Article 1, section 8, clause 17 of the United States Constitution empowered Congress to establish the seat of government for the United States. Pursuant to these provisions of the Constitution, the District was established as the nation's capital on December 1, 1800.

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. Pursuant to its charter, 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 of the United States disapprove it after it has been adopted. Citizens residing in 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 part of a state's 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 whether 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 and Sports Authority, Not-for-Profit Hospital Corporation (dba United Medical Center), Housing Finance Agency, and the University of the District of Columbia.

##### **Creation of the Washington Convention and Sports Authority**

Effective October 1, 2009, the Sports and Entertainment Commission (SEC) was abolished and the Washington Convention and Sports Authority (WCSA) was created pursuant to section 2081(d) of the fiscal year 2010 Budget Support Act of 2009. Upon creation of WCSA, the authorities, functions, assets, rights and obligations of SEC were transferred to WCSA. This combination of governmental entities is recorded as a contribution of net assets in WCSA's fiscal year 2010 statement of revenues, expenses, and changes in net assets.

##### **Purchase of the United Medical Center**

The United Medical Center (UMC) is a 184-bed facility that serves as the primary community health care provider to the southeast area of the District of Columbia and adjacent communities.

Between November 2007 and July 2010, the District provided approximately \$95.9 million in direct and indirect funding to UMC in the form of loans and grants. Despite significant financial support provided by the

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

District, UMC's financial position and operational stability continued to deteriorate. The hospital was unable to pay its liabilities as they came due and lagged behind in servicing its loan payments to the District.

Consequently, the District foreclosed on UMC's assets pursuant to the Deed of Trust, Security Agreement, Fixture Filing and Restrictive Covenants securing the District loans. The foreclosure auction occurred on July 9, 2010, and the District was the sole bidder, paying \$20 million to acquire the land, buildings, equipment, furnishings, and accounts of UMC. The consideration given by the District was in the form of forgiveness of a portion of the outstanding working capital and acquisition loans owed to the District. Because the remaining outstanding loan balance of \$26,759 is non-recourse debt, the District assumes that collection is doubtful.

Subsequent to the purchase of UMC, the District created the Not-for-Profit Hospital Corporation (the Hospital Corporation) as an independent instrumentality of the District government. The primary purposes of the Hospital Corporation are to receive the land, improvements on the land, equipment, and other assets of UMC; to operate and take all actions necessary to ensure the continued operations of the hospital; and to sell or otherwise transfer all or part of the hospital and site, when a buyer is identified.

Upon foreclosure, the District obtained approximately \$79,290 in cash and investments, receivables, and tangible and intangible assets. Additionally, the District assumed approximately \$3,222 in Internal Revenue Service (IRS) tax liens owed by UMC. Finally, in order to ensure the continued operations of the hospital, the District assumed that it may have to pay a portion of approximately \$27,940 of outstanding liabilities owed by UMC to critical vendors. Simultaneously with the foreclosure, the District made a capital contribution of these net assets to the newly established Hospital Corporation.

The fair value of identifiable net assets acquired and transferred by the District to the Not-for-Profit Hospital Corporation is presented below:

### **Transfer of UMC's Assets to Not-For-Profit Hospital Corporation**

#### **Identifiable net assets transferred:**

Assets	\$ 79,290
Liabilities	<u>31,162</u>

<b>Net assets transferred/ Capital contribution</b>	<b><u>\$ 48,128</u></b>
---	-------------------------

### **Rationale for Discretely Presenting Entities as Component Units of the District of Columbia**

The Hospital Corporation, a legally separate entity, is a discretely presented component unit because the Mayor and Council appoint a voting majority of the Hospital Corporation's governing board. In addition, the District is able to impose its will on the Hospital Corporation because the Mayor is authorized to remove any board member for misconduct, neglect of duty, or for other good cause and the District must approve the Hospital Corporation's annual operating budgets. Moreover, the Hospital Corporation operates as the United Medical Center, providing healthcare services to District residents and the general public, and thus, does not provide services entirely or almost entirely to the District government.

The Mayor, with the consent of the Council, also appoints the governing bodies of the Water and Sewer Authority, Washington Convention and Sports Authority, 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 Washington Convention and Sports Authority, and the University of the District of Columbia, and must approve certain transactions of and certain tax revenues dedicated to the Washington Convention and Sports 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.

The financial data for these organizations is presented in a separate column in the government-wide financial statements to emphasize that these entities are legally separate from the District.

Information regarding the financial statements of each discretely presented component unit may be obtained from the following locations:

**D.C. Water and Sewer Authority**  
 General Manager  
 5000 Overlook Avenue, S.W.  
 Washington, D.C. 20032

**Washington Convention and Sports Authority**  
 General Manager  
 801 Mount Vernon Place, N.W.  
 Washington, D. C. 20001

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

**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**Not-For-Profit Hospital Corporation**

dba United Medical Center

Chief Executive Officer

1310 Southern Avenue, S.E.  
Washington, D.C. 20032

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. 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, Office of Finance and Treasury, 1101 4<sup>th</sup> Street, S.W., Suite 800, Washington, D.C. 20024.

### **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 treated by the District as 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 participates 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 to fulfill the purposes of the joint venture. Pursuant to P.L. 111-62, which revised the WMATA compact agreement, WMATA is governed by an eight-member Board and eight alternates, comprised of two Directors and two alternates for Maryland, Virginia, the District of Columbia, and the federal government. The Directors and alternates for Maryland are appointed by the Washington Suburban Transit Commission from among its members; for Virginia, 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 the federal government, by the Administrator for General Services. 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 114.

### **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:

- *Statement of Net Assets* – the Statement of Net Assets displays the financial position of the District's 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

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

District reports net assets in three distinct 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 balance 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.

In previous fiscal years, the District also reported the Baseball Capital Projects Fund as a major governmental fund. This fund was used to account for the construction of the new baseball stadium. Construction of the stadium was completed and the facility was placed in service in fiscal year 2008. Since that time, additional costs were incurred and other transactions were entered into to close-out the construction of the stadium. During fiscal year 2010, the miscellaneous expenditures and other remaining account balances of the Baseball Capital Project Fund, all of which were immaterial and non-capital in nature, were transferred to the baseball special revenue fund.

**Nonmajor 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 Nonmajor 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 criteria for inclusion as a proprietary fund include: (a) 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 (b) 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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

and of private employers in the District. Resources 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.

- *Nonmajor Proprietary Fund* - used to account for the operations of the JB Johnson Nursing Center.

In previous years, the District also included the operations of the Washington Center for Aging Services (WCAS) and the Washington Center for Aging Services Center Care (WCASCC) in the nonmajor proprietary fund. Although the District retains ownership of the WCAS/WCASCC facility, during fiscal year 2010, the District discontinued its responsibility for operating these entities. On June 30, 2010, the District entered into a long-term ground lease agreement with Stoddard Baptist Home Foundation, Inc. (Stoddard). Through this agreement, Stoddard leased the WCAS/WCASCC facility which is to be used for the operation of a long-term care nursing home and for related nursing home services, adult day care services, dialysis services, and elderly/handicapped transportation services. The lease commitment date was July 21, 2010, and the lease agreement is effective for a term of 30 lease years. The lease was classified as a direct financing lease.

**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* – used to report the activities of the District's retirement systems, which accumulate financial resources for pension benefit payments to eligible District employees.
- *Other Postemployment Benefit (OPEB) 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.

- *Agency Funds* – used to report those resources which are 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 U.S. generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the District's financial statements for the year ended September 30, 2009, 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 the Governmental Accounting Standards Board (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 (e.g., highways and bridges), and all liabilities regardless of when payment is due. The Statement of Activities is designed to present the degree to which the direct expenses of a particular function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges for goods or services, grant revenues, and fines. Tax revenues are reported separately as general revenues. The Statement of Activities reports: (a) governmental activities expenses, (b) business-type activities expenses, and (c) the expenses of component units. Governmental activities expenses include governmental fund expenditures that are not eliminated or reclassified and current year depreciation on capital assets. The effect of interfund activity is eliminated from the government-wide financial statements.

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

### **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 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 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 reported in the government-wide financial statements as incurred.

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

The proprietary funds, pension and OPEB trust funds, private purpose trust fund, 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 are segregated into capital assets, net of related debt; and 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 Funds and OPEB Trust Fund recognize additions to net assets derived from various sources, as follows:

- Participants' contributions, when due;
- District contributions, when due and a formal commitment for payment has been made; and
- Net investment income, as earned.

Expenditures for benefits and refunds are recognized 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)**

##### *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

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

tangible personal property as of July 1 that is taxable in the District of Columbia. 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 Taxes and Revenues*

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 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.

### *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.

### *Revenues Susceptible To Accrual*

Revenues which are susceptible to accrual include: taxes, federal contributions and grants, charges for services, and investment income.

### *Revenues Not Susceptible To Accrual*

Licenses and permits and fines and forfeitures are recorded as revenue when received in cash because they are generally not measurable until received.

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

### **Process**

On or about March 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 of each year, the Mayor approves the adopted budget and forwards it to the President of the United States for review. 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 Act enacted by Congress and signed by the President of the United States. 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, 1351, 1511-1519 (2008)); the

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

District of Columbia Anti-Deficiency Act (D.C. Official Code §§47-355.01-355.08, (2001); and Section 446 of the Home Rule Act, D.C. Official Code § 1-204.46). Also, a violation of the D.C. Anti-Deficiency Act exists if there is a negative expenditure variance for a particular agency within an appropriation.

The Appropriations Act specifically identifies 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. The budgetary basis of accounting used to prepare this statement differs from the GAAP basis used to prepare the general fund and federal and private resources fund statements presented in Exhibit 2-b due to the following differences:

- *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 72.
- *Entity Differences* – these differences result from the inclusion or exclusion of certain activities for budgetary purposes as opposed to those included or excluded on a GAAP basis as indicated in Note 1X on page 72.

### **Budgetary Controls**

The District maintains budgetary controls designed to monitor compliance with expenditure limitations contained in the annual appropriated budget approved by Congress and the President. 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 used 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. Generally, encumbered amounts lapse at year-end in the General Fund and may be re-appropriated and re-encumbered as part of the subsequent year's budget. However, 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 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, D.C. Official Code §47-351.01, et seq.), which became effective March 18, 1998, and the District's Investment Policy, adopted November 2008. At September 30, 2010, 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 funds, 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.

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

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 are reported as assets and 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.

### **J. RESTRICTED ASSETS**

Certain governmental and proprietary fund assets, some assets reported by the 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 include 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 financing 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 debt 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) revenue 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 represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Due To or Due 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 of the Governmental Funds and in the "Transfers" section in the Statement of Revenues, Expenses, and Changes in Net Assets of the Proprietary Funds.

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

### **N. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, land improvements, and infrastructure (e.g., 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.

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 as separate assets. Capital asset purchases are recorded as expenditures 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.

When the construction of assets is financed through the issuance of 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 class.

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

	<u>Useful life</u>
Storm Drains	45 years
Infrastructure	20-40 years
Buildings	50 years
Equipment and Machinery	5-10 years
Furniture and Fixtures	5 years
Vehicles (and Other Mobile Equipment)	5-12 years
Library Books	5 years
Leasehold Improvements	10 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. Annual (vacation) 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 leave (leave granted to eligible employees 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

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

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.)

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, net of debt service, 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 accrued 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 began paying principal on its 2002 Mandarin TIF CABs on July 1, 2002, and will make such payments annually until July 1, 2021. 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 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, 2010, the District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

*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 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. Implementation of this statement had no material

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

impact on the District's fiscal year 2010 financial statements.

*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. Implementation of this statement had no material impact on the District's fiscal year 2010 financial statements.

Certain new accounting standards issued by the GASB were not applicable to the District and therefore, were not adopted. Such standards include the following:

*Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*

Issued in December 2009, this statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. In addition, this statement clarifies the requirements of Statements 43 and 45 related to the coordination of the timing and frequency of OPEB measurements by agent employers and the agent multiple-employer OPEB plans in which they participate.

The District is fully aware of this statement's requirements; however, the provisions of Statement No. 57 are not applicable to the District because the District's plan is a single-employer defined benefit plan administered jointly by the Department of

Human Resources and the Office of Finance and Treasury.

*Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies*

Issued in December 2009, this statement provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court approves a new payment plan.

The District is fully aware of this statement's requirements; however, the provisions of Statement No. 58 are not applicable to the District because the District government has not petitioned for bankruptcy protection.

### **S. NEW ACCOUNTING PRONOUNCEMENTS**

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

*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 requires additional classification of fund balance 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 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.

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

Statement No. 54 is effective for financial statements for periods beginning after June 15, 2010, the District's fiscal year 2011.

### *Statement No. 59, Financial Instruments Omnibus*

Issued in June 2010, this statement provides updates and refinements to existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement provides for the following amendments:

- National Council on Governmental Accounting Statement 4, *Accounting And Financial Reporting Principles For Claims and Judgments And Compensated Absences*, is updated to be consistent with the amendments to GASB Statement No. 53, *Accounting And Financial Reporting For Derivative Instruments*, regarding certain financial guarantees.
- Statement No. 25, *Financial Reporting For Defined Benefit Pension Plans And Note Disclosures For Defined Contribution Plans*, And No. 43, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.
- Statement No. 31 is clarified to indicate that a 2a7-like pool, as described in Statement No. 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.
- Statement No. 40, *Deposit And Investment Risk Disclosures*, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool.

- Statement No. 53 is amended to:
  - Clarify that the net settlement characteristic of Statement No. 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance;
  - Provide that financial guarantee contracts included in the scope of Statement No. 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit;
  - Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement No. 53; and
  - Provide that one of the "leveraged yield" criteria of Statement No. 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield.

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

## **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 cash balances from debt issuances not yet spent increase 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

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

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, reservations 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, 2010, the District had established the following fund balance reservations and restricted net assets (see **Tables 43a and 43b** on pages 113 and 114).

### **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 2011 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 2010 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.

*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 Special Revenue* - This portion of fund balance represents resources set aside for baseball debt service payments.

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

**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 §1-621.13, employees hired after September 30, 1987, who retire may be eligible to continue their healthcare benefits. Furthermore, in accordance with D.C. Code §1-622.16, 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 transitioned to a graded contribution schedule in fiscal year 2010. Under the revised schedule, District contributions to the plan are based on the employee's years of creditable District service; however, the District pays no more than 75% of the cost of health insurance, and 33% of the cost of life insurance for eligible retirees. The District also pays no more than 60% of the premium for a retiree's spouse and dependent health insurance coverage. More information regarding the OPEB contribution policy is presented in Note 10 on page 110.

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. The District began funding the OPEB plan on an actuarial basis in fiscal year 2008.

As of September 30, 2010, there were 506 OPEB Plan participants receiving such benefits, including 358 teachers, police, and firefighters, and 148 general District retirees. During fiscal year 2010, \$5.4 million 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 use estimates and make assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements. The use of estimates may also affect the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from the estimates used.

### **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 a reconciliation between fund balances - total governmental funds versus 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 \$76,602 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 as this amount is not currently available for use in fiscal year 2010. 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 a reconciliation between net changes in fund balances versus total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

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

The details of the \$1,113,713 difference related to capital outlay are as follows:

Capital outlay capitalized	\$ 1,150,971
Less:	
Depreciation expense	(314,938)
Capital asset additions	37,743
Transfer and dispositions	(27,005)
Special Item - Gain from land swap	266,942
<b>Net Adjustment</b>	<b>\$ <u>1,113,713</u></b>

The details of the \$25,979 difference related to the change in accrued liabilities are as follows:

Annual leave	\$ 32,940
Future disability benefits	(18,197)
CAB interest accretion	(25,598)
Grant disallowances	(200)
Accrued interest	(19,224)
Claims and judgments	(11,598)
Unfunded pension expenses	2,673
Net OPEB liability	(2,602)
Severance pay	15,827
<b>Net Adjustment</b>	<b>\$ <u>(25,979)</u></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 \$449 more in the statement of activities than in the Statement of Revenues, Expenditures and Changes in Fund Balances.

The details of the \$553,215 difference related to long-term liabilities are as follows:

Bonds issued	\$ (1,585,198)
Equipment financing program	(34,162)
Premium on long-term debt	(89,506)
Parks and Recreation notes	(12,500)
Less:	
G.O. Bonds current and advance refunding	828,735
Principal payments on G.O. bonds	156,840
Principal payments on other long-term debt	93,653
Amortization of premium	20,626
Fiscal charges -net	68,297
<b>Net Adjustment</b>	<b>\$ <u>(553,215)</u></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 to the GAAP basis.

	<u>GENERAL FUND</u>	<u>FEDERAL AND PRIVATE RESOURCES</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS</b>	\$ 58,129	\$ 59,965
<b>Basis differences:</b>		
Inventory is recorded using the purchase method for budgetary purposes and the consumption method on a GAAP basis	(606)	2,930
Transfers - other financing sources/uses	24,640	-
Unclaimed Property adjustment	(8,647)	-
Debt related adjustments	(774)	(282)
Fund balance released from restrictions - a funding source for budgetary purposes but not revenue on a GAAP basis	(138,421)	(14,156)
Loan to Not-for-Profit Hospital Corporation	26,000	-
State education loan program	11,383	-
Other	<u>(2,061)</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES - GAAP BASIS</b>	<u>\$ (30,357)</u>	<u>\$ 48,457</u>

**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 operational efficiency, and to maximize investment opportunities. Of the \$2,767,009 within the custody of the District, in accordance with District policies, substantially all deposits as of September 30, 2010, were insured or collateralized with securities held by the District or by its agent in the District's name. At September 30, 2010, the carrying amount of cash for the primary government and fiduciary funds was \$2,251,525 and the bank balance was \$2,920,282. The carrying

amount of cash (deposits) for the component units was \$515,484 and the bank balance was \$490,640.

**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, and the District's Cash and Investment Management Policy, adopted November 2008.

## NOTE 2. CASH AND INVESTMENTS

The District's 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* – as a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the District's portfolio to specific maturities.

The District's investment policy stipulates that for the District's authorized investments, investment maturities are limited as follows:

<u>Type of investment</u>	<u>Maturity</u>	<u>Maximum investment</u>
U.S. Treasury Obligations	Five years	100%
Federal Agency Obligations	Five years	100%
Repurchase Agreements	90 days Or less	100%
Commercial Paper	180 days or less	30%
Bankers' Acceptances	270 days or less	40%
Municipal Obligations Federally Insured or Collateralized Certificates of Deposit Money Market Mutual Funds	Five years	20% 30%  100%

- *Credit Risk* – the District's Investment Policy limits investments in commercial paper, bankers' acceptances, municipal obligations, and money market mutual funds to certain ratings issued by nationally recognized credit rating agencies. District policy requires that for investments in: (a) commercial paper, the issuing corporation, or its guarantor, have a short-term rating of no less than A-1 (or its equivalent) by at least two credit rating agencies, (b) bankers' acceptances, the short-term paper of the issuer be rated not lower than A-1 or the equivalent by a credit rating agency; (c) municipal obligations, such bonds, notes, and other evidences of indebtedness be rated in either of the two highest rating categories by a credit rating agency, without regard to gradation; and (d) money market mutual funds, the fund be rated AAAm or AAAm-G or the equivalent by a credit rating agency.
- *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 2010 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.
- *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, 2010, the District was in compliance with this policy.
- *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.

## NOTE 2. CASH AND INVESTMENTS

At September 30, 2010, other than the Retirement Board, the District had no exposure to foreign currency risk. At the end of fiscal year 2010, the

Retirement Board held investments that were denominated in a currency other than the United States dollar, as follows:

	Asset Class (in \$000s)							
	Fixed		Private					
	Cash	Equities	Income	Equity	Swaps	Total		
Australian Dollar	\$ 453	\$ 28,453	\$ 1,342	\$ -	\$ (104)	\$ 30,144		
Canadian Dollar	177	19,790	5,372	-	-	25,339		
Swiss Franc	181	33,173	-	-	-	33,354		
Danish Krone	130	3,088	-	-	-	3,218		
Euro	1,359	240,615	18,714	12,524	-	273,212		
Pound Sterling	574	78,055	4,779	-	-	83,408		
Hong Kong Dollar	76	39,345	-	-	-	39,421		
Israeli Shekel	50	2,847	-	-	-	2,897		
Japanese Yen	478	126,885	3,466	-	-	130,829		
South Korean Won	-	4,054	-	-	-	4,054		
Norwegian Krone	134	5,572	-	-	-	5,706		
New Zealand Dollar	47	97	-	-	-	144		
Swedish Krona	98	23,833	-	-	-	23,931		
Singapore Dollar	191	6,663	-	-	-	6,854		
Mexican Peso	25	-	-	-	123	148		
Brazilian Real	-	-	-	-	656	656		
<b>Total Foreign Currency</b>	<b>\$ 3,973</b>	<b>\$ 612,470</b>	<b>\$ 33,673</b>	<b>\$ 12,524</b>	<b>\$ 675</b>	<b>\$ 663,315</b>		

### Asset Impairment

At September 30, 2010, the District recognized an impairment loss totaling \$56 (\$56 thousand) related to its investment in certain mortgage-backed securities (MBS), in the aggregate.

The purchase cost and market value of these securities, in the aggregate, were \$26,203 and \$17,083, respectively. The total value of the MBS is less than 1% of the total investment holdings. Market values for the MBS 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. Various dynamics in the credit-market environment and the illiquidity of some MBS 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 are prohibited by the District's current investment policy; however, all existing MBS positions were "grandfathered" into the overall investment portfolio.

**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	\$ 177,683
Corporate securities	29,218
Mutual funds	<u>142,550</u>
<b>Total Primary Government</b>	<b>\$ 349,451</b>
<b>Fiduciary Funds:</b>	
Pension trust funds investments held by Board's agent in Board's name:	
Equity securities	2,736,517
Fixed income securities	966,605
Real estate	188,543
Private equity	614,419
Private purpose trust funds investments	<u>146,026</u>
<b>Total Fiduciary Funds</b>	<b>4,652,110</b>
<b>Component Units:</b>	
U. S. government securities	419,267
Corporate securities	56,760
Investment contracts	65,685
Mutual funds	<u>83,137</u>
<b>Total Component Units</b>	<b><u>624,849</u></b>
<b>Total reporting entity investments</b>	<b><u>\$ 5,626,410</u></b>
<b>CASH BALANCES</b>	
Primary government	\$ 1,856,619
Fiduciary Funds	394,906
Component units	<u>515,484</u>
<b>Total cash balances</b>	<b><u>\$ 2,767,009</u></b>

**Table 2b – Reconciliation of the District's Deposit and Investment Balances**

Total investments per Table 2a	\$ 5,626,410
Total cash balances	2,767,009
<b>Total</b>	<b><u>\$ 8,393,419</u></b>

	<u>Exhibit 1-a</u>	<u>Exhibit 4-a</u>	<u>Total</u>
Cash and cash equivalents	\$ 238,349	\$ -	\$ 238,349
Investments	161,159	-	161,159
Cash and cash equivalents (restricted)	2,133,754	394,906	2,528,660
Investments (restricted)	813,141	4,652,110	5,465,251
<b>Total</b>	<b><u>\$ 3,346,403</u></b>	<b><u>\$ 5,047,016</u></b>	<b><u>\$ 8,393,419</u></b>

## NOTE 2. CASH AND INVESTMENTS

### Derivative Instruments

Derivative instruments are generally defined as contracts, the value of which 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.

**Table 3** presents the fair value balances and notional amounts of the District's derivative instruments outstanding at September 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the fiscal year 2010 financial statements.

**Table 3 - derivative instruments outstanding at September 30, 2010**

	Changes in Fair Value		Fair Value at September 30, 2010		
	Classification	Amount	Classification	Amount	Notional
<b>Governmental Activities:</b>					
Cash flow hedges:					
Floating to fixed interest rate swaps					
2008C Swap	Deferred outflow	\$ (11,972)	Debt	\$ (46,565)	\$ 224,300
2007 A W C Swap	Deferred outflow	\$ (3,625)	Debt	\$ (12,183)	\$ 96,950
2004B Swap	Deferred outflow	\$ (624)	Debt	\$ (3,117)	\$ 38,250
Floating to floating interest rate swaps					
2001C/D Basis Swap	Deferred inflow	\$ 23,151	Debt	\$ 169	\$ 230,455
Interest rate cap					
2006 NCRC Swap	Deferred outflow	\$ -	Debt	\$ -	\$ 45,346

The fair values of the interest rate swaps were provided by the counterparty to each respective swap and confirmed by the District's financial advisor, Phoenix Capital Partners, LLP. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. The fair values of the interest rate swaps were estimated using the zero coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve. The current swap and

the new swap payments are present valued at the LIBOR spot rates. The difference in the present value of the cash flows will equal the fair value.

### Objective and Terms of Hedging Derivative Instruments

**Table 4** presents the objective and terms of the District's hedging derivative instruments outstanding at September 30, 2010, along with the credit rating of the associated counterparty.

<b>NOTE 2. CASH AND INVESTMENTS</b>
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**Table 4 – objectives and terms of hedging derivative instruments outstanding at September 30, 2010**

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
<b>Pay-fixed interest rate swaps:</b>						
2004 B Swap						
	Hedge of changes in cash flows on the 2004B General Obligation Bonds	\$ 38,250	12/08/04	06/01/20	Pay fixed rates of 4.598%, 4.701%, 4.794% and 5.121%; receive variable rate payments equivalent to the CPI	Aa2/A+/A
2008 C Swap	Hedge of changes in cash flows on the 2002B Multimodal General Obligation Bonds	\$ 224,300	10/15/02	06/01/27	Pay fixed rate of 3.615%; receive variable rate payments equivalent to BMA Swap Index until 12/01/2004 and at 67% of LIBOR thereafter	A2/A/A
2001 C/D Basis Swap	Reduce basis risk; provide a closer match between the underlying variable rate bonds and variable rate swap receipts from the counterparty	\$ 230,455	06/02/03	06/01/29	Pay 67% of LIBOR; receive variable rate as a percentage of the actual LIBOR reset each month, based on 60% to 90% of LIBOR (Only the net difference in interest payments actually exchanged between counterparties)	Aa1/AA-/AA-
2007 AWC Swap	Hedge of changes in cash flows on the 2007 AWC PILOT Revenue Bonds	\$ 96,950	09/20/07	12/01/21	Pay fixed rate of 4.46%; receive a variable rate that matches the rate on the bond purchased by Wachovia	Aa2/AA/AA-
<b>Rate cap:</b>						
2006 NCRC Swap	Hedge of changes in cash flows on the 2006 NCRC Revenue Bonds	\$ 45,346	02/06/06	02/01/12	Pay premium on bonds; receive payments in an amount by which the interest rate on the bonds exceeds 8.57%	Aa3/A+/AA-

**Risks***Credit Risk*

The fair market values of the interest rate swaps represent the District's obligation to the respective counterparties if the swap agreements were terminated. The District is exposed to credit risk on hedging derivative instruments that have positive fair values (or are in asset positions). To minimize its exposure to loss related to credit risk, the District diversified its counterparties and as such, has a different counterparty for each of its outstanding swaps. The credit ratings of each of the counterparties as of September 30, 2010 were as presented in **Table 4**.

The District was exposed to minimal credit risk because most of the interest rate swaps had negative fair values. The aggregate fair value of hedging derivative

instruments in asset positions at September 30, 2010, was \$169. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. In each of the District's swap agreements, the payments are netted against obligation within each swap. As such, if the District is owed any payment due to an event of default by the counterparty that payment can be netted against any outstanding obligations within that specific swap agreement.

*Interest Rate Risk*

The District is exposed to interest rate risk on its interest rate swaps. As LIBOR or the BMA swap index decreases, the District's net payment on its pay-fixed, receive variable interest rate swaps increases.

## **NOTE 2. CASH AND INVESTMENTS**

### **Basis Risk**

The District is exposed to basis risk on its pay-fixed interest rate swap and rate cap hedging derivative instruments because the variable-rate payments received by the District on these hedging derivative instruments are based on a rate or index other than interest rates the District pays on its hedged variable-rate debt, which is remarketed every 7 days. In order to mitigate basis risk, the District typically executes a basis swap which pays the District a higher percentage of LIBOR as interest rates decrease. As of September 30, 2010, the weighted-average interest rate on the District's hedged variable-rate debt was approximately 0.26%, while the BMA swap index (SIFMA) rate was 0.27% and 67% of LIBOR was 0.17%.

### **Termination Risk**

The District or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the associated contract. The District is exposed to termination risks on its pay-fixed interest rate swap agreements, which incorporate the International Swap Dealers Association (ISDA) Master Agreement. The ISDA Master Agreement includes standard termination events. Accordingly, an interest rate swap may be terminated if a 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.

The District is exposed to termination risk on its rate cap because the current mark to market value of the swap is \$32 and as such, the District would be due this amount from the counterparty and would be exposed to increases in rates above the cap strike rate of 8.57%.

If at the time of termination, a hedging derivative instrument is in a liability position, the District would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements, as applicable.

### **Rollover Risk**

The District is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the District will be re-

exposed to the risks being hedged by the hedging derivative instrument. In order to mitigate this risk, the District matches the maturity of each fixed to floating rate swap with the maturity date of the underlying bonds. The District was not exposed to rollover risk during fiscal year 2010.

### **Retirement Board Derivatives**

During fiscal year 2010, the District Retirement Funds, in accordance with the policies of the Retirement Board, and through the District Retirement 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.

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.

To-be-announced market trades (TBAs) (sometimes referred to as "dollar rolls") are used by the District Retirement 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 District Retirement Funds for defensive purposes. These contracts hedge a portion of the District Retirement 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 District Retirement Funds. Credit

**NOTE 2. CASH AND INVESTMENTS**

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 District Retirement 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 District Retirement 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 District 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 District Retirement 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. All such risks are monitored and managed by the District Retirement Funds' external investment managers who have full discretion over such investment decisions.

Swaps represent an agreement between two or more parties to exchange a sequence of cash flows during a predetermined timeframe. The District Retirement Funds utilize swaps for several different reasons: to manage interest rate fluctuations, to protect against a borrower default, and to gain market exposure without having to actually own the asset. The District Retirement Funds may manage credit exposure through the use of credit default swaps. A credit default swap (CDS) is a contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party who, in exchange for periodic fees, agrees to make payments in the event of a default or other predetermined credit event. One of the main advantages of a CDS is that

it allows for exposure to credit risk while limiting exposure to other risks such as interest rate and currency risk.

The District Retirement 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.

## NOTE 2. CASH AND INVESTMENTS

**Table 5** presents a list of the District Retirement Funds' derivatives aggregated by type as of September 30, 2010.

**Table 5 – Retirement Board Derivative Investments Aggregated by Type**

Type of Derivative	Classification	Amount (1)	Classification	Amount (2)	Notional (3)
Credit Default Swaps	Investment Income	\$ 772	Swaps	\$ 2,640	\$ 95,278
Fixed Income Futures Long	Investment Income	3,676	Futures	-	54,600
Fixed Income Futures Short	Investment Income	(4,132)	Futures	-	(27,200)
Fixed Income Options Written	Investment Income	2,118	Options	(723)	(184,100)
Foreign Currency Options Bought	Investment Income	(573)	Options	-	-
Foreign Currency Options Written	Investment Income	93	Options	-	-
Futures Options Written	Investment Income	486	Options	-	-
FX Forwards	Investment Income	(719)	LT Instruments	(1,745)	66,644
Index Futures Long	Investment Income	2,179	Futures	-	20,455
Interest Rate Swaps	Investment Income	(523)	Swaps	675	79,060
Rights	Investment Income	(3,053)	Common Stock	-	-
TBA Transactions Long	Investment Income	6,625	LT Instruments	(345)	153,800
TBA Transactions Short	Investment Income	38	LT Instruments	-	-
Warrants	Investment Income	(64)	Common Stock	88	-
<b>Grand Totals</b>		<b>\$ 6,923</b>		<b>\$ 590</b>	

(1) Negative values (in brackets) refer to losses

(2) Negative values refer to liabilities

(3) Notional may be a dollar amount or size of underlying for futures and options; negative values refer to short positions

(4) Excludes futures margin payments

### C. SECURITIES LENDING

During fiscal year 2010, the master custodian, at the direction of the Retirement Board, loaned certain of the District Retirement Funds' equity and fixed income securities secured by collateral in the form of United States and foreign currency cash, securities issued or guaranteed by the United States government, the sovereign debt of foreign countries and irrevocable bank letters of credit. This 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 District Retirement 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 2010.

During fiscal year 2010, 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

## NOTE 2. CASH AND INVESTMENTS

thereon and there were no losses resulting from a default of the borrowers or the master custodian during 2010.

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 44.24 days and an average expected maturity of 216.27 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.

As of September 30, 2010, the fair value of securities on loan was \$505,146. Associated collateral totaling \$519,562 was comprised of cash which was invested in the Quality D Fund. As of September 30, 2010, the invested cash collateral had a fair value of \$515,203.

During the fiscal year ended September 30, 2010, the market value of the shares in the Quality D Fund purchased with cash collateral by the lending agent was less than the cost, resulting in an unrealized loss of \$4,359.

The collateral held is included in cash and investments shown in Table 2a and Exhibit 4-a, and the securities on loan are reported at their carrying amounts also in Table 2a and Exhibit 4-a.

Net security lending income is comprised 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 2010 was recorded on a cash basis which approximated the accrual basis. For the year ending September 30, 2010, securities lending income was \$3,238 and securities lending expense was \$1,193, resulting in net securities lending income of \$2,045.

## NOTE 3. RESTRICTED ASSETS

At September 30, 2010, restricted assets of the primary government, component units, and fiduciary funds totaled \$7,993,911 as summarized in **Table 6**.

**Table 6 – Summary of Restricted Assets**

	Governmental Funds/Governmental Activities					
	General		Federal & Private Resources	General Capital Improvements	Non-Major	Total
	\$	288,336	\$ -	\$ -	\$ -	\$ 288,336
Bond Escrow Accounts	\$ -	-	-	565,523	13,920	579,443
Public Transportation	-	-	-	-	-	337,945
Emergency Cash Reserves	337,945	-	-	-	-	337,945
Others	5,609	195,297	-	-	356,734	557,640
<b>Total</b>	<b>\$ 631,890</b>	<b>\$ 195,297</b>	<b>\$ 565,523</b>	<b>\$ 370,654</b>	<b>\$ 1,763,364</b>	

	Proprietary Funds/Business-Type Activities				
	Lottery & Games		Unemployment Compensation	Total	Fiduciary Funds
	\$	-	\$ -	\$ -	\$ -
Bond Escrow Accounts	\$ -	-	\$ -	\$ -	\$ -
Unpaid Prizes	29,218	-	-	29,218	-
University Endowment	-	-	-	-	34,855
Benefits	-	322,826	322,826	5,047,016	-
Other	-	-	-	-	20,445
<b>Total</b>	<b>\$ 29,218</b>	<b>\$ 322,826</b>	<b>\$ 352,044</b>	<b>\$ 5,047,016</b>	<b>\$ 831,487</b>

The bond escrow accounts include bond escrow for capital lease payment of \$10,715.

<b>NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES</b>
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**A. RECEIVABLES**

Receivables are valued at their estimated collectible amounts. These receivables are presented in various funds as shown in Table 7.

**Table 7 – Receivables**

	Federal & General	Private Resources	General Capital Improvements	Nonmajor Governmental Funds	Lottery & Games	Unemployment Compensation	Nonmajor J.B. Johnson	Nursing Center	Fiduciary Funds
Gross Receivable:									
Taxes	\$ 497,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-	-	-	-
Accounts and other	306,873	331,492	9,833	30,486	4,969	16,006	2,755	26,757	
Federal	25,910	496,130	63,423	-	-	5,505	-	1,321	
<b>Total gross receivable</b>	<b>830,655</b>	<b>827,622</b>	<b>73,256</b>	<b>30,486</b>	<b>4,969</b>	<b>21,511</b>	<b>2,755</b>	<b>28,078</b>	
Less-allowance for uncollectibles	349,354	250,464	6,137	-	-	-	-	-	
<b>Total net receivable</b>	<b>\$ 481,301</b>	<b>\$ 577,158</b>	<b>\$ 67,119</b>	<b>\$ 30,486</b>	<b>\$ 4,969</b>	<b>\$ 21,511</b>	<b>\$ 2,755</b>	<b>\$ 28,078</b>	

**B. INTERFUND TRANSFERS**

Table 8 shows a summary of interfund transfers for the fiscal year ended September 30, 2010.

**Table 8 – 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	\$ 23,278
General Fund	Highway Trust Fund	Taxes imposed for Capital Projects - DDOT	1,691
General Fund	Highway Trust Fund	PAYGO - Capital projects financed by operating funds	4,842
General Fund	Highway Trust Fund	Taxes imposed for Capital Projects - Parking and Storage	9,476
General Fund	Highway Trust Fund	Taxes imposed for Capital Projects - Public Space	3,094
Lottery and Games	General Fund	DC Lottery excess revenues, after operating cost, to the General Fund	66,750
Washington Ctr for Aging Svcs	General Fund	Closeout of Washington Center for Aging Operations	29,874
General Fund	Capital Improvements Fund	PAYGO - Capital projects financed by the General Fund	14,933
General Fund	Capital Improvements Fund	PAYGO - Capital proj financed by the Local Roads Const Maint Fund	30,000
Capital Improvements Fund	Community Healthcare Fund	Tobacco monies for School Modernization Projects	55,933
General Fund	Baseball Special Revenue Fund	Taxes imposed for the Baseball Stadium Project	25,490
General Fund	Tax Increment Financing Fund	Tax imposed to pay debt service on economic development projects	28,599
Federal and Private Resources Fund	General Fund	Revenues generated from the indirect cost recovery assessment	1,589
Capital Improvements Fund	General Fund	Funds for Housing Production debt service payments	2,149
Baseball Special Revenue Fund	Baseball Debt Service Fund	Funds for baseball debt service payments	30,944
Baseball Capital Projects Fund	Baseball Special Revenue Fund	Closeout of the Baseball Capital Projects Fund	3,549
Community Healthcare Fund	General Fund	Community Healthcare financing to assist with gap closing	14,840
General Fund	Federal & Private Resources Fund	Local funds used to satisfy federal grant accounts receivable	259
General Fund	PILOT Special Revenue Fund	Payment in lieu of taxes	5,541
General Fund	Housing Production Trust	Dedicated taxes for Housing Production Trust Fund	30,158
Tax Increment Financing Fund	General Fund	Tax Increment Financing Program to assist with gap closing	9,800
Community Healthcare Fund	Capital Improvements Fund	PAYGO-Capital Projects financed by Community Healthcare	36,244
<b>TOTAL INTERFUND TRANSFERS</b>			<b>\$ 429,033</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, 2010, are shown in **Table 9**.

**Table 9 – Summary of Due To /Due From and Interfund Balances**

<b>Fund or Component Unit</b>	<b>Primary Government/ Component Units</b>		<b>Interfund</b>	
	<b>Receivables</b>	<b>Payables</b>	<b>Receivables</b>	<b>Payables</b>
General	\$ 59,873	\$ 12,050	\$ 593,501	\$ 24,051
Federal & Private Resources	-	3,285	37,131	268,790
General Capital Improvements	-	178	73	302,210
Nonmajor-Highway Trust Fund	-	-	3,845	138
Nonmajor-Baseball Special Revenue	1,141	-	1,285	22,689
Nonmajor-Housing Production Trust Fund	-	-	9,306	-
Nonmajor-Tax Increment Financing Fund	-	-	3,837	-
Unemployment Compensation	-	-	5,621	37,131
Agency Fund	-	-	2,292	-
Pension Trust Funds	-	-	-	1,882
Water and Sewer Authority	1,996	2,510	-	-
United Medical Center	-	26,000	-	-
Washington Convention and Sports Authority	8,487	2,422	-	-
University of the District of Columbia	5,030	30,082	-	-
<b>Total</b>	<b>\$ 76,527</b>	<b>\$ 76,527</b>	<b>\$ 656,891</b>	<b>\$ 656,891</b>

The above balances represent the impact of transactions among the funds and component units which will be settled during fiscal year 2011.

## **NOTE 5. CAPITAL ASSETS**

### **Capital outlays**

Capital outlays reported in the General Capital Improvements and Highway Trust Fund totaled \$1,359,488 for the fiscal year ended September 30, 2010. As construction progresses, the cumulative expenditures are capitalized as Construction in Progress (CIP) in the governmental activities column of the government-wide financial statements. Upon completion of the project, the balance in the CIP account is transferred to an appropriate descriptive capital asset account such as land, building, equipment, or infrastructure.

### **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 will 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.).

The following properties were transferred to the District during fiscal year 2010: Reservation 13 (lots 801 through 804) and the Old Naval Hospital (located at 921

## NOTE 5. CAPITAL ASSETS

Pennsylvania Avenue, S.E.) Consequently, the conveyance of these properties to the District resulted in a total gain of \$266,942 (\$215,157 related to Reservation 13 and \$51,785 related to the Old Naval Hospital), which represents the fair market value of the properties received. These transactions, recorded at fair market value, comprise the special item reported in the statement of activities in the government-wide financial statements.

### Pollution Remediation Outlays

Consistent with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, pollution remediation outlays include all direct outlays which may be attributed to pollution remediation activities (e.g., payroll and benefits, equipment and facilities, materials, and legal and other professional services) and may also include estimated indirect outlays (e.g., general overhead). Pollution remediation activities include: (a) pre-clean-up activities (site assessment, site investigation, corrective measures feasibility study, and the design of a remediation plan); (b) clean-up activities; (c) external government oversight and enforcement-related activities; and (d) operation and maintenance of the remedy (post-remediation monitoring).

### A. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS BY CLASS

**Table 10** presents the changes in the governmental activities capital assets by class for the primary government:

**Table 10 - Changes in the Governmental Activities Capital Assets by Asset Class**

Asset Class	Balance October 1, 2009	Additions	Transfers/ Dispositions	Transfers from CIP	Balance September 30, 2010
Non-depreciable:					
Land	\$ 594,593	\$ 230,390	\$ 24,937	\$ 66,801	\$ 916,721
Construction in progress	1,860,984	1,150,971	-	(836,765)	2,175,190
<b>Total non-depreciable</b>	<b>2,455,577</b>	<b>1,381,361</b>	<b>24,937</b>	<b>(769,964)</b>	<b>3,091,911</b>
Depreciable:					
Infrastructure	3,872,952	-	-	260,854	4,133,806
Buildings	4,127,147	59,249	(52,360)	456,454	4,590,490
Equipment	1,271,434	15,045	(26,950)	52,656	1,312,185
<b>Total depreciable</b>	<b>9,271,533</b>	<b>74,294</b>	<b>(79,310)</b>	<b>769,964</b>	<b>10,036,481</b>
Less accumulated depreciation for:					
Infrastructure	(1,751,857)	(102,359)	-	-	(1,854,216)
Buildings	(1,091,961)	(74,840)	5,365	-	(1,161,436)
Equipment	(768,473)	(137,739)	22,003	-	(884,209)
<b>Total accumulated depreciation</b>	<b>(3,612,291)</b>	<b>(314,938)</b>	<b>27,368</b>	<b>-</b>	<b>(3,899,861)</b>
<b>Total depreciable, net</b>	<b>5,659,242</b>	<b>(240,644)</b>	<b>(51,942)</b>	<b>769,964</b>	<b>6,136,620</b>
<b>Net governmental activities capital assets</b>	<b>\$ 8,114,819</b>	<b>\$ 1,140,717</b>	<b>\$ (27,005)</b>	<b>\$ -</b>	<b>\$ 9,228,531</b>

During fiscal year 2010, the Office of Public Education and Facilities Modernization (OPEFM), which is responsible for the modernization, renovation, and repair of the District of Columbia Public Schools (DCPS), engaged in remediation activities to address immediate public safety concerns arising from pollution. Whenever pollution is found during the course of completing a project at a DCPS facility, OPEFM incorporates the necessary pollution remediation into the work required to comply with relevant building codes and other applicable laws and regulations. During fiscal year 2010, OPEFM's pollution remediation outlays were approximately \$10,295 for asbestos abatement and related air quality monitoring.

Because OPEFM's remediation activities were started and completed during fiscal year 2010, the District had no further associated liability (or material pollution remediation obligation) at September 30, 2010.

<b>NOTE 5. CAPITAL ASSETS</b>
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**B. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS**

**Table 11** presents the changes in the governmental activities capital assets by function for the primary government:

**Table 11- Governmental Activities Capital Assets by Function**

Function	Balance October 1, 2009	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2010
Governmental direction and support	\$ 1,693,367	\$ 216,239	\$ (90,454)	\$ 151,641	\$ 1,970,793
Economic development and regulation	387,936	10,425	22,267	5,012	425,640
Public safety and justice	712,385	6,462	(2,873)	9,860	725,834
Public education system	1,778,517	4,390	(20,572)	260,783	2,023,118
Human support services	764,324	12,830	52,069	97,360	926,583
Public works	4,529,597	54,338	(14,810)	312,109	4,881,234
Construction in progress (CIP)	1,860,984	1,150,971	-	(836,765)	2,175,190
<b>Total</b>	<b>\$ 11,727,110</b>	<b>\$ 1,455,655</b>	<b>\$ (54,373)</b>	<b>\$ -</b>	<b>\$ 13,128,392</b>

**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 12**.

**Table 12 – Governmental Activities Capital Assets Accumulated Depreciation by Function**

Function	Balance October 1, 2009	Additions	Transfers/ Dispositions	Balance September 30, 2010
Governmental direction and support	\$ 453,110	\$ 103,768	\$ (1,282)	\$ 555,596
Economic development and regulation	33,447	3,860	(1,285)	36,022
Public safety and justice	325,374	30,082	(7,881)	347,575
Public education system	501,220	38,930	(6,577)	533,573
Human support services	297,782	16,386	(382)	313,786
Public works	2,001,358	121,912	(9,961)	2,113,309
<b>Total</b>	<b>\$ 3,612,291</b>	<b>\$ 314,938</b>	<b>\$ (27,368)</b>	<b>\$ 3,899,861</b>

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

Business-Type Activities Capital Assets are presented in **Table 13.**

**Table 13 - Business-Type Activities Capital Assets**

Asset Class	Balance October 1, 2009	Additions	Dispositions/ Adjustments	Balance September 30, 2010
<b>Lottery:</b>				
<b>Depreciable:</b>				
Equipment	\$ 3,251	\$ 250	\$ (109)	\$ 3,392
<b>Total</b>	<b>3,251</b>	<b>250</b>	<b>(109)</b>	<b>3,392</b>
<b>Nonmajor business-type</b>				
<b>Non-depreciable:</b>				
Land	1,264	-	(1,264)	-
<b>Depreciable:</b>				
Building	48,361	-	(36,622)	11,739
Equipment	6,211	12	(4,498)	1,725
<b>Total Depreciable, nonmajor business-type</b>	<b>54,572</b>	<b>12</b>	<b>(41,120)</b>	<b>13,464</b>
<b>Total Business-Type</b>	<b>59,087</b>	<b>262</b>	<b>(42,493)</b>	<b>16,856</b>
Less: accumulated depreciation for:				
Building	(36,361)	(290)	27,843	(8,808)
Equipment	(6,714)	(287)	3,780	(3,221)
<b>Total accumulated depreciation</b>	<b>(43,075)</b>	<b>(577)</b>	<b>31,623</b>	<b>(12,029)</b>
<b>Net capital assets</b>	<b>\$ 16,012</b>	<b>\$ (315)</b>	<b>\$ (10,870)</b>	<b>\$ 4,827</b>

## NOTE 5. CAPITAL ASSETS

### E. DISCRETELY PRESENTED COMPONENT UNITS CAPITAL ASSETS

A summary of capital assets by class for the discretely presented component units is shown in **Tables 14 and 15**.

**Table 14 - Capital Assets by Class for the Discretely Presented Component Units**

Asset Class	Balance October 1, 2009	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2010
Land	\$ 12,889	\$ 8,100	\$ -	\$ -	\$ 20,989
Utility plant	3,157,325	38,817	-	320,983	3,517,125
Buildings and improvements	998,179	61,247	(2)	-	1,059,424
Equipment	190,696	20,467	(4,889)	8,602	214,876
Artwork	2,741	-	-	-	2,741
Construction in progress	438,174	266,907	-	(329,585)	375,496
<b>Total</b>	<b>4,800,004</b>	<b>395,538</b>	<b>(4,891)</b>	<b>-</b>	<b>5,190,651</b>
Less accumulated depreciation for:					
Utility plant	(805,072)	(54,758)	-	-	(859,830)
Buildings and improvements	(306,788)	(34,598)	-	-	(341,386)
Equipment	(159,082)	(14,333)	4,828	-	(168,587)
<b>Total accumulated depreciation</b>	<b>(1,270,942)</b>	<b>(103,689)</b>	<b>4,828</b>	<b>-</b>	<b>(1,369,803)</b>
<b>Net Capital Assets</b>	<b>\$ 3,529,062</b>	<b>\$ 291,849</b>	<b>\$ (63)</b>	<b>\$ -</b>	<b>\$ 3,820,848</b>

**Table 15 - Capital Assets by Component Unit**

Component Units	Balance October 1, 2009	Additions	Transfers/ Dispositions	Balance September 30, 2010
University of the District of Columbia	\$ 191,541	\$ 19,840	\$ (105)	\$ 211,276
Washington Convention and Sports Authority	861,149	17,380	59,124	937,653
Water and Sewer Authority	3,680,094	295,315	(2,501)	3,972,908
Sports and Entertainment Commission	61,409	-	(61,409)	-
Housing Finance Agency	5,811	17	-	5,828
Not-for-Profit Hospital Corporation	-	62,986	-	62,986
<b>Total capital assets</b>	<b>4,800,004</b>	<b>395,538</b>	<b>(4,891)</b>	<b>5,190,651</b>
Less accumulated depreciation for:				
University of the District of Columbia	(121,549)	(5,144)	44	(126,649)
Washington Convention and Sports Authority	(186,979)	(32,405)	(46,710)	(266,094)
Water and Sewer Authority	(910,163)	(64,425)	2,492	(972,096)
Sports and Entertainment Commission	(49,002)	-	49,002	-
Housing Finance Agency	(3,249)	(199)	-	(3,448)
Not-for-Profit Hospital Corporation	-	(1,516)	-	(1,516)
<b>Total accumulated depreciation</b>	<b>(1,270,942)</b>	<b>(103,689)</b>	<b>4,828</b>	<b>(1,369,803)</b>
<b>Net component units capital assets</b>	<b>\$ 3,529,062</b>	<b>\$ 291,849</b>	<b>\$ (63)</b>	<b>\$ 3,820,848</b>

## NOTE 5. CAPITAL ASSETS

### F. CONSTRUCTION IN PROGRESS

Construction in progress by function for governmental activities capital assets is shown in **Table 16**.

**Table 16– Construction in Progress by Function**

Function and Subfunction PRIMARY GOVERNMENT	Number of Projects	Authorizations	Expenditures					Unexpended Balance
			Prior Year	Current Year	Transfers from CIP/Disposition	Total		
<b>Governmental Direction and Support</b>								
Finance	5	\$ 103,930	\$ 5,178	2,722	\$ 3,404	\$ 4,496	\$ 99,434	
Executive	3	11,985	6,030	213	-	6,243	5,742	
Administrative	122	712,969	148,018	212,085	159,325	200,778	512,191	
<b>Total</b>	<b>130</b>	<b>828,884</b>	<b>159,226</b>	<b>215,020</b>	<b>162,729</b>	<b>211,517</b>	<b>617,367</b>	
<b>Public Safety and Justice</b>								
Police	10	470,115	18,592	42,880	1,319	60,153	409,962	
Fire	31	156,982	40,285	13,172	1,899	51,558	105,424	
Corrections	5	35,524	238	3,594	44	3,788	31,736	
<b>Total</b>	<b>46</b>	<b>662,621</b>	<b>59,115</b>	<b>59,646</b>	<b>3,262</b>	<b>115,499</b>	<b>547,122</b>	
<b>Economic Development and Regulation</b>								
Community Development	30	210,351	30,042	71,445	5,606	95,881	114,470	
<b>Total</b>	<b>30</b>	<b>210,351</b>	<b>30,042</b>	<b>71,445</b>	<b>5,606</b>	<b>95,881</b>	<b>114,470</b>	
<b>Public Education System</b>								
Schools	136	2,273,847	515,393	268,869	216,484	567,778	1,706,069	
Culture	30	100,672	30,574	46,152	44,258	32,468	68,204	
<b>Total</b>	<b>166</b>	<b>2,374,519</b>	<b>545,967</b>	<b>315,021</b>	<b>260,742</b>	<b>600,246</b>	<b>1,774,273</b>	
<b>Human Support Services</b>								
Health and Welfare	38	478,345	301,050	19,996	1,496	319,550	158,795	
Human Relations	3	24,581	5,331	7,491	-	12,822	11,759	
Recreation	53	372,886	163,991	45,942	95,804	114,129	258,757	
<b>Total</b>	<b>94</b>	<b>875,812</b>	<b>470,372</b>	<b>73,429</b>	<b>97,300</b>	<b>446,501</b>	<b>429,311</b>	
<b>Public Works</b>								
Environmental	94	742,006	596,262	416,410	307,126	705,546	36,460	
<b>Total</b>	<b>94</b>	<b>742,006</b>	<b>596,262</b>	<b>416,410</b>	<b>307,126</b>	<b>705,546</b>	<b>36,460</b>	
<b>Totals</b>	<b>560</b>	<b>\$ 5,694,193</b>	<b>\$ 1,860,984</b>	<b>\$ 1,150,971</b>	<b>\$ 836,765</b>	<b>\$ 2,175,190</b>	<b>\$ 3,519,003</b>	

## 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, 2010, the aggregate outstanding principal amount for these conduit debt obligations was approximately \$4.8 billion.

## **NOTE 6. CONDUIT DEBT TRANSACTIONS**

### **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, 2010, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was \$89.1 million.

## **NOTE 7. SHORT-TERM LIABILITIES**

### **TAX REVENUE ANTICIPATION NOTES**

The District issued \$500,000 in Tax Revenue Anticipation Notes (TRANs) on October 30, 2009. 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 2010. Operational and other costs are covered by the proceeds from the TRANs until periodic taxes, grants, and other revenues are received. The notes were issued as fixed-rate notes with an interest rate of 2.50%, and matured on September 30, 2010.

**Table 17- Changes in Short-Term Liabilities**

Account	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010
<b>Governmental Activities</b>				
Tax Revenue Anticipation Notes	\$ -	\$ 500,000	\$ 500,000	\$ -

## **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 statement of net assets of governmental activities, business-type activities, and proprietary funds. 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 \$7,153,618 is shown in **Table 18**.

## NOTE 8. LONG TERM LIABILITIES

**Table 18- 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	NCRC Revenue Bonds	AWC PILOT Revenue Bonds	CAPPER PILOT BANs	Total
<b>Debt Payable at September 30, 2009</b>	\$ 3,766,628	\$ 1,071,785	\$ 96,197	\$ 711,239	\$ 521,750	\$ 251,515	\$ 33,010	\$ 6,044	\$ 39,168	\$ 102,970	\$ -	\$ 6,600,306
Bond and Notes Issued:												
2009D	-	129,620	-	-	-	-	-	-	-	-	-	129,620
2009E	-	501,290	-	-	-	-	-	-	-	-	-	501,290
2010A	-	694,300	-	-	-	-	-	-	-	-	-	694,300
2010B	-	14,040	-	-	-	-	-	-	-	-	-	14,040
2010C	-	126,670	-	-	-	-	-	-	-	-	-	126,670
2010D	-	32,945	-	-	-	-	-	-	-	-	-	32,945
HPTF 2010A	-	-	-	-	-	-	23,190	-	-	-	-	23,190
HPTF 2010B	-	-	-	-	-	-	26,540	-	-	-	-	26,540
HPTF 2010C	-	-	-	-	-	-	3,460	-	-	-	-	3,460
QZAB 2010	-	-	-	-	-	-	-	4,143	-	-	-	4,143
CAPPER Pilot Note	-	-	-	-	-	-	-	-	-	-	29,000	29,000
<b>Total</b>	<b>3,766,628</b>	<b>2,570,650</b>	<b>96,197</b>	<b>711,239</b>	<b>521,750</b>	<b>251,515</b>	<b>86,200</b>	<b>10,187</b>	<b>39,168</b>	<b>102,970</b>	<b>29,000</b>	<b>8,185,504</b>
Debt Payments:												
Principal Matured	156,840	-	4,390	11,460	4,360	10,330	585	669	8,497	6,020	-	203,151
Principal Defeased	828,735	-	-	-	-	-	-	-	-	-	-	828,735
<b>Debt Payable at September 30, 2010</b>	<b>\$ 2,781,053</b>	<b>\$ 2,570,650</b>	<b>\$ 91,807</b>	<b>\$ 699,779</b>	<b>\$ 517,390</b>	<b>\$ 241,185</b>	<b>\$ 85,615</b>	<b>\$ 9,518</b>	<b>\$ 30,671</b>	<b>\$ 96,950</b>	<b>\$ 29,000</b>	<b>\$ 7,153,618</b>

### General Obligation Bonds

The District's general obligation bonds are authorized and issued primarily to provide funds for certain capital projects and improvements. The 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.

### Income Tax Secured Revenue Bonds

The District's Income Tax Secured Revenue Bonds are also issued to fund certain capital projects and improvements, as an alternative to the issuance of general obligation 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, include 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 2009D and 2009E**

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 made 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 were 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%.

### **Series 2010A and 2010B**

On March 25, 2010, the District issued \$694,300 in Income Tax Secured Revenue Refunding Bonds, Series 2010A (Tax-Exempt) and \$14,040 in Income Tax Secured Revenue Bonds, Series 2010B (Federally Taxable), as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Code §§47-340.26-36) (the Act); (b) a Master Indenture of Trust between the District and Wells Fargo Bank, N.A.. as trustee, dated March 1, 2009, as amended and supplemented (the “Master Indenture”) and (c) a Seventh Supplemental Indenture of Trust dated March 1, 2010 (the Seventh Supplemental Indenture), and together with the Master Indenture (the Indenture), executed pursuant to the Act and the “Fiscal Year 2010 Income Tax Secured Revenue Refunding Bond Issuance Approval Resolution of 2010” relating to the Series 2010C Bonds adopted by the Council of the District of Columbia.

“Issuance Approval Resolution of 2010” relating to the Series 2010A-B Bonds adopted by the Council of the District of Columbia.

The proceeds of the Series 2010A Bonds were used to refund the following outstanding general obligation bonds of the District: Series 1998B, Series 1999A, Series 2001B, Series 2001C, Series 2001D, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2005A, Series 2007C, Series 2008E, and Series 2008F and pay for financing costs of the Series 2010A Bonds, including fees associated with termination of certain interest rate swap agreements related to a portion of the refunded bonds and costs of issuance. The proceeds of the Series 2010B Bonds were used to terminate an interest rate swap agreement related to the Series 2002D General Obligation Bonds, which were refunded by the issuance of the Series 2010A Bonds, and to pay costs of issuance associated with the Series 2010B Bonds.

The Series 2010A and Series 2010B 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, consisting primarily of the revenues (including all available tax revenues received or to be received by the collection agent), the trustee, or the District. Available tax revenues means the sum of available business franchise tax revenues and available income tax revenues generated and to be generated in any fiscal year of the District. The Series 2010A Bonds were issued with interest rates ranging from 3.00% to 5.00% with a yield rate ranging from 2.50% to 4.270%. The Series 2010B Bonds were issued with an interest rate of 4.053% with a yield rate of 4.053%.

### **Series 2010C**

On April 1, 2010, the District issued \$126,670 in Income Tax Secured Revenue Refunding Bonds, Series 2010C as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Code §§47-340.26-36)(the Act), (b) a Master Indenture of Trust between the District and Wells Fargo Bank, N.A.. as trustee, dated March 1, 2009, as amended and supplemented (the “Master Indenture”) and (c) an Eighth Supplemental Indenture of Trust dated March 1, 2010 (the Eighth Supplemental Indenture), and together with the Master Indenture, (the Indenture), executed pursuant to the Act and the “Fiscal Year 2010 Income Tax Secured Revenue Refunding Bond Issuance Approval Resolution of 2010” relating to the Series 2010C Bonds adopted by the Council of the District of Columbia.

## **NOTE 8. LONG-TERM LIABILITIES**

The proceeds of the Series 2010C Bonds were used, together with other funds of the District, to: (a) currently refund the outstanding principal amount of the District's Multimodal General Obligation Refunding Bonds, Series 2008B (Variable Rate Demand Obligations) maturing on June 1, 2034, and (b) pay for financing costs, including financing costs in connection with the substitution on March 26, 2010, of letters of credit in connection with the District's Series 2008A and 2008D general obligation bonds.

The Series 2010C 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, consisting primarily of the revenues (including all available tax revenues received or to be received by the collection agent, the trustee, or the District.) "Available tax revenues" means the sum of available business franchise tax revenues and available income tax revenues generated and to be generated in any fiscal year of the District.

The Series 2010C bonds were issued with an adjusted Securities Industry and Financial Markets Association (SIFMA) rate. The applicable interest rates for the Series 2010C Bonds are SIFMA rate plus 0.02% in 2010 and SIFMA rate plus 0.18% in 2011, making the initial interest rates on the bonds -.31% and -.47%.

### **Series 2010D**

On June 3, 2010, the District issued \$32,945 in Income Tax Secured Revenue Bonds, Series 2010D (Federally Taxable – Qualified School Construction Bonds – Direct Pay to Issuer.) The Series 2010D Bonds were issued as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Code §§47-340.26-36)(the Act); (b) a Master Indenture of Trust between the District and Wells Fargo Bank, N.A., as trustee, dated March 1, 2009, as amended and supplemented (the "Master Indenture"); and (c) a Ninth Supplemental Indenture of Trust between the District and the Trustee dated June 1, 2010 (the Ninth Supplemental Indenture), and together with the Master Indenture (the Indenture), executed pursuant to the Act and the "Fiscal Year 2010 Income Tax Secured Revenue Bond and General Obligation Bond Issuance Temporary Approval Act of 2009" relating to the Series 2010D Bonds enacted by the Council of the District of Columbia.

The Series 2010D Bonds were issued as Qualified School Construction Bonds as defined in Section 54F of the Internal Revenue Code of 1986, as amended (the Code), and as specified tax credit bonds as defined in Section 6431(f)(3) of the Code. The Series 2010D bonds were also issued under the provisions of the American Recovery and Reinvestment Act of 2009 and the Hiring Incentives to Restore Employment Act of 2010. Interest on the Series 2010D Bonds is not excluded from gross income for purposes of federal income taxation. The District expects to irrevocably elect to receive Qualified School Construction Bonds direct subsidy payments, which are direct cash subsidy payments from the U.S. Treasury relating to the interest payable by the District on the Series 2010D Bonds on each interest payment date. Owners of the Series 2010D Bonds are not entitled to receive a credit against tax imposed by the Code with respect to Series 2010D Bonds. The proceeds of the Series 2010D bonds were used to (a) pay and/or reimburse the District for the costs of Qualified School Construction Projects and (b) pay for financing costs.

The Series 2010D 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, consisting primarily of the revenues (including all available tax revenues received or to be received by the collection agent, the trustee, or the District). "Available tax revenues" means the sum of available business franchise tax revenues and available income tax revenues generated and to be generated in any fiscal year of the District. The Series 2010D Bonds were issued with an interest rate of 4.996% and will mature on December 1, 2026.

A summary of the debt service requirements to maturity for principal and interest for the Income Tax Secured Revenue Bonds is shown in **Table 19**.

**Table 19 – Income Tax Secured Revenue Bonds**

Year Ending September 30	INCOME TAX SECURED REVENUE BONDS		
	Principal	Interest	Total
2011	\$ 86,495	\$ 127,424	\$ 213,919
2012	154,090	118,602	272,692
2013	88,025	114,627	202,652
2014	103,030	110,301	213,331
2015	52,265	106,769	159,034
2016 - 2020	336,300	494,628	830,928
2021 - 2025	574,675	382,966	957,641
2026 - 2030	751,020	211,020	962,040
2031 - 2035	424,750	51,487	476,237
<b>Total</b>	<b>\$ 2,570,650</b>	<b>\$ 1,717,824</b>	<b>\$ 4,288,474</b>

## **NOTE 8. LONG-TERM LIABILITIES**

### **Interest Rates on General Obligation Bonds and Income Tax Secured Revenue Bonds**

The weighted average interest rate on the District's outstanding fixed-rate bonds is 4.668%. The weighted average interest rate on the District's variable rate bonds for fiscal year 2010 is 0.264%.

### **Current and Advance Refunding**

The District used the proceeds of the Series 2010A and Series 2010B Income Tax Secured Revenue Refunding Bonds (discussed above), plus original issue premium, to advance refund \$703,080 of outstanding general obligation bonds with fixed and variable interest rates. The refunding, also considered a debt restructuring because it changed the amortization structure of the District's debt portfolio, reduced the District's debt service payments in fiscal year 2010 and other years without extending the final maturity of any particular bond issue. The primary reason for doing this refunding/restructuring transaction was that the substantial reduction in revenues caused by the economic recession pushed the District's debt cap close to its limit, and this transaction allowed the District to continue making important long-term investments in its infrastructure with on-going financing of its Capital Improvements Program, including Schools Modernization. The result of the Series 2010A and Series 2010B Income Tax Secured Revenue Refunding Bonds issuance produced an increase of \$271,068 in future debt service with a minimal economic loss of \$513, given the low interest rates at which the Refunding Bonds were able to be issued.

In addition, the District used the proceeds of its Series 2010C Income Tax Secured Revenue Refunding Bonds (discussed above) to currently refund \$125,655 of outstanding series 2008B General Obligation Bonds with a variable interest rate. The net proceeds from the issuance of the Series 2010C Bonds were used to redeem the Series 2008B General Obligation Bonds on April 1, 2010. 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 2010C Income Tax Secured Revenue Refunding Bonds produced a reduction of \$28,428 of future debt service with an economic gain of \$22,187.

### **Variable Rate Demand Bond Program**

As of September 30, 2010, the District had three outstanding series of General Obligation Variable Rate Demand Obligations (VRDO) with an aggregate principal amount of \$398,155. 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 2027 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 Property Tax Revenue held in escrow by the trustee. To the extent that a 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.

## NOTE 8. LONG TERM LIABILITIES

**Table 20** summarizes each of the outstanding VRDO series and certain of the terms and conditions of each supporting LOC and reimbursement agreement.

**Table 20 – Outstanding Variable Rate Demand Obligations**

Series	Par Outstanding	Final Maturity	Reset Mode / Payment Frequency	LOC Provider	LOC Issue Date	LOC Expiration Date
2008A	\$59,970	06/01/26	7-Day Reset Monthly Pay	Bank of America	03/26/10	03/26/13
2008C-1	\$67,195	06/01/29	7-Day Reset Monthly Pay	TD Bank	11/19/09	11/19/12
2008C-2	\$157,105	06/01/31	7-Day Reset Monthly Pay	JP Morgan	11/19/09	09/03/11
2008D	\$113,885	06/01/34	7-Day Reset Monthly Pay	Wells Fargo Bank	03/26/10	03/26/13

**Note:** The Annual Letter of Credit Fees range from 107 basis points to 145 basis points per annum based on outstanding principal.

### Hedging Derivative Instrument Payments and Hedged Debt

**Table 21** presents aggregate debt service requirements of the District's debt and net receipts/payments on associated hedging derivative instruments as of September 30, 2010. These amounts assume that current

interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note 2 for information on derivative instruments.

**Table 21 – Aggregate Debt Service Requirements and Net Receipts/Payments On Hedging Derivative Instruments**

Fiscal Year Ending September 30	Principal	Interest	Hedging Derivatives, Net	Total
2011	\$ -	\$ 1,495	\$ 8,649	\$ 10,144
2012	-	1,495	8,649	10,144
2013	-	1,495	8,650	10,145
2014	9,135	1,495	8,650	19,280
2015	9,590	1,286	8,438	19,314
2016-2020	43,975	4,357	40,080	88,412
2021-2025	137,125	1,913	25,334	164,372
2026-2030	62,725	246	3,262	66,233
<b>Total</b>	<b>\$ 262,550</b>	<b>\$ 13,782</b>	<b>\$ 111,712</b>	<b>\$ 388,044</b>

### 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 18** as long-term debt of the District.

### 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 had an interest rate of 5.00%, was paid in full on November 16, 2009.

## **NOTE 8. LONG-TERM LIABILITIES**

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

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 was to also mature on June 1, 2018, or upon payment in full, for \$5,000 at a 5.50% interest rate. Because the West Elm store, which was the subject of the development agreement, closed for business on March 23, 2010, the development agreement was terminated and the associated TIF note was cancelled during fiscal year 2010. 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. In December 2008, the Mayor also executed the Madame Tussauds TIF Note under the Downtown Retail Priority TIF Program, for \$1,300 at a 4.50% interest rate. This TIF Note matures on December 1, 2018.

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. However, if the incremental revenues are sufficient to pay the principal and interest expense 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 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 interest rate on the Note is 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.

### *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

## NOTE 8. LONG-TERM LIABILITIES

sales and real property tax revenues from the respective projects and secondarily by incremental tax revenues from a Downtown TIF Area.

**Tables 22 and 23** show the summary of debt service requirements for *Gallery Place and Mandarin Oriental Hotel*.

**Table 22 - Summary of Debt Service Requirements for Gallery Place TIF Bond**

Year Ending September 30	GALLERY PLACE			<b>Total</b>
	Principal	Interest	<b>Total</b>	
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	2,150	3,054	5,204	
2016-2020	12,665	13,358	26,023	
2021-2025	16,375	9,640	26,015	
2026-2030	21,156	4,861	26,017	
2031-2035	4,935	266	5,201	
<b>Total</b>	<b>\$ 64,821</b>	<b>\$ 44,450</b>	<b>\$ 109,271</b>	

**Table 23 - Summary of Debt Service Requirements for Mandarin Oriental Hotel TIF Bond**

Year Ending September 30	MANDARIN ORIENTAL HOTEL			<b>Total</b>
	Principal	Interest	<b>Total</b>	
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	2,014	2,495	4,509	
2016-2020	8,281	14,245	22,526	
2021-2025	7,234	1,780	9,014	
<b>Total</b>	<b>\$ 26,986</b>	<b>\$ 27,084</b>	<b>\$ 54,070</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, 2010, \$451,515 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 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 rights, 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 2010, the amount outstanding as of September 30, 2010, 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, 2010, the total outstanding balance for all Tobacco Bonds as shown in **Table 24** was \$699,779.

## NOTE 8. LONG-TERM LIABILITIES

Summary of debt service requirements for general obligation and tobacco bonds to maturity is shown in **Table 24**.

**Table 24 - 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	
2011	\$ 132,785	\$ 127,379	\$ 18,295	\$ 29,456	\$ 307,915
2012	49,223	140,489	16,515	28,330	234,557
2013	48,075	140,529	17,510	27,337	233,451
2014	36,350	132,179	19,060	26,279	213,868
2015	98,425	115,552	18,980	25,119	258,076
2016 - 2020	543,580	505,243	120,930	105,133	1,274,886
2021 - 2025	648,705	366,412	161,760	59,702	1,236,579
2026 - 2030	490,975	222,907	78,465	5,296	797,643
2031 - 2035	528,945	117,126	-	-	646,071
2036 - 2040	203,990	14,125	-	-	218,115
2046 - 2050	-	-	159,733	1,697,592	1,857,325
2056 - 2060	-	-	88,531	2,478,469	2,567,000
<b>Total</b>	<b>\$ 2,781,053</b>	<b>\$ 1,881,941</b>	<b>\$ 699,779</b>	<b>\$ 4,482,713</b>	<b>\$ 9,845,486</b>

### 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, 2010, the total amount of defeased debt outstanding held by the escrow agent was \$536,735. This amount has been removed from the government-wide financial statements. As presented in **Table 25**, the amount of bonds defeased through fiscal year 2010 refundings was \$828,735.

**Table 25- Summary of Defeased Bonds in FY 2010**

**GENERAL OBLIGATION BONDS IN FY2010**  
**Defeased by Income Tax Secured Revenue Bonds,**  
**Series 2010A and 2010 B and 2010C**  
**SIFMA Notes**

Bond Series Refunded	Interest Rate	Refunded Amount
1998B	5.75%	\$ 31,860
1999A	5.50%	7,810
2001B	5.50%	1,510
2003A	5.00% - 5.50%	51,875
2003B	5.00%	40,875
2004A	3.25% - 5.25%	32,095
2005A	5.00%	76,580
2007C	4.00% - 5.00%	38,410
2008E	4.00% - 5.00%	53,670
2008F	4.00% - 4.50%	5,310
2001C	Various	170,895
2001D	Various	67,195
2002D	Various	124,995
2008B	Various	125,655
		<b>\$ 828,735</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 Bonds 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 26** assumes an interest rate of 4.89% 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 26 - Summary of Debt Service Requirements for Ballpark Revenue Bonds**

Year Ending September 30	<b>BALLPARK BONDS</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 4,540	\$ 27,012	\$ 31,552
2012	4,915	26,788	31,703
2013	5,680	26,533	32,213
2014	6,835	26,218	33,053
2015	7,685	25,841	33,526
2016-2020	52,940	121,941	174,881
2021-2025	83,500	104,508	188,008
2026-2030	125,225	77,364	202,589
2031-2035	181,430	37,029	218,459
2036-2040	44,640	1,144	45,784
<b>Total</b>	<b>\$ 517,390</b>	<b>\$ 474,378</b>	<b>\$ 991,768</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 4.82%.

On August 24, 2010, the District issued \$23,190 in Deed Tax Revenue Bonds, Series 2010A; \$26,540 in Deed Tax Revenue Bonds, Series 2010B; and \$3,460 in Taxable Deed Tax Revenue Bonds, Series 2010C. These bonds were issued pursuant to: (a) the amended and restated Indenture of Trust dated August 1, 2010 and (b) the First Supplemental Indenture of Trust, dated August 1, 2010, each by and between the District and the Bank of New York Mellon (formerly known as the Bank of New York), as trustee.

The 2010 Bonds were issued to: (a) finance, refinance, and reimburse a portion of the costs of undertakings by the District to accomplish the New Communities Initiative, including the New Communities Projects, (b) satisfy, together with funds on deposit under the indenture, the debt service reserve account requirement, and (c) pay costs of issuance of the Series 2010 Bonds.

The Series 2010 Bonds are payable from and are secured by a pledge of the Trust Estate, which includes the pledged revenues. Pledged revenues include the amounts of the Allocated Fund that are received by the trustee under the indenture. The Series 2010A Bonds were issued with an interest rate of 5.00% and the series 2010B bonds were issued with interest rates ranging between 4.00% and 5.00%. The Series 2010C Bonds were issued with an interest rate of 3.387%.

The District intends to issue additional HPTF revenue bonds in future years to fund other New Communities projects.

## NOTE 8. LONG-TERM LIABILITIES

**Table 27** details the annual funding requirements necessary to repay the outstanding bonds.

**Table 27 - Summary of Debt Service Requirements for Housing Production Trust Fund**

<b>Year Ending September 30</b>	<b>HOUSING PRODUCTION TRUST FUND</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 1,280	\$ 3,502	\$ 4,782
2012	1,530	4,044	5,574
2013	1,585	3,988	5,573
2014	1,650	3,924	5,574
2015	1,720	3,857	5,577
2016-2020	9,970	17,907	27,877
2021-2025	12,615	15,258	27,873
2026-2030	16,050	11,820	27,870
2031-2035	20,340	7,538	27,878
2036-2040	18,875	2,558	21,433
<b>Total</b>	<b>\$ 85,615</b>	<b>\$ 74,396</b>	<b>\$ 160,011</b>

### Qualified Zone Academy Bonds

The District issued the following Qualified Zone Academy Bonds (QZABs) as taxable general obligation bonds without incurring explicit interest costs:

- On December 21, 2001, the District issued QZAB as a taxable general obligation bond. 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, 2010, the District had deposited \$2,047 into the required sinking fund.
- On December 28, 2005, the District issued QZAB as a taxable general obligation bond. 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, 2010, the District had deposited \$710 into the required sinking fund.
- On May 29, 2008, the District issued QZAB as a taxable general obligation bond. The District received \$2,360 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, 2010, the District had deposited \$472 into the required sinking fund.

- On June 30, 2010, the District issued QZAB Series 2010 as a taxable general obligation bond. The District received \$4,143 and is obligated to deposit a total amount of \$4,143 into a sinking fund in fifteen equal annual amounts of \$276 beginning December 1, 2010.

A summary of debt service requirements to maturity for QZAB is shown in **Table 28**.

**Table 28 - Summary of Debt Service Requirements for QZAB**

<b>Year Ending September 30</b>	<b>QZAB Principal</b>
2011	\$ 945
2012	946
2013	946
2014	945
2015	945
2016-2020	3,232
2021-2025	1,559
<b>Total</b>	<b>\$ 9,518</b>

### National Capital Revitalization Corporation 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 2010, in addition to mandatory sinking fund payments, the District paid \$7,510 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.

## NOTE 8. LONG TERM LIABILITIES

A summary of the debt service requirements to maturity for principal and interest for the NCRC revenue bonds is shown in **Table 29** and has been calculated with a 4.949% interest rate for illustration purposes.

**Table 29 - National Capital Revitalization Corporation Revenue Bonds Debt Service Requirements to Maturity**

Year Ending September 30	National Capital Revitalization Corporation			<b>Total</b>
	<b>Principal</b>	<b>Interest</b>		
2011	\$ 1,038	\$ 1,327	\$ 2,365	
2012	1,091	1,446	2,537	
2013	1,147	1,387	2,534	
2014	1,205	1,329	2,534	
2015	1,267	1,268	2,535	
2016-2020	7,377	5,313	12,690	
2021-2025	17,546	2,422	19,968	
<b>Total</b>	<b>\$ 30,671</b>	<b>\$ 14,492</b>	<b>\$ 45,163</b>	

**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 30**.

**Table 30 - Anacostia Waterfront Corporation PILOT Revenue Bonds Debt Service Requirements to Maturity**

<b>Year Ending September 30</b>	<b>Anacostia Waterfront Corporation</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 6,290	\$ 4,258	\$ 10,548
2012	6,575	3,974	10,549
2013	6,875	3,678	10,553
2014	7,180	3,367	10,547
2015	7,510	3,044	10,554
2016-2020	42,935	9,820	52,755
2021-2025	19,585	988	20,573
<b>Total</b>	<b>\$ 96,950</b>	<b>\$ 29,129</b>	<b>\$ 126,079</b>

**Capper PILOT Revenue Bond Anticipation Notes**

On March 22, 2010, the District issued \$29,000 in PILOT Revenue Bond Anticipation Notes (Arthur Capper/Carrollsburg Public Improvements Issue), Series 2010. These notes were issued pursuant to the Capper PILOT Act and the Master Indenture of Trust, dated March 1, 2010, between the District of Columbia, and U.S. Bank National Association, as trustee, as supplemented by the first supplement to the master indenture of trust, dated March 1, 2010. Proceeds from the issuance of these notes were be used to: (a) refinance certain outstanding indebtedness of the District of Columbia Housing Authority (DCHA) and reimburse DCHA for amounts expended, to construct certain Capper/Carrollsburg public improvements, (b) provide funding for the construction of additional Capper/Carrollsburg public improvements, and (c) pay costs of issuance of the notes.

The notes are special obligations of the District, secured by a lien on and pledge of, and payable from the trust estate pledged pursuant to the indenture, including: (a) the pledged PILOT payments within the Capper/Carrollsburg PILOT Area; (b) to the extent the pledged pilot payments are insufficient to pay principal and interest when due on the notes, available increment from the Downtown TIF Area; and (c) monies and investments on deposit in the funds and accounts established under the indenture.

These notes were issued with an interest rate of 4.00% and will mature on December 1, 2012.

## **NOTE 8. LONG-TERM LIABILITIES**

A summary of the debt service requirements to maturity for principal and interest for the Capper PILOT Revenue Bond Anticipation Notes is shown in **Table 31**.

**Table 31 - Capper PILOT Revenue Bond Anticipation Notes Debt Service Requirements to Maturity**

<b>Year Ending September 30</b>	<b>Capper PILOT Revenue Bond Anticipation Notes</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ -	\$ 1,357	\$ 1,357
2012	-	1,160	1,160
2013	29,000	580	29,580
<b>Total</b>	<b>\$ 29,000</b>	<b>\$ 3,097</b>	<b>\$ 32,097</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. Although WASA is not directly liable for these general obligation bonds, WASA 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 \$1,490 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 2010. Debt outstanding at September 30, 2010, totaling \$1,252,519 included net unamortized bond premiums of \$11,759 and a remaining principal balance of \$1,240,760.

**Table 32** presents the debt service requirements to maturity for principal and interest for WASA's outstanding bonds.

**Table 32 – Water and Sewer Authority Debt Service Requirements to Maturity**

<b>Water and Sewer Authority</b>				
<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
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	21,888	59,781	81,669	
2016 - 2020	128,822	279,086	407,908	
2021 - 2025	167,430	239,514	406,944	
2026 - 2030	205,838	189,948	395,786	
2031 - 2035	247,256	131,981	379,237	
2036 - 2040	321,343	55,730	377,073	
2041 - 2045	71,228	2,014	73,242	
<b>Subtotal</b>	<b>1,240,760</b>	<b>1,208,234</b>	<b>2,448,994</b>	
Add: Unamortized Bond Premium-Net	11,759	-	11,759	
<b>Total</b>	<b>\$ 1,252,519</b>	<b>\$ 1,208,234</b>	<b>\$ 2,460,753</b>	

### *Commercial Paper Note Payable*

<b>NOTE 8. LONG-TERM LIABILITIES</b>
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In November 2001, WASA closed on its \$100 million commercial paper program. This program provides interim financing for a portion of WASA's approved \$3.8 billion capital improvement program. Under the commercial paper program, WASA issues fixed-rate, short-term (no greater than 270 days) notes. WASA's commercial paper program is backed by a direct letter of credit issued by Westdeutsche Landesbank Girozentrale (West LB). The notes are rated based on West LB's rating; in effect, the letter of credit of the bank substitutes WASA's security with the paying ability of the bank, enhancing the appeal and marketability of the notes.

Three series of notes have been issued under the commercial paper program: (1) the tax-exempt Series A CP Notes in an aggregate principal amount not to exceed 100 million, (2) the tax-exempt Series B CP Notes in an aggregate principal amount not to exceed \$50 million, and (3) the taxable Series C CP Notes in an aggregate

principal amount not to exceed \$75 million, each as subordinate debt. To provide liquidity and credit support for the commercial paper notes, WASA obtained irrevocable, direct-pay letters of credit issued by J.P. Morgan Chase Bank and U.S. Bank, N.A., which expire on May 31, 2013. In connection with the banks' issuance of the letters of credit, WASA and each bank entered into a reimbursement agreement. Each agreement, dated June 1, 2010, obligates WASA to pay bank obligations and reimbursement obligations (as defined in the Eleventh Supplemental Indenture relating to the Commercial Paper Notes) and fee obligations (as defined in each reimbursement agreement) to the applicable bank. The bank obligations, reimbursement obligations, and fee obligations are subordinate debt under the indenture.

There was \$29.2 million in outstanding taxable commercial paper at the end of fiscal year 2010. **Table 33** presents a schedule of commercial paper activity for the year ended September 30, 2010.

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**Table 33 – FY 2010 Commercial Paper Activity**

Description	Balance at October 1, 2009	Addition	Deduction	Balance at September 30, 2010
Series C, (taxable), interest ranges from 2% to 28%	\$ 29,200	\$ -	\$ -	\$ 29,200
<b>Total Commercial Paper</b>	<b>\$ 29,200</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,200</b>

### Washington Convention and Sports Authority

The Washington Convention and Sports Authority (WCSA), formerly known as the 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.

A summary of WCSA's debt service requirements to maturity for principal and interest is shown in **Table 34**.

**NOTE 8. LONG-TERM LIABILITIES****Table 34 – Washington Convention and Sports Authority Debt Service Requirements To Maturity**

<b>Year Ending September 30</b>	<b>Washington Convention and Sports Authority</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 12,700	\$ 21,655	\$ 34,355
2012	13,265	21,055	34,320
2013	13,865	20,376	34,241
2014	14,545	19,686	34,231
2015	15,235	18,988	34,223
2016 - 2020	87,955	82,282	170,237
2021 - 2025	111,860	57,355	169,215
2026 - 2030	141,520	26,451	167,971
2031 - 2035	48,505	3,936	52,441
2036 - 2040	9,225	212	9,437
<b>Subtotal</b>	<b>468,675</b>	<b>271,996</b>	<b>740,671</b>
Less: Unamortized Bond Discount - Net	(2,677)	-	(2,677)
<b>Total</b>	<b>\$ 465,998</b>	<b>\$ 271,996</b>	<b>\$ 737,994</b>

**Housing Finance Agency**

Bonds issued by the Housing Finance Agency (HFA) 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 bonds for multifamily projects financed to date have been issued by HFA 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 HFA 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 HFA'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 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 HFA from mortgage loans and mortgage-backed securities in connection with the related developments.

A summary of HFA's debt service requirements to maturity for principal and interest is shown in **Table 35**.

**NOTE 8. LONG TERM LIABILITIES****Table 35- Housing Finance Agency Debt Service Requirements to Maturity**

<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 32,673	\$ 42,847	\$ 75,520
2012	31,016	41,406	72,422
2013	19,728	40,373	60,101
2014	14,008	39,666	53,674
2015	17,130	38,850	55,980
2016-2020	91,730	180,450	272,180
2021-2025	146,176	152,056	298,232
2026-2030	104,106	113,025	217,131
2031-2035	117,820	83,263	201,083
2036-2040	131,382	50,981	182,363
2041-2045	117,304	22,497	139,801
2046-2050	37,468	6,693	44,161
2051-2055	87,698	494	88,192
2056-2060	567	366	933
<b>Subtotal</b>	<b>948,806</b>	<b>812,967</b>	<b>1,761,773</b>
Add: Unamortized Bond Premium, net	6,959	-	6,959
<b>Total</b>	<b>\$ 955,765</b>	<b>\$ 812,967</b>	<b>\$ 1,768,732</b>

During fiscal year 2010, HFA secured two committed lines of credit with PNC Bank, N.A. in the total amount of \$53,000: (1) one line of credit for \$3,000 to be used to acquire ownership of and make improvements to HFA's headquarters building, and (2) another line of credit for \$50,000 to be used to provide interim financing for the costs of extending multi-family and single-family mortgages and/or mortgage-backed securities under the United States Treasury New Issue Bond Program or any subsequent bond program of HFA as approved by PNC Bank. As of September 30, 2010, HFA did not request and receive any advances under either of these lines of credit with PNC Bank.

**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 \$21,990 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 \$55,240 of outstanding COPs issued by a trust in 2003 with a final maturity of 2023, as shown in **Table 36a**. 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 4.71%.

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 36b**. The COPs' proceeds are being used to fund a portion of the cost of the design and construction of the hospital, which is estimated to cost approximately \$208 million. Of this amount, \$184,200 will be financed with COP proceeds and interest earnings 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

## NOTE 8. LONG-TERM LIABILITIES

replacement, elevators, a loading dock, and access to the adjacent inspection facility. The District has \$185,945 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 4.51%.

**Table 36a - Summary of Debt Service Requirements for COP- Public Safety Communications Center**

<b>Emergency Preparedness Communications Center &amp; Related Technology (COP)</b>			
<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	3,720	2,082	5,802
2016-2020	21,995	7,009	29,004
2021-2024	16,220	1,180	17,400
<b>Total</b>	<b>\$ 55,240</b>	<b>\$ 20,169</b>	<b>\$ 75,409</b>

**Table 36b - Summary of Debt Service Requirements for COP- St Elizabeth/DMV Building**

<b>St Elizabeth/DMV Building (COP)</b>			
<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 7,750	\$ 9,069	\$ 16,819
2012	8,145	8,672	16,817
2013	8,565	8,254	16,819
2014	9,015	7,804	16,819
2015	9,500	7,318	16,818
2016-2020	55,640	28,464	84,104
2021-2025	70,920	13,177	84,097
2026	16,410	410	16,820
<b>Total</b>	<b>\$ 185,945</b>	<b>\$ 83,168</b>	<b>\$ 269,113</b>

A summary of changes in other long-term liabilities for governmental activities is shown in **Table 37**.

**Table 37 - Changes in Other Long-Term Liabilities**

<b>Account</b>	<b>Balance October 1, 2009</b>			<b>Balance September 30, 2010</b>
		<b>Additions</b>	<b>Deductions</b>	
<b>Governmental Activities:</b>				
Accrued disability compensation (Note 15)	\$ 142,316	\$ 45,268	\$ (27,071)	\$ 160,513
Accumulated annual leave	179,552	2,704	(35,644)	146,612
Grant disallowances	69,610	200	-	69,810
Claims & judgments (Note 15)	58,837	35,310	(23,712)	70,435
Equipment financing program (Note 14)	118,515	34,162	(38,957)	113,720
Accreted interest	107,444	25,597	-	133,041
Capital leases payable (Note 14)	44,492	-	(8,384)	36,108
<b>Total</b>	<b>\$ 720,766</b>	<b>\$ 143,241</b>	<b>\$ (133,768)</b>	<b>\$ 730,239</b>
<b>Business-Type Activities:</b>				
Obligation for unpaid prizes	\$ 35,153	\$ 1,471	\$ (7,406)	\$ 29,218

## **NOTE 8. LONG TERM LIABILITIES**

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

**Table 38** 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 38 – Current & Long-Term Portions of Long-Term Liabilities**

Type of Liability	Current Portion	Long-Term Portion	Total
<b>Governmental Activities:</b>			
General obligation bonds	\$ 132,785	\$ 2,648,268	\$ 2,781,053
Income tax secured revenue bonds	86,495	2,484,155	2,570,650
Premium on long-term debt	7,212	215,730	222,942
TIF bonds	4,323	87,484	91,807
QZAB	945	8,573	9,518
Capital leases	8,675	27,433	36,108
Tobacco bonds	18,295	681,484	699,779
Ballpark bonds	4,540	512,850	517,390
Annual leave	95,884	50,728	146,612
Disability compensation	-	160,513	160,513
Equipment financing program	39,574	74,146	113,720
Accreted interest	-	133,041	133,041
Grant disallowances	-	69,810	69,810
Claims and judgments	-	70,435	70,435
Housing production trust fund	1,280	84,335	85,615
Verizon	-	4,494	4,494
Unfunded pension expenses	-	5,609	5,609
COPs	10,850	230,335	241,185
PILOT revenue bonds (AWC & NCRC)	7,328	120,293	127,621
CAPPER PILOT bond anticipation notes	-	29,000	29,000
OPEB liability	-	44,703	44,703
Parks and Recreation notes	3,125	9,375	12,500
<b>Total</b>	<b>\$ 421,311</b>	<b>\$ 7,752,794</b>	<b>\$ 8,174,105</b>
<b>Business-Type Activities:</b>			
Obligation for unpaid prizes	<b>\$ 6,873</b>	<b>\$ 22,345</b>	<b>\$ 29,218</b>

#### **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, 2010, MUSL purchased, for the Lottery, U.S. government securities totaling \$30,526 to fund future installment payments to winners.

The market value of these securities at September 30, 2010, was \$29,218. 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 through the federally administered Civil Service Retirement System (CSRS), the Social Security System, or the District's Retirement Programs.

#### *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 their beneficiaries. In fiscal year 2010, there were 3,008 District employees who were covered by CSRS. 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 contributed 100% of the required amount to the CSRS for each of the past three fiscal years. The District's CSRS contributions for the years ended September 30, 2010, 2009, and 2008, were \$15,076, \$17,513 and \$20,388, 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 \$106,800 (not in thousands) for 2010. 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 FICA, for the years ended September 30, 2010 and 2009, were \$67,815 and \$65,653, respectively. In addition, District contributions for Medicare for fiscal years 2010 and 2009 were \$27,340 and \$26,101, 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 consist of two single-employer defined benefit pension plans, one established for police and firefighters, and the other for teachers.

Each plan 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 Retirement Board issues a publicly available financial report which includes financial statements and required supplementary information for the plans. 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**

Member contribution requirements are established by D.C. Code § 5-706 and requirements for District contributions 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 Program 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

## NOTE 9. RETIREMENT PROGRAMS

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 accrued after June 30, 1997. The District's contributions for fiscal years 2010, 2009 and 2008, 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 \$519,000 for the year ended September 30, 2010, and have been reported as intergovernmental revenue. Related

expenditures of \$410,010 and \$108,990 have been reported in the public safety and justice and the public education system functions, respectively.

### Annual Pension Cost and Net Pension Obligation

As actuarially determined, the District was not required to make a contribution to the Teachers Pension Plan in fiscal year 2010. However, in that year, the District made its actuarially required contribution of \$132,300 to the Police and Firefighters Pension Plan.

The District's annual pension cost and net pension obligation to these plans for fiscal year 2010 are presented in **Table 39**.

**Table 39 - Annual Pension Cost and Net Pension Obligation**

	<b>Teachers</b>	<b>Police and Firefighters</b>
Annual required contribution (ARC)	\$0	\$132,300
Interest on net pension obligation	\$0	\$0
Adjustment to ARC	\$0	\$0
Annual pension cost	\$0	\$132,300
Contributions made	\$0	\$132,300
Increase (decrease) in net pension obligation	\$0	\$0
Net pension obligation beginning of year	\$0	\$0
Net pension obligation end of year	\$0	\$0

**Table 40** presents three-year trend information regarding annual pension cost, percentage of annual pension cost contributed, and net pension obligation.

**Table 40 - Three Year Trend Information**

<b>Fiscal Year Ending</b>	<b>Teachers</b>			<b>Police and firefighters</b>		
	<b>Annual Pension Cost (APC) (millions)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>	<b>Annual Pension Cost (APC) (millions)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
09/30/10	\$0	N/A	\$0	\$132.3	100%	\$0
09/30/09	\$0	N/A	\$0	\$106.0	100%	\$0
09/30/08	\$6.0	100%	\$0	\$137.0	100%	\$0

## NOTE 9. RETIREMENT PROGRAMS

### Actuarial Methods and Assumptions

The District's Annual Required Contributions 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 was 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.

Additional information regarding the plans as of the latest actuarial valuation date includes the following:

<b>Fiscal Year 2010</b>	
Valuation date	October 1, 2009
Actuarial cost method for contributions	Aggregate
Actuarial cost method for accrued liabilities	Entry Age Normal
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	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 (for post November 10, 1996 hires)	Limited to 3.00%

### Funded Status and Funding Progress

As of October 1, 2009, the most recent actuarial valuation date, the Teachers', Police Officers' and Firefighters' Pension Plan was 103.74% funded. The actuarial accrued liability for benefits was \$4,332 and the actuarial value of assets was \$4,493 resulting in a negative unfunded actuarial accrued liability (UAAL), or funding excess, of (\$161). The covered payroll (annual payroll of active employees covered by the plan) was \$773 and the ratio of the UAAL to the covered payroll was -20.8%. (In prior years, actuarial data regarding funded status and funding progress was reported separately by the Retirement Plans. However, for the most recent actuarial valuation date, this

information was combined for both plans.)

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan's assets is 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 \$9,000 (9 million). The District accrued this amount in its government-wide financial statements as of September 30, 2009. As of September 30, 2010, the remaining balance was \$5,609.

### 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. In fiscal year 2010, there were 14,923 employees participating in the Section 401(a) plan. 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 incrementally beginning after two years of service, including a one-year waiting period, and vest fully after five years of service including the one-year waiting period. Contributions and earnings are forfeited for the period of service during which the employee does not achieve incremental vesting, 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, 2010,

## **NOTE 9. RETIREMENT PROGRAMS**

District contributions to the plan were \$43,167.

This plan also covers employees of the D.C. Housing Authority and Water and Sewer Authority, while the employees of the Housing Finance Agency, Washington Convention and Sports Authority, the University, and the Not-for-Profit Hospital Corporation are covered under their own separate defined contribution plans.

### **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 (\$16.5 thousand) of their annual compensation for calendar year 2010. Employees with 15 years of service or more were able to defer an additional amount, not to exceed the lesser of: (a) \$3 (\$3 thousand) in additional contributions; (b) \$15 (\$15 thousand) reduced by amounts contributed under this special provision in prior years; or (c) \$5 (\$5 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 (\$5.5 thousand) in 2010. District employees contributed \$14,852 to this annuity plan in fiscal year 2010. 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 (\$16.5 thousand) or 100% of includable compensation in calendar year 2010. A special catch-up provision is also available to participants that allows them to "make up" or "catch up" for prior years in which they did not contribute the maximum amount to the plan. The "catch up" limit is the lesser of: (a) twice the annual contribution limit \$33 (\$33 thousand); or (b) the annual contribution limit for the year plus underutilized amounts from prior taxable years. An additional deferral of \$5.5 (\$5.5 thousand) is available to participants who are at least 50 years old before the end of the calendar year.

Compensation deferred and incomes earned are taxable when paid, or made available to the participant or beneficiary, upon retirement, death, termination, or unforeseeable emergency. District employees contributed \$34,526 to this plan in fiscal year 2010. Contributions are not assets of the District, and the District 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.

In fiscal year 2008, the District implemented GASB Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. 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. Consistent with the requirements of this statement, the District began paying contributions based

on an actuarially determined valuation in fiscal year 2008.

#### 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 Department 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 Firefighters Retirement System or who are eligible for retirement benefits under the Social Security Act, are eligible to participate in the Plan. The Plan

## **NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

provides medical care and life insurance benefits to eligible employees. D.C. Code §1-621.09 authorizes the Mayor to determine the amount of District contribution for enrollments before the beginning of each contract period. In addition, the Mayor may propose amendments to establish and/or revise benefit provisions and the Council may elect to pass the appropriate legislation. 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  
1101 4<sup>th</sup> Street, S.W., Suite 800  
Washington, D.C. 20024

Plan administrators signed a contract with a Master Custodian on September 24, 2009. The District established a Master Custodian for the Plan to reduce the risk of loss and to improve security. The Master Custodian provides information on investment transactions from an independent source which allows additional tracking of information provided by the investment managers. State Street serves as the Master Custodian for the Trust Fund. The assets held in Bernstein Strategic Value and Strategic Growth Investments that were individually managed by Bernstein were transferred to State Street on September 28, 2009, with the exception of a cash balance of approximately \$9 (\$9 thousand) and \$2 (\$2 thousand), respectively.

### **b) Summary of Significant Accounting Policies**

The Plan's financial statements are prepared using the economic resources measurement focus and 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. The Plan's administrative costs are paid by the District.

Investments are reported at fair value with realized and unrealized gains and losses included in the Statement of Changes in Plan Net Assets. Fair value of marketable securities is based on quoted market price, dealer quotes, and prices obtained from independent pricing sources. Securities for

which market quotations are not readily available are valued at their fair value, as determined by the custodian under the direction of the plan or fund, with the assistance of a valuation service.

### **c) Funding Policy**

The contribution requirements of plan members and the District are established by the Mayor and the Council of the District of Columbia. The Mayor and Council may also amend contribution requirements. 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 2010, the District contributed \$90.7 million to the plan and retiree contributions totaled \$803 (\$803 thousand). Employee contributions are not required prior to retirement to fund the plan.

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

## NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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.

**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 No. 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 41** 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 41 – Annual OPEB Cost, Actual Plan Contributions, and Changes in Net OPEB Obligations**

	<b>FY 2010</b>	<b>FY 2009</b>	<b>FY 2008</b>
Annual required contribution	\$92,193	\$130,882	\$103,400
Interest on net OPEB obligation	\$3,052	(\$488)	\$0
Adjustment to annual required contribution	(\$1,943)	\$314	\$0
Annual OPEB cost (expense)	\$93,302	\$130,708	\$103,400
Contributions made	\$90,700	\$81,100	\$110,907
Net OPEB asset/(obligation)	(\$2,602)	(\$49,608)	\$7,507
Net OPEB asset (obligation) – beginning of year	(\$42,101)	\$7,507	\$0
Net OPEB asset (obligation) – end of year	(\$44,703)	(\$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 2010 and the two preceding years are shown in **Table 42**.

**Table 42 - Annual OPEB Cost, Percentage of Annual OPEB Cost Contributed, Net OPEB Obligation (Fiscal Years 2008 through 2010)**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost (millions)</b>	<b>% Of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
09/30/10	\$93.3	97%	\$44.7
09/30/09	\$130.7	62%	\$42.1
09/30/08	\$103.4	107.3%	(\$7.5)

**e) Funded Status and Funding Progress**

As of September 30, 2009, the most recent actuarial valuation date, the Plan was 49.4% funded. The actuarial accrued liability for benefits was \$625,900 and the actuarial value of assets was \$309,100, resulting in an unfunded actuarial accrued liability (UAAL) of \$316,800. The covered payroll (annual payroll of active employees covered by the plan) was \$1,579,900 and the ratio of the UAAL to the covered payroll was 20.1%.

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, 2009, actuarial valuation results, the September 30, 2010, estimated actuarial liability is \$745,900 and the actuarial value of the assets is \$424,200 resulting in an estimated unfunded actuarial accrued liability (UAAL) of \$321,700. The estimated covered payroll (annual payroll of active employees covered by the Plan) is \$1,692,100 and the estimated ratio of the UAAL to the covered payroll is 19%.

**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

**NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

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.

The Entry Age Actuarial cost method was used to prepare the September 30, 2009 actuarial valuation. The actuarial assumptions included a 7.25% investment rate of return, a discount rate of 7.25%; 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 14 years. The amortization method applied was the Level Percent Open Method. The remaining amortization period at September 30, 2009, was 30 years.

**NOTE 11. FUND BALANCE/NET ASSETS**

Reserved and unreserved fund balances at September 30, 2010, are shown in **Table 43a**.

**Table 43a - Schedule of FY 2010 Reserved and Unreserved Fund Balance**

	General Fund	Federal & Private Resources	General Capital Improvements	Nonmajor Governmental Funds
<b>Reserved</b>				
Long term assets	\$ 4,020	\$ -	\$ -	\$ -
Emergency/contingency cash	337,945	-	-	-
Bond escrow	288,336	-	-	-
Subsequent years' expenditure	37,173	-	-	-
Inventory	9,614	-	-	-
Budget	37,274	-	-	-
Purpose restrictions	118,143	191,023	-	-
Student enrollment fund	3,676	-	-	-
Capital improvements	-	-	133,438	-
PILOT	-	-	-	138,638
Tobacco settlement	-	-	-	84,611
Tax increment financing	-	-	-	12,537
Housing production	-	-	-	40,315
Community healthcare	-	-	-	42,795
Baseball special revenue	-	-	-	45,557
Highway trust	-	-	-	4,484
<b>Total Reserved Fund Balances</b>	<b>836,181</b>	<b>191,023</b>	<b>133,438</b>	<b>368,937</b>
<b>Unreserved</b>				
<b>Designated Unreserved Fund Balances</b>	<b>53,945</b>	-	-	-
<b>Total Fund Balances</b>	<b>\$ 890,126</b>	<b>\$ 191,023</b>	<b>\$ 133,438</b>	<b>\$ 368,937</b>

## NOTE 11. FUND BALANCE/NET ASSETS

Net assets at September 30, 2010, are shown in **Table 43b**.

**Table 43b - Schedule of FY 2010 Net Assets, Proprietary and Fiduciary Funds**

	Lottery & Games	Unemployment Compensation Fund	Nonmajor J.B. Johnson Nursing	Fiduciary Funds
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ 579	\$ -	\$ 4,248	\$ -
Restricted for future benefits	-	233,296	-	4,813,484
Unrestricted	3,332	-	5,296	-
<b>Total Net Assets</b>	<b>\$ 3,911</b>	<b>\$ 233,296</b>	<b>\$ 9,544</b>	<b>\$ 4,813,484</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 WMATA 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, 2010, is shown in **Table 44a**.

**Table 44a - Summary of Grants Provided to WMATA**

Type	Amount
Operating grants	\$ 233,337
Debt service grants	10,331
Capital grants	72,726
<b>Total</b>	<b>\$ 316,394</b>

WMATA issues separate audited financial statements which can be requested from the Washington Metropolitan Area Transit Authority, General Manager, 600 5<sup>th</sup> Street, N.W., Washington, D.C. 20001. **Table 44b** presents information that allows financial statement users to assess whether WMATA is accumulating significant financial resources or experiencing fiscal stress that may cause additional financial benefits or burden to the District and other participating governments.

**Table 44b - Summary of Financial Statements for WMATA as of and for the year ended June 30, 2010**

Financial Position	
Total assets	\$ 9,935,128
Total liabilities	(1,865,175)
<b>Net assets</b>	<b>\$ 8,069,953</b>
Operating Results	
Operating revenues	\$ 727,832
Operating expenses	(2,004,945)
Nonoperating revenues, net	718,444
Revenue from capital contributions	680,227
<b>Change in net assets</b>	<b>\$ 121,558</b>
Change in Net Assets	
Net assets, beginning of year, restated	\$ 7,948,395
Change in net assets	121,558
<b>Net assets, end of year</b>	<b>\$ 8,069,953</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, 2010, totaled \$670,186.

### **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 federal funding for emergency preparedness in fiscal year 2010. However, in fiscal year 2002, the District received \$155,900 in federal funding for emergency preparedness. This funding was provided by the federal government to assist the District in preparing for response to potential terrorist threats or other 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 expended during fiscal year 2010.

### **C. GRANTS**

The District participates in a number of programs which are funded by the federal government through formula and project grants, direct and guaranteed loans, direct payments for specified and unrestricted use, food stamps, and other pass-through grants.

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 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 \$38,818 for the fiscal year ended September 30, 2010.

## **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 \$8,384 in fiscal year 2010.

### **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. Equipment procured under this program includes 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

As of September 30, 2010, the District financed approximately \$332 million of its capital equipment needs through the program, and had approximately \$114 million in principal outstanding. During the year, the average interest rate used to finance equipment through the

Program was 3.06%. Payments on the liability are made on a quarterly basis.

**Table 45** shows the schedule of equipment financing program payments.

**Table 45– Schedule of Equipment Financing Program Payments**

Year Ending September 30	Principal	Interest	Total
2011	\$ 39,574	\$ 3,764	\$ 43,338
2012	31,471	2,260	33,731
2013	24,517	1,143	25,660
2014	13,612	380	13,992
2015	4,546	63	4,609
<b>Total</b>	<b>\$ 113,720</b>	<b>\$ 7,610</b>	<b>\$ 121,330</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 totaled \$130,929 in fiscal year 2010.

### C. SCHEDULE OF FUTURE MINIMUM LEASE COMMITMENTS

**Table 46** shows 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, 2010.

**Table 46 - Schedule of Future Minimum Lease Payments**

Year Ending September 30	Primary Government		
	Capital Leases	Operating Leases	
		Facilities	Equipment
2011	\$ 10,715	\$ 96,266	\$ 1,298
2012	10,710	79,629	1,212
2013	10,715	78,897	1,118
2014	2,792	68,904	1,053
2015	2,792	63,760	1,029
2016-2020	4,189	302,557	72
2021-2025	-	197,871	-
2026-2030	-	41,067	-
2031-2035	-	16,729	-
2036-2040	-	508	-
2041-2045	-	518	-
2046-2050	-	423	-
<b>Minimum lease payments</b>	<b>41,913</b>	<b>\$ 947,129</b>	<b>\$ 5,782</b>
Less - imputed interest	(5,805)		
<b>Present value of payments</b>	<b>\$ 36,108</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 from its general fund resources and reports all of its risk management activities as governmental activities in the government-wide financial statements. Non-incremental claims adjustment expenses are not included in the liability for claims and judgments. Claim 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 reported 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, 2010. As such, the District's compliance with applicable grant and federal requirements will be assessed and established at some future date. Based on prior experience and resolutions reached with grantor agencies, the District determined that at September 30, 2010, there were no probable cumulative expenditures that may be disallowed by grantor agencies. Accordingly, an accrual for such expenditures has not been provided in the government-wide financial statements. Certain grant expenditures of prior years have been disallowed by grantors based on the outcome of audits of federally assisted programs. Accordingly, \$102 (\$102 thousand) has been included as part of the accrued liability to reflect these known grant disallowances.

### **C. CONTINGENCIES RELATED TO DERIVATIVE INSTRUMENTS**

All of the District's derivative instruments, except for the rate cap, include provisions that require the District to post collateral in the event its credit rating falls below AA as issued by Fitch Ratings and Standard and Poor's or Aa as issued by Moody's Investors Service. The collateral posted is to be in the form of U.S. treasury securities in

the amount of the fair value of hedging derivative instruments in liability positions net of the effect of applicable netting arrangements. If the District does not post collateral, the hedging derivative instrument may be terminated by the counterparty. At September 30, 2010, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions was \$168,690. If the collateral posting requirements were triggered at September 30, 2010, the District would have been required to post \$0 in collateral to counterparties. The District's general obligation credit rating is A+/Aa2/AA-; therefore, no collateral had been posted at September 30, 2010.

### **D. 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, 2010.

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 the amount in excess of the minimum range of probable losses and the amount of the minimum range of losses that are reasonably possible which are not accrued is estimated to be \$41,292.

A summary of the changes in the accrued liability for claims and judgments reported in the government-wide financial statements is shown in **Table 47**.

**Table 47 - Summary of Changes in Claims and Judgments Accrual**

Description	2010	2009
<b>Liability at October 1</b>	<b>\$ 58,837</b>	<b>\$ 55,902</b>
Incurred claims	35,310	32,410
Less:		
claims payments/adjustments	(23,712)	(29,475)
<b>Liability at September 30</b>	<b>\$ 70,435</b>	<b>\$ 58,837</b>

## **NOTE 15. COMMITMENTS AND CONTINGENCIES**

### **E. DISABILITY COMPENSATION**

The District's Office of Risk Management 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 of projected disability compensation discounted at 3% is accrued in the government-wide financial statements.

A summary of changes in this accrual is shown in **Table 48**.

**Table 48 – Summary of Changes in Disability Compensation Accrual**

Description	2010	2009
Liability at October 1	\$ 142,316	\$ 105,751
Claims incurred	45,268	65,939
Less-benefit payments/adjustments	(27,071)	(29,374)
<b>Liability at September 30</b>	<b>\$ 160,513</b>	<b>\$ 142,316</b>

### **F. DEBT SERVICE DEPOSIT AGREEMENTS**

In prior years, the District entered into debt service deposit agreements which will be effective through fiscal year 2014. Under these agreements, the District exchanged future cash flows of certain special tax fund escrow accounts for fixed amounts received by the District. Execution of the debt service deposit agreements increased the District's ability to predict cash flows from the earnings on escrow account investments.

Upon early termination of an agreement and depending upon the prevailing interest rates at the time of termination, a termination amount may be owed by the District. At September 30, 2010, unearned revenue of \$762 related to debt service deposit agreements was recorded in the government-wide financial statements.

## **NOTE 16. SUBSEQUENT EVENTS**

### **A. TAX REVENUE ANTICIPATION NOTES**

The District issued \$700,000 in Tax Revenue Anticipation Notes (TRANs) on October 25, 2010. 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 2011.

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. In addition, the TRANs constitute continuing obligations until paid in accordance with their terms. The District has covenanted to deposit certain receipts into a TRANs Escrow Account, a segregated special purpose account, for the purpose of paying the principal of and interest on the TRANs when due.

Under the TRANs Escrow Agreement, the District is to make deposits into the TRANs Escrow Account in accordance with the following schedule:

### **Date of Deposit**

September 1, 2011      20% of the outstanding principal amount

September 20, 2011      60% of the outstanding principal amount

September 28, 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 2.00%, and will mature on September 30, 2011.

### **B. INCOME TAX SECURED REVENUE BONDS**

On November 22, 2010, the District issued \$63,860 in Income Tax Secured Revenue Refunding Bonds, Series 2010E as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008 (the Act), effective October 22, 2008; (b) a Master Indenture of Trust between the District and Wells Fargo Bank as amended and supplemented; and (c) a Tenth

## NOTE. 16. SUBSEQUENT EVENTS

Supplemental Indenture of Trust dated November 1, 2010, executed pursuant to the Act and the "Fiscal Year 2011 Income Tax Secured Revenue Refunding Bond Issuance Emergency Approval Act of 2010," effective November 17, 2010.

The proceeds of the Series 2010E Bonds will be used, together with other funds of the District, to: (a) currently refund \$63,335 of the outstanding principal amount of the District's Income Tax Secured Revenue Refunding Bonds, Series 2010C maturing on December 1, 2010; and (b) pay the costs and expenses of issuing and delivering the Series 2010E Bonds.

The Series 2010E 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, consisting primarily of all available tax revenues received or to be received by the collection agent, the trustee, or the District. The Series 2010E Bonds bear interest at a variable rate equal to an adjusted SIFMA rate. The per annum interest rate spread is as follows: (a) maturity date December 1, 2011, SIFMA rate, plus 0.03%; and (b) maturity date December 1, 2013, SIFMA rate, plus 0.35%.

### C. COMPONENT UNITS

#### *Housing Finance Agency Bond Activity*

Subsequent to the end of fiscal year 2010, the Housing Finance Agency (HFA), issued new bonds, as follows: (a) on December 16, 2010, \$5,040 of District of Columbia Housing Finance Agency Multifamily Revenue Bonds, Series 2009 A-7 (NIB Program) to finance the Avalon Courts Project; (b) on December 16, 2010, \$13,000 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2009 A-8 (NIB Program) to finance the Samuel J. Simmons Estates Project; (c) on December 16, 2010, \$8,000 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2010, to finance the Samuel J. Simmons Estates Project; (d) on December 16, 2010, \$5,000 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2010 A to finance the Samuel J. Simmons Estates Project; (e) on December 16, 2010, \$3,640 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2009 A-9 (NIB Program), to finance the Avenue Project; and (f) on October 22, 2010, \$5,700 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2010, in a draw down mode to finance the Arthur Capper II project.

In addition, between October 1, 2010, and December 31, 2010, the following Multifamily Mortgage Revenue Bonds were issued through draw down bonds.

<u>Series</u>	<u>Project name</u>	<u>Draw date</u>	<u>New issue draw amount</u>
2008 Series A	St. Martin's Apartments	10/28/2010	\$386
2010 Series A	Sheridan Station	11/01/2010	855
2010 Series B	Matthews Memorial	12/08/2010	300
2010 Series	Arthur Capper II Project	10/22/2010	500
<b>Total</b>			<b>\$2,041</b>

Subsequent to September 30, 2010, certain outstanding bonds matured and/or were redeemed. Maturities and redemptions were as follows: (a) 1996 Single Family Mortgage Revenue Bonds, \$1,525 principal matured and \$7,185 principal redeemed on October 1, 2010; (b) 1996 Single Family Mortgage Revenue Bonds, \$1,925 principal redeemed on December 1, 2010; and (c) Multifamily Housing Revenue Bonds, Series 2009 A-1, \$50 redeemed through a sinking fund maturity, on October 1, 2010; and (d) Multifamily Mortgage Revenue Bonds, \$1,841 principal redeemed between October 1, 2010, and December 31, 2010.

#### *Washington Convention and Sports Authority*

Between June 2006 and July 2009, the Council passed a series of legislative acts (collectively, the Hotel Acts) which authorized the financing, construction and development of a privately owned and operated Headquarters Hotel for the Convention Center. Together, the Hotel Acts: (a) created a Tax Increment Financing Area (the Hotel TIF District), the revenues from which will be used to secure Authority bonds to partially finance the costs of the Headquarters Hotel; (b) authorized the Authority to issue TIF bonds in a net amount up to \$206 million to partially finance the development and construction of the hotel; (c) established a \$2 million Headquarters Hotel jobs training program; (d) authorized the Authority and the District to acquire and lease land for the hotel to the developer; and, (e) approved the Headquarters Hotel Development Funding Agreement, ground lease and related project documents.

Before the TIF Bonds could be issued, an administrative appeal and two (2) civil actions were filed to challenge the development of the hotel. By October, 2010, all matters had either been dismissed or settled without payment by the Authority.

**NOTE 16. SUBSEQUENT EVENTS**

On October 26, 2010, the Authority concluded the sale of its Series 2010 Bonds in the gross amount of approximately \$250 million. The bonds yielded \$206 million in net revenue, after cost of issuance, capitalized interest and reserve requirements. They are secured by specified revenue sources, carry an interest rate of approximately 5%, and reach final maturity in 2040. The bonds bear interest from the date of delivery, payable semiannually each April 1 and October 1, commencing on April 1, 2011.

### **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**

**TEACHERS' AND POLICE OFFICERS' AND FIREFIGHTERS' PLANS**

As of September 30, 2010  
(\$000s)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)/(Funding Excess)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
10/01/2009	\$4,493,400	\$4,332,400	(\$161,000)	103.7%	\$772,700	20.9%
10/01/2008	\$4,379,700	\$4,276,800	(\$102,900)	102.4%	\$780,900	-13.2%
10/01/2007	\$4,068,900	\$3,898,600	(\$170,300)	104.4%	\$668,400	-25.5%
10/01/2006	N/A	N/A	N/A	N/A	N/A	N/A

N/A – The District implemented the reporting requirements of GASB Statement No. 50 in fiscal year 2008.

The District of Columbia Retirement Board uses the Aggregate Actuarial Cost Method, which does not result in the calculation of an unfunded accrued liability. GASB Statement No. 50 requires funds using the Aggregate Actuarial Cost Method to disclose funding status information based on Entry Age Normal calculations. 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.

### Actuarial Methods and Assumptions

#### **OTHER POST EMPLOYMENT BENEFITS (OPEB) PROGRAM**

As of September 30, 2010

Valuation Date	September 30, 2010 (projected from March 2009 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	7.25%
Rate of Salary Increases	5.0% (plus merit scale)
Rate of Medical Inflation	10% (pre-Medicare) or 9% (post-Medicare)
Grading over 15 years	Grading to 5.25% over 14 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.

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### Schedule of Funding Progress

#### **OTHER POST EMPLOYMENT BENEFITS (OPEB) PROGRAM**

As of September 30, 2010  
(\$000s)

	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2010	\$424,300	\$625,900	\$201,600	67.8%	\$1,579,900	27.5%
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, 2010**  
**(With Comparative Totals at September 30, 2009)**  
**(\$000s)**

	2010	2009
<b>ASSETS</b>		
Cash and cash equivalents (unrestricted)	\$ 76,455	\$ 385,459
Receivables (net of allowances for uncollectibles):		
Intergovernmental	25,910	19,856
Taxes	355,860	351,096
Accounts	99,531	96,450
Due from component units	59,873	24,489
Interfund	593,501	346,597
Inventories	9,614	10,221
Other current assets	2,005	1,066
Cash and cash equivalents (restricted)	311,945	397,058
Investments (restricted)	319,945	181,583
Total current assets	1,854,639	1,813,875
Long term assets	22,030	58,994
<b>Total assets</b>	<b>\$ 1,876,669</b>	<b>\$ 1,872,869</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Payables:		
Accounts	\$ 403,254	\$ 369,504
Compensation:		
Salaries and wages	129,402	147,008
Employee benefits	902	796
Payroll taxes	384	601
Other deductions	2,874	3,073
Interfund	24,051	30,406
Due to component units	12,050	14,127
Deferred revenue:		
Property taxes	117,245	112,328
Other	73,632	82,545
Accrued liabilities:		
Claims and judgments	94	70
Grant disallowances	4,347	1,300
Medicaid	147,791	126,889
Tax refunds	62,426	55,439
Other current liabilities	8,091	8,300
<b>Total liabilities</b>	<b>986,543</b>	<b>952,386</b>
<b>Fund Balance:</b>		
Reserved	836,181	703,694
Unreserved	53,945	216,789
<b>Total fund balance</b>	<b>890,126</b>	<b>920,483</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,876,669</b>	<b>\$ 1,872,869</b>

*See Accompanying Independent Auditors' Report.*

## Exhibit A-2

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**Year Ended September 30, 2010**  
**(With Comparative Totals for the Year Ended September 30, 2009)**  
**(\$000s)**

	2010	2009
<b>Revenues:</b>		
Taxes	\$ 4,952,441	\$ 5,042,487
Fines and forfeits	128,473	106,169
Licenses and permits	86,946	91,230
Charges for services:		
Public	205,247	187,261
Intergovernmental	18,207	8,856
Miscellaneous:		
Public	356,122	444,234
Investment income	2,325	18,435
Total revenues	5,749,761	5,898,672
<b>Expenditures:</b>		
Current:		
Governmental direction and support	579,457	589,492
Economic development and regulation	247,355	339,783
Public safety and justice	1,018,335	984,892
Public education system	1,400,832	1,497,302
Human support services	1,564,143	1,643,779
Public works	276,990	298,625
Public transportation	243,668	230,499
Debt service:		
Principal	175,019	241,654
Interest	233,536	223,364
Fiscal charges	64,532	19,628
Total expenditures	5,803,867	6,069,018
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(54,106)</b>	<b>(170,346)</b>
<b>Other Financing Sources (Uses):</b>		
Debt issuance	21,269	2,742
Refunding debt issuance	835,010	580,140
Premium on sale of bonds	74,840	36,601
Payment to refunded bond escrow agent	(855,011)	(607,640)
Transfers in	125,002	121,651
Transfers out	(177,361)	(294,187)
Sale of capital assets	-	6,800
Total other financing sources (uses)	23,749	(153,893)
<b>DEFICIENCY OF REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES</b>	<b>(30,357)</b>	<b>(324,239)</b>
<b>Fund Balance at October 1</b>	<b>920,483</b>	<b>1,244,722</b>
<b>Fund Balance at September 30</b>	<b>\$ 890,126</b>	<b>\$ 920,483</b>

*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, 2010**  
**(With Comparative Totals for the Year Ended September 30, 2009)**  
**(\$000s)**

<b>Function and Subfunction</b>	<b>Personnel Services</b>	<b>Contractual Services</b>	<b>Supplies</b>	<b>Occupancy</b>	<b>Miscellaneous *</b>	<b>Totals</b>	
						<b>2010</b>	<b>2009</b>
<b>Governmental Direction and Support:</b>							
Legislative	\$ 20,408	\$ 1,538	\$ 122	\$ 482	\$ 995	\$ 23,545	\$ 24,479
Executive	69,401	36,034	263	8,466	24,548	138,712	131,345
Finance	83,478	27,808	474	20,618	161,033	293,411	260,863
Personnel	10,197	16,466	128	2,283	94	29,168	29,847
Administrative	36,187	33,153	223	18,098	328	87,989	136,233
Elections	4,487	1,231	78	814	22	6,632	6,725
Total	<u>224,158</u>	<u>116,230</u>	<u>1,288</u>	<u>50,761</u>	<u>187,020</u>	<u>579,457</u>	<u>589,492</u>
<b>Economic Development and Regulation:</b>							
Community development	20,277	13,381	109	2,561	56,017	92,345	167,290
Economic regulation	49,494	8,674	324	14,102	3,792	76,386	77,697
Employment services	19,570	8,857	116	9,112	40,969	78,624	94,796
Total	<u>89,341</u>	<u>30,912</u>	<u>549</u>	<u>25,775</u>	<u>100,778</u>	<u>247,355</u>	<u>339,783</u>
<b>Public Safety and Justice:</b>							
Police	429,914	52,818	1,632	22,807	109,849	617,020	597,544
Fire	173,974	8,347	4,896	6,106	38,302	231,625	216,758
Corrections	66,586	66,656	2,761	4,871	11,057	151,931	151,838
Protection	6,595	1,771	79	2,153	160	10,758	10,499
Law	6,048	755	79	54	65	7,001	7,847
Judicial	-	-	-	-	-	-	406
Total	<u>683,117</u>	<u>130,347</u>	<u>9,447</u>	<u>35,991</u>	<u>159,433</u>	<u>1,018,335</u>	<u>984,892</u>
<b>Public Education System:</b>							
Schools	422,318	59,619	12,061	42,624	398,916	935,538	1,072,646
Culture	126,805	40,134	952	12,418	284,985	465,294	424,656
Total	<u>549,123</u>	<u>99,753</u>	<u>13,013</u>	<u>55,042</u>	<u>683,901</u>	<u>1,400,832</u>	<u>1,497,302</u>
<b>Human Support Services:</b>							
Health and welfare	267,760	122,453	12,136	63,176	881,378	1,346,903	1,446,089
Human relations	4,299	2,494	84	459	15,236	22,572	23,687
Employment benefits	-	-	-	-	146,240	146,240	122,851
Recreation	31,477	9,855	710	6,086	300	48,428	51,152
Total	<u>303,536</u>	<u>134,802</u>	<u>12,930</u>	<u>69,721</u>	<u>1,043,154</u>	<u>1,564,143</u>	<u>1,643,779</u>
<b>Public Works</b>							
	<u>132,717</u>	<u>80,196</u>	<u>1,579</u>	<u>25,795</u>	<u>36,703</u>	<u>276,990</u>	<u>298,625</u>
<b>Public Transportation</b>							
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,668</u>	<u>243,668</u>	<u>230,499</u>
<b>Debt Service</b>							
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>473,087</u>	<u>473,087</u>	<u>484,646</u>
<b>Net Financing Uses (Sources)</b>							
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,749)</u>	<u>(23,749)</u>	<u>153,893</u>
<b>Total expenditures and net sources</b>							
	<u>\$ 1,981,992</u>	<u>\$ 592,240</u>	<u>\$ 38,806</u>	<u>\$ 263,085</u>	<u>\$ 2,903,995</u>	<u>\$ 5,780,118</u>	<u>\$ 6,222,911</u>

See Accompanying Independent Auditors' Report.

\*Miscellaneous column includes transfers, subsidies and other payments totaling \$2,828,986.

Transfers to: Convention Center [\$93,054], Charter Schools [\$410,005], UDC [\$62,070], Police & Fire Retirement System [\$132,300], Housing Authority Subsidy [\$25,103], Mass Transit Subsidies [\$243,718], District Retiree Health Contribution [\$90,700]

Payments for: Dept. of Employment Services [\$45,241], Certificate of Participation [\$32,257], Repayment of Loan & Interest [\$374,716], Dept. of Housing & Community Development [\$19,957], Master Equipment Lease [\$43,863], Economic Development [\$11,551], State Education [\$84,981], Office of Non-Public Tuition [\$166,567], Dept. of Health [\$25,365], Dept. of Healthcare Financing [\$521,832], Dept. of Human Services [\$110,161], Disability Services [\$40,398], Dept. of Youth Rehabilitation [\$39,440], Dept. of Transportation [\$54,783], Dept. of the Environment [\$34,827], Office of Child & Family Services [\$147,717], Dept. of Mental Health [\$18,380]

## Exhibit A-4

**GENERAL FUND**  
**SCHEDULE OF LOCAL SOURCE REVENUES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended September 30, 2010**  
**(\$000s)**

Source	Budget		Actual	Variance Positive (Negative)
	Original	Revised		
<b>Taxes:</b>				
Property:				
Real	\$ 1,779,486	\$ 1,773,106	\$ 1,821,459	\$ 48,353
Personal	56,216	65,428	52,032	(13,396)
Total	<u>1,835,702</u>	<u>1,838,534</u>	<u>1,873,491</u>	<u>34,957</u>
Sales and use:				
General	1,016,007	1,013,959	961,881	(52,078)
Alcoholic beverages	5,126	5,358	5,717	359
Cigarette	55,627	30,000	33,394	3,394
Motor vehicles	40,963	32,108	37,749	5,641
Motor fuel tax	23,673	28,119	22,180	(5,939)
Total	<u>1,141,396</u>	<u>1,109,544</u>	<u>1,060,921</u>	<u>(48,623)</u>
Income and franchise:				
Individual income	1,076,661	1,219,620	1,110,444	(109,176)
Corporation franchise	262,121	246,584	207,292	(39,292)
Unincorporated business	124,395	106,476	116,395	9,919
Total	<u>1,463,177</u>	<u>1,572,680</u>	<u>1,434,131</u>	<u>(138,549)</u>
Gross receipts:				
Public utility	153,696	152,126	139,576	(12,550)
Toll telecommunication	63,360	67,718	62,337	(5,381)
Insurance companies	74,767	75,287	44,436	(30,851)
Health care providers	11,000	11,000	12,423	1,423
Baseball gross receipts	20,603	21,000	23,712	2,712
HSC contribution	-	5,000	5,000	-
Total	<u>323,426</u>	<u>332,131</u>	<u>287,484</u>	<u>(44,647)</u>
Other:				
Deed recordation	71,746	80,546	104,164	23,618
Deed transfers	50,288	66,533	86,117	19,584
Inheritance and estate	60,000	35,000	39,341	4,341
Economic interests	19,191	10,000	18,218	8,218
Total	<u>201,225</u>	<u>192,079</u>	<u>247,840</u>	<u>55,761</u>
<b>Total taxes</b>	<b><u>4,964,926</u></b>	<b><u>5,044,968</u></b>	<b><u>4,903,867</u></b>	<b><u>(141,101)</u></b>
<b>Licenses and Permits:</b>				
Business licenses	28,739	36,083	30,374	(5,709)
Nonbusiness permits	32,220	30,072	30,478	406
Total	<u>60,959</u>	<u>66,155</u>	<u>60,852</u>	<u>(5,303)</u>
<b>Fines and Forfeits</b>	<b><u>180,411</u></b>	<b><u>147,203</u></b>	<b><u>111,488</u></b>	<b><u>(35,715)</u></b>
<b>Charges for Services:</b>				
Other	45,901	37,774	46,125	8,351
Total	<u>45,901</u>	<u>37,774</u>	<u>46,125</u>	<u>8,351</u>
<b>Miscellaneous:</b>				
Interest	26,500	14,500	6,781	(7,719)
Other	95,569	68,685	112,962	44,277
Total	<u>122,069</u>	<u>83,185</u>	<u>119,743</u>	<u>36,558</u>
<b>Total local revenues</b>	<b><u>5,374,266</u></b>	<b><u>5,379,285</u></b>	<b><u>5,242,075</u></b>	<b><u>(137,210)</u></b>
<b>Transfers and Other sources:</b>				
General obligation bonds	15,000	15,000	5,079	(9,921)
Fund balance released from restrictions	60,301	131,288	117,859	(13,429)
Interfund transfer	69,272	91,247	91,037	(210)
<b>Total transfers and other sources</b>	<b><u>144,573</u></b>	<b><u>237,535</u></b>	<b><u>213,975</u></b>	<b><u>(23,560)</u></b>
<b>Total Local Revenues and Sources</b>	<b>\$ <u>5,518,839</u></b>	<b>\$ <u>5,616,820</u></b>	<b>\$ <u>5,456,050</u></b>	<b>\$ <u>(160,770)</u></b>

*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, 2010  
(\$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	\$ 1,835,702	\$ 1,838,534	\$ 1,873,491	\$ 34,957	\$ -	\$ -	\$ -	\$ -	\$ 1,835,702	\$ 1,838,534	\$ 1,873,491	\$ 34,957	
Sales and uses	1,141,396	1,109,544	1,060,921	(48,623)	-	-	-	-	1,141,396	1,109,544	1,060,921	(48,623)	
Income and franchise	1,463,177	1,572,680	1,434,131	(138,549)	-	-	-	-	1,463,177	1,572,680	1,434,131	(138,549)	
Gross receipts and other taxes	524,651	524,210	535,324	11,114	-	-	-	-	524,651	524,210	535,324	11,114	
Total taxes	4,964,926	5,044,968	4,903,867	(141,101)	-	-	-	-	4,964,926	5,044,968	4,903,867	(141,101)	
Licenses and permits	60,959	66,155	60,852	(5,303)	-	-	-	-	60,959	66,155	60,852	(5,303)	
Fines and forfeits	180,411	147,203	111,488	(35,715)	-	-	-	-	180,411	147,203	111,488	(35,715)	
Charges for services	45,901	37,774	46,125	8,351	-	-	-	-	45,901	37,774	46,125	8,351	
Miscellaneous	122,069	83,185	119,743	36,558	-	-	-	-	122,069	83,185	119,743	36,558	
Other	-	-	-	-	460,574	440,479	439,908	(571)	460,574	440,479	439,908	(571)	
General obligation bonds	15,000	15,000	5,079	(9,921)	-	-	-	-	15,000	15,000	5,079	(9,921)	
Fund balance released from restrictions	60,301	131,288	117,859	(13,429)	68,746	83,564	20,562	(63,002)	129,047	214,852	138,421	(76,431)	
Interfund transfer-from lottery and gam	65,775	67,350	66,750	(600)	-	-	-	-	65,775	67,350	66,750	(600)	
Interfund transfer-others	3,497	23,897	24,287	390	-	-	-	-	3,497	23,897	24,287	390	
Total Revenues and Sources	5,518,839	5,616,820	5,456,050	(160,770)	529,320	524,043	460,470	(63,573)	6,048,159	6,140,863	5,916,520	(224,343)	
<b>Expenditures and Uses:</b>													
Governmental direction and support	311,154	346,096	341,793	4,303	62,442	42,469	34,008	8,461	373,596	388,565	375,801	12,764	
Economic development and regulation	164,634	173,969	167,641	6,328	153,378	149,832	98,224	51,608	318,012	323,801	265,865	57,936	
Public safety and justice	931,795	955,757	952,288	3,469	88,395	84,772	65,956	18,816	1,020,190	1,040,529	1,018,244	22,285	
Public education system	1,359,697	1,262,243	1,259,640	2,603	20,835	20,037	11,708	8,329	1,380,532	1,282,280	1,271,348	10,932	
Public education AY11 expenditure	-	135,643	135,643	-	-	-	-	-	-	135,643	135,643	-	
Human support services	1,378,217	1,441,560	1,429,343	12,217	32,208	37,555	31,929	5,626	1,410,425	1,479,115	1,461,272	17,843	
Public works	413,603	420,974	419,758	1,216	165,613	171,479	145,973	25,506	579,216	592,453	565,731	26,722	
Wilson building	3,625	3,242	3,226	16	-	-	-	-	3,625	3,242	3,226	16	
Repay bonds and interest	468,596	367,330	348,351	18,979	3,465	3,465	3,465	-	472,061	370,795	351,816	18,979	
Repay revenue bonds and interest	4,861	4,861	2,149	2,712	-	-	-	-	4,861	4,861	2,149	2,712	
Bond fiscal charge	15,000	15,000	6,514	8,486	-	-	-	-	15,000	15,000	6,514	8,486	
Interest on short term borrowing	9,000	3,000	2,373	627	-	-	-	-	9,000	3,000	2,373	627	
Certificates of participation	32,285	32,285	32,257	28	-	-	-	-	32,285	32,285	32,257	28	
Settlements and judgments fund	21,477	21,477	21,470	7	-	-	-	-	21,477	21,477	21,470	7	
Baseball tax transfer	32,081	32,081	32,081	-	-	-	-	-	32,081	32,081	32,081	-	
Convention center transfer	93,054	93,054	93,054	-	-	-	-	-	93,054	93,054	93,054	-	
Highway trust transfer	29,762	29,762	24,889	4,873	-	-	-	-	29,762	29,762	24,889	4,873	
TIF and pilot transfer	45,992	45,992	34,140	11,852	-	-	-	-	45,992	45,992	34,140	11,852	
Equipment lease operating	46,157	44,320	43,863	457	-	-	-	-	46,157	44,320	43,863	457	
Emergency and contingency reserve	-	47,480	-	47,480	-	-	-	-	-	47,480	-	47,480	
Pay-go capital	-	499	499	-	2,984	14,434	14,434	-	2,984	14,933	14,933	-	
Schools modernization fund	8,612	8,612	8,612	-	-	-	-	-	8,612	8,612	8,612	-	
District retiree health contribution	90,700	90,700	90,700	-	-	-	-	-	90,700	90,700	90,700	-	
Cash reserve	-	53	-	53	-	-	-	-	-	53	-	53	
Non-departmental agency	3,603	2,761	2,410	351	-	-	-	-	3,603	2,761	2,410	351	
Total Expenditures and Uses	5,463,905	5,578,751	5,452,694	126,057	529,320	524,043	405,697	118,346	5,993,225	6,102,794	5,858,391	244,403	
Excess of Revenues and Sources Over Expenditures and Uses	\$ 54,934	\$ 38,069	\$ 3,356	\$ (34,713)	\$ -	\$ -	\$ -	\$ 54,773	\$ 54,773	\$ 54,934	\$ 38,069	\$ 58,129	\$ 20,060

See Accompanying Independent Auditors' Report.

**Exhibit A-6****GENERAL FUND****SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES**

**Year Ended September 30, 2010**  
**(\$000s)**

	<b>Original Budget</b>	<b>Revisions</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance (Actual To Original Budget)</b>
<b>Revenues and Sources:</b>					
Taxes:					
Property	\$ 1,835,702	\$ 2,832	\$ 1,838,534	\$ 1,873,491	\$ 37,789
Sales and use	1,141,396	(31,852)	1,109,544	1,060,921	(80,475)
Income and franchise	1,463,177	109,503	1,572,680	1,434,131	(29,046)
Other taxes	524,651	(441)	524,210	535,324	10,673
Total taxes	4,964,926	80,042	5,044,968	4,903,867	(61,059)
Licenses and permits	60,959	5,196	66,155	60,852	(107)
Fines and forfeits	180,411	(33,208)	147,203	111,488	(68,923)
Charges for services	45,901	(8,127)	37,774	46,125	224
Miscellaneous	122,069	(38,884)	83,185	119,743	(2,326)
Other	460,574	(20,095)	440,479	439,908	(20,666)
General obligation bonds	15,000	-	15,000	5,079	(9,921)
Fund balance released from restriction	129,047	85,805	214,852	138,421	9,374
Interfund transfer-from lottery and games	65,775	1,575	67,350	66,750	975
Interfund transfer-others	3,497	20,400	23,897	24,287	20,790
<b>Total Revenues and Sources</b>	<b>6,048,159</b>	<b>92,704</b>	<b>6,140,863</b>	<b>5,916,520</b>	<b>(131,639)</b>
<b>Expenditures and Uses:</b>					
Governmental direction and support	373,596	14,969	388,565	375,801	(2,205)
Economic development and regulation	318,012	5,789	323,801	265,865	52,147
Public safety and justice	1,020,190	20,339	1,040,529	1,018,244	1,946
Public education system	1,380,532	(98,252)	1,282,280	1,271,348	109,184
Public education AY11 expenditure	-	135,643	135,643	135,643	(135,643)
Human support services	1,410,425	68,690	1,479,115	1,461,272	(50,847)
Public works	579,216	13,237	592,453	565,731	13,485
Wilson building	3,625	(383)	3,242	3,226	399
Repay bonds and interest	472,061	(101,266)	370,795	351,816	120,245
Repay revenue bonds and interest	4,861	-	4,861	2,149	2,712
Bond fiscal charge	15,000	-	15,000	6,514	8,486
Interest on short term borrowing	9,000	(6,000)	3,000	2,373	6,627
Certificates of participation	32,285	-	32,285	32,257	28
Settlements and judgments fund	21,477	-	21,477	21,470	7
Baseball tax transfer	32,081	-	32,081	32,081	-
Convention center transfer	93,054	-	93,054	93,054	-
Highway trust transfer	29,762	-	29,762	24,889	4,873
TIF and pilot transfer	45,992	-	45,992	34,140	11,852
Equipment lease operating	46,157	(1,837)	44,320	43,863	2,294
Emergency and contingency reserve	-	47,480	47,480	-	-
Pay-go capital	2,984	11,949	14,933	14,933	(11,949)
Schools modernization fund	8,612	-	8,612	8,612	-
District retiree health contribution	90,700	-	90,700	90,700	-
Cash reserve	-	53	53	-	-
Non-departmental agency	3,603	(842)	2,761	2,410	1,193
<b>Total Expenditures and Uses</b>	<b>5,993,225</b>	<b>109,569</b>	<b>6,102,794</b>	<b>5,858,391</b>	<b>134,834</b>
<b>Excess of Revenues and Sources Over Expenditures and Uses</b>					
	<b>\$ 54,934</b>	<b>\$ (16,865)</b>	<b>\$ 38,069</b>	<b>\$ 58,129</b>	<b>\$ 3,195</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 Special Revenue Fund** is used to account for the proceeds of baseball related revenue sources that are legally restricted to expenditures for baseball project purposes. The Baseball Capital Project Fund was combined with the Baseball Project Special Revenue Fund at the beginning of the year.

### **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, 2010**  
**(With Comparative Totals at September 30, 2009)**  
**(\$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		2010	2009	
<b>ASSETS</b>											
<b>Current Assets:</b>											
Receivables (net of allowances for uncollectibles):											
Accounts	\$ 17	\$ 28,585	\$ -	\$ -	\$ -	\$ 1,884	\$ -	\$ -	\$ 30,486	\$ 30,803	
Due from other District entities	-	-	-	-	-	1,141	-	-	1,141	-	
Interfund	3,837	-	-	9,306	-	1,285	-	3,845	18,273	20,242	
Other current assets	-	-	-	-	-	-	-	-	-	41	
Restricted cash and cash equivalents	10,572	56,133	43,897	42,986	138,638	64,395	-	14,033	370,654	336,822	
Other long term assets	-	-	-	78,381	-	-	-	-	78,381	67,161	
<b>Total assets</b>	<b>\$ 14,426</b>	<b>\$ 84,718</b>	<b>\$ 43,897</b>	<b>\$ 130,673</b>	<b>\$ 138,638</b>	<b>\$ 68,705</b>	<b>\$ -</b>	<b>\$ 17,878</b>	<b>\$ 498,935</b>	<b>\$ 455,069</b>	
<b>LIABILITIES AND FUND BALANCE</b>											
<b>Current Liabilities:</b>											
Payables:											
Accounts	\$ 1,889	\$ -	\$ 1,102	\$ 11,952	\$ -	\$ -	\$ -	\$ 12,106	27,049	\$ 15,076	
Compensation payable	-	-	-	25	-	-	-	166	191	103	
Deferred revenue	-	-	-	78,381	-	448	-	984	79,813	67,384	
Due to other funds	-	-	-	-	-	22,689	-	138	22,827	485	
Accrued liabilities	-	107	-	-	-	11	-	-	118	100	
<b>Total liabilities</b>	<b>\$ 1,889</b>	<b>107</b>	<b>1,102</b>	<b>90,358</b>	<b>-</b>	<b>23,148</b>	<b>-</b>	<b>13,394</b>	<b>129,998</b>	<b>83,148</b>	
<b>Fund Balance:</b>											
Reserved for special revenue funds	12,537	84,611	42,795	40,315	138,638	45,557	-	-	364,453	365,112	
Reserved for capital project fund	-	-	-	-	-	-	-	4,484	4,484	6,809	
<b>Total fund balances</b>	<b>12,537</b>	<b>84,611</b>	<b>42,795</b>	<b>40,315</b>	<b>138,638</b>	<b>45,557</b>	<b>-</b>	<b>4,484</b>	<b>368,937</b>	<b>371,921</b>	
<b>Total liabilities and fund balance</b>	<b>\$ 14,426</b>	<b>\$ 84,718</b>	<b>\$ 43,897</b>	<b>\$ 130,673</b>	<b>\$ 138,638</b>	<b>\$ 68,705</b>	<b>\$ -</b>	<b>\$ 17,878</b>	<b>\$ 498,935</b>	<b>\$ 455,069</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, 2010**  
**(With Comparative Totals for the Year Ended September 30, 2009)**  
**(\$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	Baseball Capital	Highway Trust			
Revenues:										2010	2009	
Interest	\$ 3	\$ 2,189	\$ 2,000	\$ -	\$ 11,747	\$ 9	\$ -	\$ -	\$ 12	\$ 15,960	\$ 7,180	
Tobacco settlement revenue	-	37,147	-	-	-	-	-	-	-	37,147	-	
Other	3	-	242	4,894	2,916	4,877	-	-	6,824	19,756	64,796	
Total revenues	6	39,336	2,242	4,894	14,663	4,886	-	-	6,836	72,863	71,976	
Expenditures:												
Governmental direction and support	15,956	388	-	-	13,115	5,083	-	-	-	34,542	200	
Capital outlay	-	-	-	-	-	-	-	-	51,542	51,542	58,719	
Bond principal payment	4,390	11,460	-	-	14,517	-	4,360	-	-	34,727	35,869	
Interest	5,320	30,112	-	-	4,571	-	26,584	-	-	66,587	69,120	
Fiscal charges	-	-	-	-	-	-	-	-	-	-	31	
Other	-	-	9,857	40,076	-	-	-	-	-	49,933	56,818	
Total expenditures	25,666	41,960	9,857	40,076	32,203	5,083	30,944	-	51,542	237,331	220,757	
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(25,660)	(2,624)	(7,615)	(35,182)	(17,540)	(197)	(30,944)	-	(44,706)	(164,468)	(148,781)	
Other Financing Sources (Uses):												
Bond issuance	-	-	-	373	29,000	-	-	-	-	29,373	-	
Premium on sale of bonds	-	-	-	-	1,344	-	-	-	-	1,344	-	
Transfers in	28,599	-	55,933	30,158	5,541	29,039	30,944	-	42,381	222,595	198,920	
Transfers out	(9,800)	-	(51,084)	-	-	(30,944)	-	(3,549)	-	(95,377)	(82,922)	
Total other financing sources (uses)	18,799	-	4,849	30,531	35,885	(1,905)	30,944	(3,549)	42,381	157,935	115,998	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES												
OVER (UNDER) EXPENDITURES	(6,861)	(2,624)	(2,766)	(4,651)	18,345	(2,102)	-	(3,549)	(2,325)	(6,533)	(32,783)	
<b>Fund Balances at October 1</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>3,549</b>	<b>6,809</b>	<b>375,470</b>	<b>404,704</b>	
<b>Fund Balances at September 30</b>	<b>\$ 12,537</b>	<b>\$ 84,611</b>	<b>\$ 42,795</b>	<b>\$ 40,315</b>	<b>\$ 138,638</b>	<b>\$ 45,557</b>	<b>\$ -</b>	<b>\$ 4,484</b>	<b>\$ 368,937</b>	<b>\$ 371,921</b>		

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, 2010**  
**(With Comparative Totals at September 30, 2009)**  
**(\$000s)**

	Pension Trust Funds			Other	Totals	
	Police & Fire	Teachers	Postemployment Benefits (OPEB) Trust Fund		2010	2009
	<b>ASSETS</b>					
<b>Current Assets:</b>						
Cash and cash equivalents - restricted	\$ 155,106	\$ 69,514	\$ 92,648	\$ 317,268	\$ 307,807	
Investments - restricted	2,882,591	1,291,887	331,606	4,506,084	3,912,390	
Collateral from securities lending transaction	352,834	162,369	-	515,203	470,807	
Receivables:					-	-
Due from federal government	912	409	-	1,321	2,272	
Benefit contribution	1,622	7,028	-	8,650	11,014	
Other current assets	151,336	67,824	753	219,913	123,235	
Capital assets	11	5	-	16	22	
<b>Total assets</b>	<b>3,544,412</b>	<b>1,599,036</b>	<b>425,007</b>	<b>5,568,455</b>	<b>4,827,547</b>	
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts payable	2,946	1,344	753	5,043	9,478	
Securities lending	355,820	163,742	-	519,562	482,328	
Due to other funds	1,300	582	-	1,882	5,963	
Other current liabilities	258,604	115,898	-	374,502	291,257	
<b>Total liabilities</b>	<b>618,670</b>	<b>281,566</b>	<b>753</b>	<b>900,989</b>	<b>789,026</b>	
<b>NET ASSETS</b>						
<b>Net Assets</b>						
<b>Held in trust for pension benefits</b>	<b>\$ 2,925,742</b>	<b>\$ 1,317,470</b>	<b>\$ 424,254</b>	<b>\$ 4,667,466</b>	<b>\$ 4,038,521</b>	

*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, 2010**  
**(With Comparative Totals for the Year Ended September 30, 2009)**  
**(\$000s)**

	<b>Pension Trust Funds</b>		<b>Postemployment Benefit Trust Fund (OPEB)</b>	<b>Totals</b>	
	<b>Police &amp; Fire</b>	<b>Teachers</b>		<b>2010</b>	<b>2009</b>
<b>Additions:</b>					
Benefit contributions:					
Employer	\$ 132,300	\$ -	\$ 90,700	\$ 223,000	\$ 187,100
Plan members	31,607	29,940	208	61,755	55,605
Investment income (loss):					
<i>From investment activities</i>					
Net appreciation (depreciation) in fair value of investments	156,515	72,809	22,089	251,413	(173,611)
Other revenue	1,555	695	-	2,250	2,473
Interest and dividends	121,648	56,495	7,544	185,687	95,943
Less - investment expenses	(9,282)	(4,197)	-	(13,479)	(12,262)
Net income (loss) from investing activities	<u>270,436</u>	<u>125,802</u>	<u>29,633</u>	<u>425,871</u>	<u>(87,457)</u>
<i>From securities lending activities</i>					
Securities lending income	2,210	1,028	-	3,238	8,522
Less: securities lending expenses	(814)	(379)	-	(1,193)	(3,637)
Net income from securities lending activities	<u>1,396</u>	<u>649</u>	<u>-</u>	<u>2,045</u>	<u>4,885</u>
Total net investment income (loss)	<u>271,832</u>	<u>126,451</u>	<u>29,633</u>	<u>427,916</u>	<u>(82,572)</u>
Total additions	<u>435,739</u>	<u>156,391</u>	<u>120,541</u>	<u>712,671</u>	<u>160,133</u>
<b>Deductions:</b>					
Benefit payments	29,846	40,985	3,381	74,212	67,390
Administrative expenses	5,145	2,327	2,042	9,514	8,387
Total deductions	<u>34,991</u>	<u>43,312</u>	<u>5,423</u>	<u>83,726</u>	<u>75,777</u>
<i>Change in net assets</i>	<b>400,748</b>	<b>113,079</b>	<b>115,118</b>	<b>628,945</b>	<b>84,356</b>
<b>Net assets held in trust for pension benefits:</b>					
October 1	<u>2,524,994</u>	<u>1,204,391</u>	<u>309,136</u>	<u>4,038,521</u>	<u>3,954,165</u>
September 30	<u>\$ 2,925,742</u>	<u>\$ 1,317,470</u>	<u>\$ 424,254</u>	<u>\$ 4,667,466</u>	<u>\$ 4,038,521</u>

*See Accompanying Independent Auditors' Report.*

**Exhibit C-3**

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended September 30, 2010**  
**( $\$000s$ )**

	Balance October 1 2009	Additions	Deductions	Balance September 30 2010
<b>ASSETS</b>				
Cash and cash equivalents - restricted	\$ 91,814	\$ 3,516,230	\$ 3,530,406	\$ 77,638
Due from other funds	206	2,086	-	2,292
Other receivables	8,115	1,135,763	1,125,801	18,077
<b>Total assets</b>	<b>\$ 100,135</b>	<b>\$ 4,654,079</b>	<b>\$ 4,656,207</b>	<b>\$ 98,007</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 8,169	\$ 26,891	\$ 26,540	\$ 8,520
Due to other funds	7,139	131	7,270	-
Other current liabilities	84,827	8,751,372	8,746,712	89,487
<b>Total liabilities</b>	<b>\$ 100,135</b>	<b>\$ 8,778,394</b>	<b>\$ 8,780,522</b>	<b>\$ 98,007</b>

*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, 2010**  
(\$000s)

	Budget			
	Original	Revised	Actual	Variance
<b>Governmental direction and support:</b>				
Council of the district of columbia	\$ 19,832	\$ 19,699	\$ 18,768	\$ 931
Office of the d.c. auditor	4,119	4,338	3,858	480
Advisory neighborhood commissions	1,001	993	920	73
Office of the mayor	5,349	4,353	4,333	20
Office of the secretary	3,299	3,194	2,955	239
Office of the inspector general	17,541	17,614	16,632	982
Medical liability captive	1,000	1,000	210	790
City administrator / deputy mayor	5,442	5,121	5,033	88
DC office of personnel	5,686	5,527	5,414	113
Office of finance & resource mgmt	4,323	4,323	4,297	26
Department of property management	35,208	33,611	29,685	3,926
Office of contracting & procurement	3,897	3,797	3,298	499
Contract appeals board	1,100	1,040	1,032	8
Office of the chief financial officer	143,349	131,668	131,326	342
Office of the attorney general	87,813	82,382	78,552	3,830
Office of risk management	1,039	1,039	1,016	23
Office of community affairs	3,022	2,722	2,678	44
Serve dc	3,757	3,526	3,447	79
Office of disability rights	1,135	1,253	1,181	72
Office of partnership and grant services	642	786	768	18
Office of chief technology officer	43,052	50,523	50,114	409
Board of elections and ethics	5,382	8,953	8,474	479
Office of campaign finance	1,690	1,640	1,636	4
Public employee relations board	1,004	1,064	1,055	9
Office of employee appeals	1,798	1,798	1,753	45
Metropolitan wash council of governments	396	396	297	99
Not for profit hospital	-	26,000	26,000	-
<b>Total governmental direction and support</b>	<b>401,876</b>	<b>418,360</b>	<b>404,732</b>	<b>13,628</b>
<b>Economic development and regulation:</b>				
Business services and economic development	41,410	39,335	30,829	8,506
Office of local business development	2,385	2,917	2,682	235
Office of municipal planning	8,128	8,735	7,824	911
Office of zoning	3,136	3,136	2,986	150
Dept of housing and community development	84,585	147,382	85,312	62,070
Office of motion picture and television development	636	606	537	69
Department of employment services	140,148	157,396	116,728	40,668
Board of real property assess & appeals	698	698	645	53
Dept of consumer and regulatory affairs	35,133	35,680	32,251	3,429
Alcoholic beverage regulation administration	5,886	5,654	5,251	403
Office of cable tv	8,477	7,626	6,685	941
Commission on arts & humanities	6,563	6,835	6,238	597
Housing authority subsidy	25,103	25,103	25,103	-
Business improvement districts transfer	23,000	23,000	-	23,000
Housing production trust fund subsidy	13,039	13,039	13,039	-
Office of tenant advocate	3,567	2,774	2,319	455
Public service commission	10,111	10,320	9,781	539
Insurance regulation	16,327	16,240	14,953	1,287
Office of people's counsel	5,136	5,136	4,723	413
<b>Total economic development and regulation</b>	<b>433,468</b>	<b>511,612</b>	<b>367,886</b>	<b>143,726</b>
<b>Public safety and justice:</b>				
Metropolitan police department	485,296	470,583	464,178	6,405
Fire and emergency medical services	189,455	198,366	196,812	1,554
Police and firefighter retirement system	132,975	132,976	132,299	677
Office of administrative hearings	7,013	7,013	7,003	10
Criminal justice coordinating council	2,298	1,847	1,719	128
Corrections information council	25	-	-	-
Department of corrections	138,710	156,708	150,767	5,941
Chief medical officer	8,638	8,487	8,325	162
Forensic health & science lab	1,249	1,293	1,293	-
DC national guard	7,856	6,103	5,935	168
Emergency management agency	239,043	231,634	95,391	136,243
Commission on judicial disabilities and tenure	295	263	263	-
Judicial nomination commission	205	146	146	-
Citizen complaint review board	2,618	2,619	2,587	32
Office of unified communications	40,912	48,218	46,780	1,438
Motor vehicle theft prevention commission	750	-	-	-
Office of victim services	14,700	15,071	8,348	6,723
Office of justice grant administration	10,892	11,246	10,383	863
Section 103 judgments	-	3,000	3,000	-
Advisory commission on sentencing	816	816	794	22
<b>Total public safety and justice</b>	<b>1,283,746</b>	<b>1,296,389</b>	<b>1,136,023</b>	<b>160,366</b>

(Continued)

(Continued)  
Exhibit D-1

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS EXPENDITURES**  
**Year Ended September 30, 2010**  
**(\$000s)**

	Budget			
	Original	Revised	Actual	Variance
<b>Public education system:</b>				
District of columbia public schools	570,824	573,959	571,149	2,810
AY11 public school advance appropriations	27,118	27,118	-	-
Public charter schools	373,969	267,679	267,635	44
AY11 public charter school advance appropriations	108,210	108,210	-	-
Teachers' retirement system	3,000	3,000	3,000	-
University of the district of columbia	62,070	62,070	62,070	-
State education office	423,212	571,799	428,604	143,195
DC public library	41,539	41,890	40,764	1,126
Office of public education facilities modernization	32,199	32,475	31,437	1,038
DC public charter school board	3,637	3,637	1,605	2,032
Special education training	77,431	93,282	93,066	216
AY11 advance appropriations	315	315	-	-
Non-public tuition	149,100	166,655	166,568	87
Department of education	778	828	823	5
<b>Total public education system</b>	<b>1,737,759</b>	<b>1,952,917</b>	<b>1,802,364</b>	<b>150,553</b>
<b>Human support services:</b>				
Department of human services	321,060	322,610	319,649	2,961
Department of health	228,640	239,046	226,962	12,084
Department of parks and recreation	41,639	49,635	48,651	984
DC office on aging	23,004	25,097	24,131	966
Unemployment compensation fund	11,136	17,231	17,231	-
Disability compensation fund	25,163	38,310	38,310	-
Office of human rights	2,935	2,636	2,551	85
Office on latino affairs	3,821	3,777	3,712	65
Children investment trust	10,602	10,602	10,602	-
Child and family services	253,136	268,116	266,825	1,291
Dept of mental health	202,367	204,274	202,383	1,891
Asian and pacific islander affairs	965	877	871	6
Office of veteran affairs	463	463	423	40
Dept of youth rehab services	89,016	101,240	100,396	844
Department on disability services	95,130	94,871	92,693	2,178
Department of health care finance	2,048,514	2,088,028	1,987,747	100,281
<b>Total human support services</b>	<b>3,357,591</b>	<b>3,466,813</b>	<b>3,343,137</b>	<b>123,676</b>
<b>Public works:</b>				
Department of public works	125,122	128,386	124,739	3,647
Department of transportation	107,132	124,982	116,181	8,801
Taxi cab commission	1,869	1,654	1,544	110
Department of motor vehicles	40,286	39,832	36,389	3,443
Washington metro area transit commission	123	123	123	-
Mass transit subsidies	243,668	243,668	243,668	-
District depart. of environment	109,440	90,744	78,506	12,238
School transit subsidies	7,668	6,333	6,326	7
<b>Total public works</b>	<b>635,308</b>	<b>635,722</b>	<b>607,476</b>	<b>28,246</b>
<b>Other:</b>				
Repayment of loans and interest	472,061	370,795	351,816	18,979
Bond fiscal chg paid from bond proceeds	15,000	15,000	6,514	8,486
Repayment of interest on short-term borrowing	9,000	3,000	2,373	627
Settlements and judgments fund	21,477	21,477	21,470	7
Presidential inauguration	-	44	44	-
Wilson building	3,625	3,242	3,226	16
School modernization fund	8,612	8,612	8,612	-
District retiree health contribution	90,700	90,700	90,700	-
Repayment of revenue bonds	4,861	4,861	2,149	2,712
Certificate of participation	32,285	32,285	32,257	28
Convention center transfer dedicated taxes	93,054	93,054	93,054	-
Highway trust fund transfer	29,762	29,762	24,889	4,873
Baschall dedicated tax transfer	32,081	32,081	32,081	-
TIF and pilot transfer	45,992	45,992	34,140	11,852
Emergency planning and security costs	15,000	15,624	15,624	-
Cash reserve	-	53	-	53
Equipment lease operating	46,157	44,320	43,863	457
Emergency and contingency reserve funds	-	47,480	-	47,480
Pay-go capital	2,984	14,933	14,933	-
Non-departmental	3,603	2,761	2,410	351
DC retirement board	30,622	30,622	20,945	9,677
Housing finance agency	8,894	8,894	-	8,894
<b>Total other</b>	<b>965,770</b>	<b>915,592</b>	<b>801,100</b>	<b>114,492</b>
<b>Total</b>	<b>\$ 8,815,518</b>	<b>\$ 9,197,405</b>	<b>\$ 8,462,718</b>	<b>\$ 734,687</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, 2010**  
**( $\$000$ s)**

	Local Source				Federal Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
<b>Governmental direction and support:</b>								
Council of the district of columbia	\$ 19,833	\$ 19,700	\$ 18,768	\$ 932	- \$	- \$	- \$	- \$
Office of the d.c. auditor	4,119	4,339	3,858	481	-	-	-	-
Advisory neighborhood commissions	1,001	994	920	74	-	-	-	-
Office of the mayor	5,349	4,349	4,333	16	-	-	-	-
Office of the secretary	2,751	2,647	2,520	127	-	-	-	-
Office of the inspector general	15,457	15,527	14,880	647	2,084	2,087	1,752	335
Medical liability captive	-	-	-	-	-	-	-	-
City administrator / deputy mayor	5,442	5,042	5,017	25	-	-	-	-
DC office of personnel	5,408	5,249	5,136	113	-	-	-	-
Office of finance & resource mgmt	4,323	4,323	4,297	26	-	-	-	-
Department of property management	21,801	19,604	19,546	58	-	-	-	-
Office of contracting & procurement	3,021	2,921	2,775	146	-	-	-	-
Contract appeals board	1,100	1,040	1,032	8	-	-	-	-
Office of the chief financial officer	105,866	115,268	115,213	55	-	950	950	-
Office of the attorney general	58,303	56,748	56,039	709	22,676	18,698	18,598	100
Office of risk management	1,039	1,039	1,016	23	-	-	-	-
Office of community affairs	3,022	2,722	2,678	44	-	-	-	-
Serve dc	434	434	355	79	3,323	3,087	3,087	-
Office of disability rights	1,135	1,033	961	72	-	220	220	-
Office of partnership and grant services	642	642	624	18	-	144	144	-
Office of chief technology officer	41,027	46,134	46,089	45	-	865	561	304
Board of elections and ethics	5,193	5,443	4,995	448	189	3,510	3,479	31
Office of campaign finance	1,690	1,640	1,636	4	-	-	-	-
Public employee relations board	1,004	1,064	1,055	9	-	-	-	-
Office of employee appeals	1,798	1,798	1,753	45	-	-	-	-
Metropolitan wash council of governments	396	396	297	99	-	-	-	-
Not for profit hospital	-	26,000	26,000	-	-	-	-	-
<b>Total governmental direction and support</b>	<b>311,154</b>	<b>346,096</b>	<b>341,793</b>	<b>4,303</b>	<b>28,272</b>	<b>29,561</b>	<b>28,791</b>	<b>770</b>
<b>Economic development and regulation:</b>								
Business services and economic development	25,184	25,177	20,993	4,184	8,000	6,575	3,157	3,418
Office of local business development	2,385	2,374	2,339	35	-	445	341	104
Office of municipal planning	7,618	7,915	7,220	695	450	760	574	186
Office of zoning	3,136	3,136	2,986	150	-	-	-	-
Dept of housing and community development	10,020	22,226	22,220	6	63,962	113,156	58,729	54,427
Office of motion picture and television development	584	554	518	36	-	-	-	-
Department of employment services	57,215	51,459	50,980	479	42,081	65,326	37,845	27,481
Board of real property assess & appeals	698	698	645	53	-	-	-	-
Dept of consumer and regulatory affairs	13,258	15,938	15,499	439	-	-	-	-
Alcoholic beverage regulation administration	400	400	400	-	-	-	-	-
Office of cable tv	-	-	-	-	-	-	-	-
Commission on arts & humanities	5,434	5,390	5,160	230	729	1,045	1,028	17
Housing authority subsidy	25,103	25,103	25,103	-	-	-	-	-
Business improvement districts transfer	-	-	-	-	-	-	-	-
Housing production trust fund subsidy	13,039	13,039	13,039	-	-	-	-	-
Office of tenant advocate	560	560	539	21	-	-	-	-
Public service commission	-	-	-	-	154	221	220	1
Insurance regulation	-	-	-	-	-	-	-	-
Office of people's counsel	-	-	-	-	-	-	-	-
<b>Total economic development and regulation</b>	<b>164,634</b>	<b>173,969</b>	<b>167,641</b>	<b>6,328</b>	<b>115,376</b>	<b>187,528</b>	<b>101,894</b>	<b>85,634</b>
<b>Public safety and justice:</b>								
Metropolitan police department	446,423	437,754	437,494	260	6,491	5,782	5,539	243
Fire and emergency medical services	187,935	194,849	193,326	1,523	-	1,996	1,982	14
Police and firefighter retirement system	132,975	132,975	132,300	675	-	-	-	-
Office of administrative hearings	7,005	7,005	7,003	2	-	-	-	-
Criminal justice coordinating council	298	298	298	-	2,000	1,511	1,383	128
Corrections information council	25	-	-	-	-	-	-	-
Department of corrections	103,887	125,301	124,778	523	-	222	187	35
Chief medical officer	8,364	8,213	8,074	139	-	-	-	-
Forensic health & science lab	1,249	1,293	1,293	-	-	-	-	-
DC national guard	3,365	3,442	3,317	125	4,491	2,662	2,617	45
Emergency management agency	3,277	3,572	3,561	11	235,767	228,064	91,831	136,233
Commission on judicial disabilities and tenure	-	-	-	-	295	263	263	-
Judicial nomination commission	-	-	-	-	205	146	146	-
Citizen complaint review board	2,618	2,618	2,587	31	-	-	-	-
Office of unified communications	29,873	31,161	31,003	158	-	-	-	-
Motor vehicle theft prevention commission	225	-	-	-	-	-	-	-
Office of victim services	3,065	3,065	3,065	-	3,610	3,981	3,681	300
Office of justice grant administration	395	395	395	-	10,497	10,851	9,988	863
Section 103 judgments	-	3,000	3,000	-	-	-	-	-
Advisory commission on sentencing	816	816	794	22	-	-	-	-
<b>Total public safety and justice</b>	<b>931,795</b>	<b>955,757</b>	<b>952,288</b>	<b>3,469</b>	<b>263,356</b>	<b>255,478</b>	<b>117,617</b>	<b>137,861</b>

## Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
**Year Ended September 30, 2010**  
**( $\$000$ s)**

	Local Source				Federal Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
<b>Public education system:</b>								
District of columbia public schools	510,881	490,557	490,556	1	52,155	55,872	54,068	1,804
AY11 public school advance appropriations		27,118	27,118	-		-	-	-
Public charter schools	373,969	267,679	267,635	44	-	-	-	-
AY11 public charter school advance appropriations		108,210	108,210	-		-	-	-
Teacher's retirement system	3,000	3,000	3,000	-	-	-	-	-
University of the district of columbia	62,070	62,070	62,070	-		-	-	-
State education office	111,990	108,190	106,370	1,820	300,494	455,550	318,742	136,808
DC public library	39,904	39,554	39,186	368	795	1,191	1,191	-
Office of public education facilities modernization	28,914	28,768	28,761	7	-	-	-	-
DC public charter school board	1,660	1,660	1,605	55	-	-	-	-
Special education tran	77,431	93,282	93,066	216	-	-	-	-
AY11 advance appropriations		315	315	-		-	-	-
Non-public tuition	149,100	166,655	166,568	87	-	-	-	-
Department of education	778	828	823	5	-	-	-	-
<b>Total public education system</b>	<b>1,359,697</b>	<b>1,397,886</b>	<b>1,395,283</b>	<b>2,603</b>	<b>353,444</b>	<b>512,613</b>	<b>374,001</b>	<b>138,612</b>
<b>Human support services:</b>								
Department of human services	144,388	142,170	141,095	1,075	173,948	177,885	177,885	-
Department of health	78,190	73,550	72,639	911	135,859	148,735	140,065	8,670
Department of parks and recreation	39,625	47,712	46,945	767	-	-	-	-
DC office on aging	16,218	17,336	16,638	698	6,786	7,761	7,493	268
Unemployment compensation fund	11,136	17,231	17,231	-	-	-	-	-
Disability compensation fund	25,163	38,310	38,310	-	-	-	-	-
Office of human rights	2,617	2,306	2,222	84	318	329	329	-
Office on latino affairs	3,821	3,777	3,712	65	-	-	-	-
Children investment trust	10,602	10,602	10,602	-	-	-	-	-
Child and family services	194,161	207,690	206,400	1,290	58,203	59,259	59,259	-
Dept of mental health	191,390	188,528	187,898	630	6,435	7,328	7,090	238
Asian and pacific islander affairs	965	875	869	6	-	-	-	-
Office of veteran affairs	463	463	423	40	-	-	-	-
Dept of youth rehab services	85,016	97,860	97,016	844	4,000	3,380	3,380	-
Department on disability services	62,007	61,643	59,465	2,178	26,923	27,791	27,791	-
Department of health care finance	512,455	531,507	527,878	3,629	1,534,236	1,554,274	1,457,622	96,652
<b>Total human support services</b>	<b>1,378,217</b>	<b>1,441,560</b>	<b>1,429,343</b>	<b>12,217</b>	<b>1,946,708</b>	<b>1,986,742</b>	<b>1,880,914</b>	<b>105,828</b>
<b>Public works:</b>								
Department of public works	116,021	119,285	119,211	74	-	-	-	-
Department of transportation	13,043	18,410	18,409	1	4,200	10,603	9,418	1,185
Taxi cab commission	1,213	1,114	1,077	37	-	-	-	-
Department of motor vehicles	26,524	26,958	26,630	328	-	154	154	-
Washington metro area transit commission	123	123	123	-	-	-	-	-
Mass transit subsidies	231,668	231,668	231,668	-	-	-	-	-
District depart. of environment	17,343	17,083	16,314	769	51,762	32,228	31,889	339
School transit subsidies	7,668	6,333	6,326	7	-	-	-	-
<b>Total public works</b>	<b>413,603</b>	<b>420,974</b>	<b>419,758</b>	<b>1,216</b>	<b>55,962</b>	<b>42,985</b>	<b>41,461</b>	<b>1,524</b>
<b>Other:</b>								
Repayment of loans and interest	468,596	367,330	348,351	18,979	-	-	-	-
Bond fiscal chg paid from bond proceeds	15,000	15,000	6,514	8,486	-	-	-	-
Repayment of interest on short-term borrowing	9,000	3,000	2,373	627	-	-	-	-
Settlements and judgments fund	21,477	21,477	21,470	7	-	-	-	-
Presidential inauguration	-	-	-	-	-	44	44	-
Wilson building	3,625	3,242	3,226	16	-	-	-	-
Schools modernization fund	8,612	8,612	8,612	-	-	-	-	-
District retiree health contribution	90,700	90,700	90,700	-	-	-	-	-
Repayment of revenue bonds	4,861	4,861	2,149	2,712	-	-	-	-
Certificate of participation	32,285	32,285	32,257	28	-	-	-	-
Convention center transfer-dedicated taxes	93,054	93,054	93,054	-	-	-	-	-
Highway trust fund transfer	29,762	29,762	24,889	4,873	-	-	-	-
Baseball dedicated tax transfer	32,081	32,081	32,081	-	-	-	-	-
TII and pilot transfer	45,992	45,992	34,140	11,852	-	-	-	-
Emergency planning and security costs	-	-	-	-	15,000	15,624	15,624	-
Cash reserve	-	53	-	53	-	-	-	-
Equipment lease operating	46,157	44,320	43,863	457	-	-	-	-
Emergency and contingency reserve funds	-	47,480	-	47,480	-	-	-	-
Pay-go capital	-	499	499	-	-	-	-	-
Non-departmental	3,603	2,761	2,410	351	-	-	-	-
DC retirement board	-	-	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-	-	-
<b>Total other</b>	<b>904,805</b>	<b>842,509</b>	<b>746,588</b>	<b>95,921</b>	<b>15,000</b>	<b>15,668</b>	<b>15,668</b>	<b>-</b>
<b>Total</b>	<b>\$ 5,463,905</b>	<b>\$ 5,578,751</b>	<b>\$ 5,452,694</b>	<b>\$ 126,057</b>	<b>\$ 2,778,118</b>	<b>\$ 3,030,575</b>	<b>\$ 2,560,346</b>	<b>\$ 470,229</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, 2010  
(\$000s)

	Private Grants				Other Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
<b>Governmental direction and support:</b>								
Council of the district of columbia	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office of the d.c. auditor	-	-	-	-	-	-	-	-
Advisory neighborhood commissions	-	-	-	-	-	-	-	-
Office of the mayor	-	-	-	-	-	-	-	-
Office of the secretary	8	8	8	-	540	540	427	113
Office of the inspector general	-	-	-	-	-	-	-	-
Medical liability captive	-	-	-	-	1,000	1,000	210	790
City administrator / deputy mayor	-	79	16	63	-	-	-	-
DC office of personnel	-	-	-	-	277	277	277	-
Office of finance & resource mgmt	-	-	-	-	-	-	-	-
Department of property management	-	-	-	-	13,407	14,007	10,139	3,868
Office of contracting & procurement	-	-	-	-	876	876	523	353
Contract appeals board	-	-	-	-	-	-	-	-
Office of the chief financial officer	-	40	9	31	37,483	15,410	15,154	256
Office of the attorney general	-	102	102	-	6,834	6,834	3,813	3,021
Office of risk management	-	-	-	-	-	-	-	-
Office of community affairs	-	-	-	-	-	-	-	-
Serve dc	-	5	5	-	-	-	-	-
Office of disability rights	-	-	-	-	-	-	-	-
Office of partnership and grant services	-	-	-	-	-	-	-	-
Office of chief technology officer	-	-	-	-	2,025	3,525	3,465	60
Board of elections and ethics	-	-	-	-	-	-	-	-
Office of campaign finance	-	-	-	-	-	-	-	-
Public employee relations board	-	-	-	-	-	-	-	-
Office of employee appeals	-	-	-	-	-	-	-	-
Metropolitan wash council of governments	-	-	-	-	-	-	-	-
Not for profit hospital	-	-	-	-	-	-	-	-
<b>Total governmental direction and support</b>	<b>8</b>	<b>234</b>	<b>140</b>	<b>94</b>	<b>62,442</b>	<b>42,469</b>	<b>34,008</b>	<b>8,461</b>
<b>Economic development and regulation:</b>								
Business services and economic development	-	-	-	-	8,226	7,584	6,680	904
Office of local business development	-	-	-	-	-	98	-	98
Office of municipal planning	-	-	-	-	60	60	28	32
Office of zoning	-	-	-	-	-	-	-	-
Dept of housing and community development	-	203	127	76	10,603	11,797	4,237	7,560
Office of motion picture and television development	-	-	-	-	52	52	20	32
Department of employment services	80	80	-	80	40,771	40,530	27,903	12,627
Board of real property assess & appeals	-	-	-	-	-	-	-	-
Dept of consumer and regulatory affairs	-	-	-	-	21,875	19,741	16,752	2,989
Alcoholic beverage regulation administration	-	-	-	-	5,486	5,254	4,851	403
Office of cable tv	-	-	-	-	8,477	7,626	6,685	941
Commission on arts & humanities	-	-	-	-	400	400	51	349
Housing authority subsidy	-	-	-	-	-	-	-	-
Business improvement districts transfer	-	-	-	-	23,000	23,000	-	23,000
Housing production trust fund subsidy	-	-	-	-	-	-	-	-
Office of tenant advocate	-	-	-	-	3,007	2,214	1,780	434
Public service commission	-	-	-	-	9,958	10,100	9,561	539
Insurance regulation	-	-	-	-	16,327	16,240	14,953	1,287
Office of people's counsel	-	-	-	-	5,136	5,136	4,723	413
<b>Total economic development and regulation</b>	<b>80</b>	<b>283</b>	<b>127</b>	<b>156</b>	<b>153,378</b>	<b>149,832</b>	<b>98,224</b>	<b>51,608</b>
<b>Public safety and justice:</b>								
Metropolitan police department	200	324	124	200	32,181	26,720	21,021	5,699
Fire and emergency medical services	-	-	-	-	1,520	1,520	1,504	16
Police and firefighter retirement system	-	-	-	-	-	-	-	-
Office of administrative hearings	-	-	-	-	8	8	-	8
Criminal justice coordinating council	-	38	38	-	-	-	-	-
Corrections information council	-	-	-	-	-	-	-	-
Department of corrections	-	-	-	-	34,824	31,187	25,801	5,386
Chief medical officer	-	-	-	-	274	274	251	23
Forensic health & science lab	-	-	-	-	-	-	-	-
DC national guard	-	-	-	-	-	-	-	-
Emergency management agency	-	-	-	-	-	-	-	-
Commission on judicial disabilities and tenure	-	-	-	-	-	-	-	-
Judicial nomination commission	-	-	-	-	-	-	-	-
Citizen complaint review board	-	1	-	1	-	-	-	-
Office of unified communications	-	19	-	19	11,038	17,038	15,777	1,261
Motor vehicle theft prevention commission	-	-	-	-	525	-	-	-
Office of victim services	-	-	-	-	8,025	8,025	1,602	6,423
Office of justice grant administration	-	-	-	-	-	-	-	-
Section 103 judgments	-	-	-	-	-	-	-	-
Advisory commission on sentencing	-	-	-	-	-	-	-	-
<b>Total public safety and justice</b>	<b>200</b>	<b>382</b>	<b>162</b>	<b>220</b>	<b>88,395</b>	<b>84,772</b>	<b>65,956</b>	<b>18,816</b>

Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
**Year Ended September 30, 2010**  
**(\$000s)**

	Private Grants				Other Source			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
<b>Public education system:</b>								
District of columbia public schools	3,784	22,367	21,371	996	4,005	5,164	5,153	11
AY11 public school advance appropriations	-	-	-	-	-	-	-	-
Public charter schools	-	-	-	-	-	-	-	-
AY11 public charter school advance appropriations	-	-	-	-	-	-	-	-
Teacher's retirement system	-	-	-	-	-	-	-	-
University of the district of columbia	-	-	-	-	-	-	-	-
State education office	-	15	-	15	10,728	8,044	3,492	4,552
DC public library	-	-	-	-	840	1,145	387	758
Office of public education facilities modernization	-	-	-	-	3,286	3,708	2,676	1,032
DC public charter school board	-	-	-	-	1,976	1,976	-	1,976
Special education tran	-	-	-	-	-	-	-	-
AY11 advance appropriations	-	-	-	-	-	-	-	-
Non-public tuition	-	-	-	-	-	-	-	-
Department of education	-	-	-	-	-	-	-	-
<b>Total public education system</b>	<b>3,784</b>	<b>22,382</b>	<b>21,371</b>	<b>1,011</b>	<b>20,835</b>	<b>20,037</b>	<b>11,708</b>	<b>8,329</b>
<b>Human support services:</b>								
Department of human services	-	49	49	-	2,725	2,507	620	1,887
Department of health	319	458	458	-	14,272	16,303	13,800	2,503
Department of parks and recreation	-	146	141	5	2,014	1,778	1,565	213
DC office on aging	-	-	-	-	-	-	-	-
Unemployment compensation fund	-	-	-	-	-	-	-	-
Disability compensation fund	-	-	-	-	-	-	-	-
Office of human rights	-	-	-	-	-	-	-	-
Office on latino affairs	-	-	-	-	-	-	-	-
Children investment trust	-	-	-	-	-	-	-	-
Child and family services	22	198	198	-	750	968	968	-
Dept of mental health	117	103	103	-	4,424	8,314	7,292	1,022
Asian and pacific islander affairs	-	2	2	-	-	-	-	-
Office of veteran affairs	-	-	-	-	-	-	-	-
Depart of youth rehab services	-	-	-	-	-	-	-	-
Department on disability services	-	-	-	-	6,200	5,437	5,437	-
Department of health care finance	-	-	-	-	1,823	2,248	2,247	1
<b>Total human support services</b>	<b>458</b>	<b>956</b>	<b>951</b>	<b>5</b>	<b>32,208</b>	<b>37,555</b>	<b>31,929</b>	<b>5,626</b>
<b>Public works:</b>								
Department of public works	-	-	-	-	9,101	9,101	5,527	3,574
Department of transportation	-	94	94	-	89,889	95,875	88,260	7,615
Taxi cab commission	-	-	-	-	656	540	467	73
Department of motor vehicles	-	-	-	-	13,762	12,720	9,606	3,114
Washington metro area transit commission	-	-	-	-	-	-	-	-
Mass transit subsidies	-	-	-	-	12,000	12,000	12,000	-
District depart. of environment	130	190	190	-	40,205	41,243	30,113	11,130
School transit subsidies	-	-	-	-	-	-	-	-
<b>Total public works</b>	<b>130</b>	<b>284</b>	<b>284</b>	<b>-</b>	<b>165,613</b>	<b>171,479</b>	<b>145,973</b>	<b>25,506</b>
<b>Other:</b>								
Repayment of loans and interest	-	-	-	-	3,465	3,465	3,465	-
Bond fiscal chg paid from bond proceeds	-	-	-	-	-	-	-	-
Repayment of interest on short-term borrowing	-	-	-	-	-	-	-	-
Settlements and judgments fund	-	-	-	-	-	-	-	-
Presidential inauguration	-	-	-	-	-	-	-	-
Wilson building	-	-	-	-	-	-	-	-
Schools modernization fund	-	-	-	-	-	-	-	-
District retiree health contribution	-	-	-	-	-	-	-	-
Repayment of revenue bonds	-	-	-	-	-	-	-	-
Certificate of participation	-	-	-	-	-	-	-	-
Convention center transfer-dedicated taxes	-	-	-	-	-	-	-	-
Highway trust fund transfer	-	-	-	-	-	-	-	-
Baseball dedicated tax transfer	-	-	-	-	-	-	-	-
TIF and pilot transfer	-	-	-	-	-	-	-	-
Emergency planning and security costs	-	-	-	-	-	-	-	-
Cash reserve	-	-	-	-	-	-	-	-
Equipment lease operating	-	-	-	-	-	-	-	-
Emergency and contingency reserve funds	-	-	-	-	-	-	-	-
Pay-go capital	-	-	-	-	2,984	14,434	14,434	-
Non-departmental	-	-	-	-	-	-	-	-
DC retirement board	-	-	-	-	30,622	30,622	20,945	9,677
Housing finance agency	-	-	-	-	8,894	8,894	-	8,894
<b>Total other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,965</b>	<b>57,415</b>	<b>38,844</b>	<b>18,571</b>
<b>Total</b>	<b>\$ 4,660</b>	<b>\$ 24,521</b>	<b>\$ 23,035</b>	<b>\$ 1,486</b>	<b>\$ 568,836</b>	<b>\$ 563,559</b>	<b>\$ 426,642</b>	<b>\$ 136,917</b>

See Accompanying Independent Auditors' Report.

**Exhibit D-3**

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGET REVISIONS**  
**Year Ended September 30, 2010**  
**(\$000s)**

	Local Source			Federal Resources		
	Original Budget	Reprog-ramming	Revised Budget	Original Budget	Reprog-ramming	Revised Budget
<b>Revenues and Sources:</b>						
Taxes:						
Property taxes	\$ 1,835,702	\$ 2,832	\$ 1,838,534	\$ -	\$ -	\$ -
Sales and use taxes	1,141,396	(31,852)	1,109,544	-	-	-
Income taxes	1,463,177	109,503	1,572,680	-	-	-
Other taxes	524,651	(441)	524,210	-	-	-
Total taxes	4,964,926	80,042	5,044,968	-	-	-
Licenses and permits	60,959	5,196	66,155	-	-	-
Fines and forfeits	180,411	(33,208)	147,203	-	-	-
Charges for services	45,901	(8,127)	37,774	-	-	-
Miscellaneous	122,069	(38,884)	83,185	-	-	-
Other	-	-	-	-	-	-
Federal contributions	-	-	-	136,175	50,032	186,207
Operating grant	-	-	-	2,641,943	188,457	2,830,400
General obligation bonds	15,000	-	15,000	-	-	-
Fund balance released from restrictions	60,301	70,987	131,288	-	13,968	13,968
Transfer in from Lottery Board	65,775	1,575	67,350	-	-	-
Transfer in-others	3,497	20,400	23,897	-	-	-
<b>Total revenues and sources</b>	<b>5,518,839</b>	<b>97,981</b>	<b>5,616,820</b>	<b>2,778,118</b>	<b>252,457</b>	<b>3,030,575</b>
<b>Expenditures and Uses:</b>						
Governmental direction and support	311,154	34,942	346,096	28,272	1,289	29,561
Economic development and regulation	164,634	9,335	173,969	115,376	72,152	187,528
Public safety and justice	931,795	23,962	955,757	263,356	(7,878)	255,478
Public education system	1,359,697	(97,454)	1,262,243	353,444	159,169	512,613
Public education AY11 expenditure	-	135,643	135,643	-	-	-
Human support services	1,378,217	63,343	1,441,560	1,946,708	40,034	1,986,742
Public works	413,603	7,371	420,974	55,962	(12,977)	42,985
Repayment of loans and interest	468,596	(101,266)	367,330	-	-	-
Bond fiscal chg paid from bond proceeds	15,000	-	15,000	-	-	-
Repayment of interest on short-term borrowings	9,000	(6,000)	3,000	-	-	-
Settlements and judgments fund	21,477	-	21,477	-	-	-
Presidential inauguration	-	-	-	-	44	44
Wilson building	3,625	(383)	3,242	-	-	-
Schools modernization fund	8,612	-	8,612	-	-	-
District retiree health contribution	90,700	-	90,700	-	-	-
Repayment of revenue bonds	4,861	-	4,861	-	-	-
Certificate of participation	32,285	-	32,285	-	-	-
Convention center transfer-dedicated taxes	93,054	-	93,054	-	-	-
Highway trust fund transfer	29,762	-	29,762	-	-	-
Baseball dedicated tax transfer	32,081	-	32,081	-	-	-
TIF and pilot transfer	45,992	-	45,992	-	-	-
Emergency planning and security costs	-	-	-	15,000	624	15,624
Cash reserve	-	53	53	-	-	-
Equipment lease operating	46,157	(1,837)	44,320	-	-	-
Emergency and contingency reserve funds	-	47,480	47,480	-	-	-
Pay-go capital	-	499	499	-	-	-
Non-departmental	3,603	(842)	2,761	-	-	-
DC retirement board	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-
<b>Total expenditures and uses</b>	<b>5,463,905</b>	<b>114,846</b>	<b>5,578,751</b>	<b>2,778,118</b>	<b>252,457</b>	<b>3,030,575</b>
<b>Excess of Revenues and Sources Over Expenditures and Uses</b>						
Expenditures and Uses	\$ <u>54,934</u>	\$ <u>(16,865)</u>	\$ <u>38,069</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

*See Accompanying Independent Auditors' Report.*

## Exhibit D-3

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGET REVISIONS**  
**Year Ended September 30, 2010**  
**(\$000s)**

	Private Grant and Contributions			Other Sources		
	Original Budget	Reprogramming	Revised Budget	Original Budget	Reprogramming	Revised Budget
<b>Revenues and Sources:</b>						
Taxes:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-	-	-
Income taxes	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Total taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Other	-	-	-	500,090	(20,095)	479,995
Federal contributions	-	-	-	-	-	-
Operating grant	4,660	19,861	24,521	568,836	(5,277)	563,559
General obligation bonds	-	-	-	-	-	-
Fund balance released from restrictions	-	188	188	68,746	14,818	83,564
Transfer in from Lottery Board	-	-	-	-	-	-
Transfer in-others	-	-	-	-	-	-
<b>Total revenues and sources</b>	<b>4,660</b>	<b>19,861</b>	<b>24,521</b>	<b>568,836</b>	<b>(5,277)</b>	<b>563,559</b>
<b>Expenditures and Uses:</b>						
Governmental direction and support	8	226	234	62,442	(19,973)	42,469
Economic development and regulation	80	203	283	153,378	(3,546)	149,832
Public safety and justice	200	182	382	88,395	(3,623)	84,772
Public education system	3,784	18,598	22,382	20,835	(798)	20,037
Public education FY11 expenditure	-	-	-	-	-	-
Human support services	458	498	956	32,208	5,347	37,555
Public works	130	154	284	165,613	5,866	171,479
Repayment of loans and interest	-	-	-	3,465	-	3,465
Bond fiscal chg paid from bond proceeds	-	-	-	-	-	-
Repayment of interest on short-term borrowing	-	-	-	-	-	-
Settlements and judgments fund	-	-	-	-	-	-
Presidential inauguration	-	-	-	-	-	-
Wilson building	-	-	-	-	-	-
Schools modernization fund	-	-	-	-	-	-
District retiree health contribution	-	-	-	-	-	-
Repayment of revenue bonds	-	-	-	-	-	-
Certificate of participation	-	-	-	-	-	-
Convention center transfer-dedicated taxes	-	-	-	-	-	-
Highway trust fund transfer	-	-	-	-	-	-
Baseball dedicated tax transfer	-	-	-	-	-	-
TIF and pilot transfer	-	-	-	-	-	-
Emergency planning and security costs	-	-	-	-	-	-
Cash reserve	-	-	-	-	-	-
Equipment lease operating	-	-	-	-	-	-
Emergency and contingency reserve funds	-	-	-	-	-	-
Pay-go capital	-	-	-	2,984	11,450	14,434
Non-departmental	-	-	-	-	-	-
DC retirement board	-	-	-	30,622	-	30,622
Housing finance agency	-	-	-	8,894	-	8,894
<b>Total expenditures and uses</b>	<b>4,660</b>	<b>19,861</b>	<b>24,521</b>	<b>568,836</b>	<b>(5,277)</b>	<b>563,559</b>
<b>Excess of Revenues and Sources Over Expenditures and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



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

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2010

## STATISTICAL SECTION

# CAFR 2010



## **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:

<u>Section</u>		<u>Page</u>
<b>1. Financial Trends .....</b>		<b>155</b>
<b>2. Revenue Capacity.....</b>		<b>163</b>
<b>3. Debt Capacity .....</b>		<b>169</b>
<b>4. Demographic and Economic Information .....</b>		<b>175</b>
<b>5. Operating Information .....</b>		<b>177</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 Nine Fiscal Years**

(accrual basis of accounting, dollars in thousands)

<b>NET ASSETS</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<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	\$ 2,437,385
Restricted	834,006	870,284	807,839	930,021	987,650	1,269,708	1,156,213	852,061	1,117,560
Unrestricted	(625,908)	(593,786)	(370,474)	(249,088)	167,779	92,345	(404,959)	(505,804)	(780,363)
<b>Total governmental activities net assets</b>	<b>864,999</b>	<b>794,721</b>	<b>1,211,898</b>	<b>1,750,664</b>	<b>2,114,026</b>	<b>2,559,328</b>	<b>2,545,533</b>	<b>2,501,463</b>	<b>2,774,582</b>
<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	4,827
Restricted	271,361	262,148	288,224	322,893	347,938	375,148	374,282	304,773	233,296
Unrestricted	1,990	37,442	34,829	34,968	29,000	25,980	24,773	25,864	8,628
<b>Total business-type activities net assets</b>	<b>274,846</b>	<b>300,944</b>	<b>340,980</b>	<b>374,044</b>	<b>394,443</b>	<b>418,339</b>	<b>415,802</b>	<b>346,649</b>	<b>246,751</b>
<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	2,442,212
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	1,350,856
Unrestricted	(623,918)	(556,344)	(335,645)	(214,120)	196,779	118,325	(380,186)	(479,940)	(771,735)
<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>	<b>\$ 3,021,333</b>

Note: As a result of GASB 34 implementation in FY2002, only nine fiscal years are presented.

Source: Information was extracted from Exhibit 1-a, Statement of Net Assets, Page 42.

**Exhibit S-1B****Changes in Net Assets****Last Nine Fiscal Years**

(accrual basis of accounting, dollars in thousands)

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<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	\$ 871,240
Economic development and regulation	323,804	252,716	253,311	283,186	391,203	509,874	499,644	470,567	374,149
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	1,563,505
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	1,989,518
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	3,677,405
Public works	279,506	312,704	313,580	307,247	351,917	481,702	586,649	553,233	497,027
Public transportation	184,883	272,726	162,602	167,783	187,615	198,484	214,905	230,499	243,668
Interest on long-term debt	175,241	178,301	189,697	201,882	269,725	281,918	293,339	336,536	324,319
Total governmental activities expenses	<u>5,776,958</u>	<u>6,219,742</u>	<u>6,320,561</u>	<u>6,676,276</u>	<u>7,352,937</u>	<u>8,106,542</u>	<u>8,886,708</u>	<u>9,412,028</u>	<u>9,540,831</u>
<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	112,074
Public works	129,441	129,251	134,875	132,533	146,628	151,957	206,771	196,119	219,005
Others	95,967	118,370	81,369	102,431	84,298	80,790	61,273	98,211	118,943
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	3,321,671
Capital grants & contributions	161,450	176,449	151,334	112,704	119,715	130,557	175,841	180,602	259,277
Total governmental activities program revenues	<u>2,338,038</u>	<u>2,332,670</u>	<u>2,512,417</u>	<u>2,538,589</u>	<u>2,600,163</u>	<u>2,775,029</u>	<u>2,733,265</u>	<u>3,393,648</u>	<u>4,030,970</u>
<b>Net expenses</b>	<u>(3,438,920)</u>	<u>(3,887,072)</u>	<u>(3,808,144)</u>	<u>(4,137,687)</u>	<u>(4,752,774)</u>	<u>(5,331,513)</u>	<u>(6,153,443)</u>	<u>(6,018,380)</u>	<u>(5,509,861)</u>
<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	1,877,264
Sales and use taxes	750,060	779,920	828,391	957,394	1,004,471	1,056,780	1,101,859	1,052,011	1,081,005
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	1,434,131
Gross receipts taxes	231,786	261,643	271,897	295,819	278,453	302,768	302,873	315,976	295,531
Other taxes	283,146	273,191	379,521	377,213	390,542	498,198	413,401	261,909	264,959
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	19,156
Miscellaneous	333,943	325,529	314,596	311,662	431,182	456,425	458,469	530,847	447,368
Special items	(171,094)	-	-	-	-	(8,838)	153,640	287,137	266,942
Transfers	63,000	37,574	73,500	71,450	73,800	65,376	70,300	68,775	96,624
Total governmental activities general revenues	<u>3,479,616</u>	<u>3,783,385</u>	<u>4,225,321</u>	<u>4,676,453</u>	<u>5,116,136</u>	<u>5,776,815</u>	<u>6,139,648</u>	<u>5,974,310</u>	<u>5,782,980</u>
<b>Change in net assets --- governmental activities</b>	<u>\$ 40,696</u>	<u>\$ (103,687)</u>	<u>\$ 417,177</u>	<u>\$ 538,766</u>	<u>\$ 363,362</u>	<u>\$ 445,302</u>	<u>\$ (13,795)</u>	<u>\$ (44,070)</u>	<u>\$ 273,119</u>

**Changes in Net Assets**  
**Last Nine Fiscal Years**  
*(accrual basis of accounting, dollars in thousands)*

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</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	\$ 163,393
Unemployment compensation	191,043	165,045	113,888	92,728	102,749	99,920	150,237	370,775	480,976
Nursing home services	-	34,687	33,023	35,066	35,434	37,556	40,837	44,601	18,817
Total business-type activities expenses	<u>339,713</u>	<u>365,917</u>	<u>314,849</u>	<u>291,860</u>	<u>332,090</u>	<u>329,812</u>	<u>374,055</u>	<u>592,001</u>	<u>663,186</u>
<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	230,159
Nursing home services	-	34,124	30,907	32,184	29,154	31,849	37,435	43,424	19,991
Operating grants & contributions	49,308	55,356	26,588	16,707	14,825	18,358	21,191	36,985	36,998
Capital grants & contributions	-	-	15,464	-	-	-	-	-	-
Total business-type activities program revenues	<u>260,459</u>	<u>327,370</u>	<u>314,092</u>	<u>283,822</u>	<u>310,370</u>	<u>307,031</u>	<u>311,347</u>	<u>325,779</u>	<u>287,148</u>
<b>Net expenses</b>									
	<u>(79,254)</u>	<u>(38,547)</u>	<u>(757)</u>	<u>(8,038)</u>	<u>(21,720)</u>	<u>(22,781)</u>	<u>(62,708)</u>	<u>(266,222)</u>	<u>(376,038)</u>
<b>General revenues</b>									
Taxes:									
Other taxes	104,945	82,626	97,196	92,985	95,888	90,117	92,733	94,622	129,471
Investment earnings	18,978	19,332	16,847	18,887	19,321	20,841	21,317	19,061	13,584
Miscellaneous	-	261	250	680	710	1,095	16,355	152,161	229,709
Transfers	(63,000)	(37,574)	(73,500)	(71,450)	(73,800)	(65,376)	(70,300)	(68,775)	(96,624)
Total business-type activities general revenues	<u>60,923</u>	<u>64,645</u>	<u>40,793</u>	<u>41,102</u>	<u>42,119</u>	<u>46,677</u>	<u>60,105</u>	<u>197,069</u>	<u>276,140</u>
<b>Change in net assets --- business-type activities</b>									
	<u>\$ (18,331)</u>	<u>\$ 26,098</u>	<u>\$ 40,036</u>	<u>\$ 33,064</u>	<u>\$ 20,399</u>	<u>\$ 23,896</u>	<u>\$ (2,603)</u>	<u>\$ (69,153)</u>	<u>\$ (99,898)</u>
<b>Total primary government</b>									
<b>Expenses</b>									
	\$ 6,116,671	\$ 6,585,659	\$ 6,635,410	\$ 6,968,136	\$ 7,685,027	\$ 8,436,354	\$ 9,260,763	\$ 10,004,029	\$ 10,204,017
<b>Program revenues</b>									
	2,598,497	2,660,040	2,820,257	2,822,411	2,910,533	3,082,060	3,044,612	3,719,427	4,318,118
<b>Net (expenses)/revenues</b>									
	(3,518,174)	(3,925,619)	(3,815,153)	(4,145,725)	(4,774,494)	(5,354,294)	(6,216,151)	(6,284,602)	(5,885,899)
<b>General revenues</b>									
	3,540,539	3,848,030	4,272,366	4,717,555	5,158,255	5,823,492	6,199,753	6,171,379	6,059,120
<b>Change in net assets --- primary government</b>									
	<u>\$ 22,365</u>	<u>\$ (77,589)</u>	<u>\$ 457,213</u>	<u>\$ 571,830</u>	<u>\$ 383,761</u>	<u>\$ 469,198</u>	<u>\$ (16,398)</u>	<u>\$ (113,223)</u>	<u>\$ 173,221</u>

Note: As a result of GASB 34 implementation in FY2002, only nine fiscal years are presented.

Source: Information was extracted from Exhibit I-b, Statement of Activities, Page 43.

**Exhibit S-1C****Fund Balances, Governmental Funds****Last Nine Fiscal Years**

(modified accrual basis of accounting, dollars in thousands)

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>General Fund</b>									
Reserved	\$ 545,414	\$ 568,243	\$ 607,903	\$ 1,110,770	\$ 1,045,560	\$ 1,135,459	\$ 957,977	\$ 703,694	\$ 836,181
Unreserved	319,914	329,114	607,112	473,913	389,582	358,541	286,745	216,789	53,945
<b>Total general fund</b>	<b>\$ 865,328</b>	<b>\$ 897,357</b>	<b>\$ 1,215,015</b>	<b>\$ 1,584,683</b>	<b>\$ 1,435,142</b>	<b>\$ 1,494,000</b>	<b>\$ 1,244,722</b>	<b>\$ 920,483</b>	<b>\$ 890,126</b>
<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	\$ 555,476
Capital project funds	148,760	52,607	43,914	86,530	732,602	835,024	629,805	417,212	137,922
Unreserved, reported in:									
Capital project funds	(472,305)	(169,287)	(273,432)	(312,161)	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 1,142</b>	<b>\$ 132,754</b>	<b>\$ 9,773</b>	<b>\$ 24,280</b>	<b>\$ 1,054,480</b>	<b>\$ 1,295,580</b>	<b>\$ 1,095,034</b>	<b>\$ 924,890</b>	<b>\$ 693,398</b>

Note: As a result of GASB Statement No. 34 implementation in FY2002, only nine fiscal years are presented.

Source: Information was extracted from Exhibit 2-a, Balance Sheet - Governmental Funds, Page 44.

**Changes in Fund Balances, Governmental Funds****Last Nine Fiscal Years**

(modified accrual basis of accounting, dollars in thousands)

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<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	\$ 4,952,441
Fines and forfeits	88,495	90,238	102,828	111,146	112,919	101,971	99,452	106,169	128,473
Licenses and permits	52,003	62,189	62,968	82,093	81,222	89,072	94,988	91,230	86,951
Charges for services	145,546	170,736	134,314	133,923	131,273	143,934	184,709	202,079	234,598
Investment earnings	19,283	13,341	16,211	39,811	73,206	124,420	95,847	28,242	19,156
Miscellaneous	332,861	320,460	305,039	311,573	489,067	444,262	457,747	524,046	447,365
Federal contributions	490,373	380,100	393,928	382,966	362,075	440,962	433,206	573,446	670,186
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	2,910,762
<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>9,449,932</b>
<b>EXPENDITURES</b>									
Governmental direction and support	366,981	415,591	483,185	590,344	611,620	651,974	695,175	672,463	657,935
Economic development and regulation	223,760	224,811	236,220	267,335	348,091	444,508	461,707	405,140	388,424
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	1,546,473
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	1,904,023
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	3,669,367
Public works	149,302	164,753	164,231	175,300	184,200	329,942	416,982	388,713	318,590
Public transportation	184,883	272,726	162,602	167,783	187,615	198,484	214,905	230,499	243,668
Debt service:									
Principal	138,575	149,792	152,086	183,845	205,654	232,389	251,998	277,523	209,746
Interest and other charges	189,006	178,301	189,697	202,387	225,195	258,769	287,354	292,484	300,123
Fiscal charges	-	15,338	13,721	9,277	31,958	15,095	25,330	19,659	64,532
Total debt service	327,581	343,431	355,504	395,509	462,807	506,253	564,682	589,666	574,401
<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>	<b>9,302,881</b>
Capital outlay	905,418	762,145	666,649	615,089	901,204	1,024,541	1,390,415	1,130,971	1,359,488
<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>10,662,369</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>(1,212,437)</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	750,298
Refunding debt issuance	69,715	163,170	-	-	116,475	251,155	675,895	580,140	835,010
Premium on sale of bonds	-	-	-	14,478	39,944	16,063	36,282	50,198	89,505
Payment to escrow agent	(69,487)	(234,179)	-	-	(136,137)	(264,334)	(675,385)	(607,640)	(855,011)
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	34,162
Transfers in	63,000	77,119	109,717	193,439	685,206	694,229	477,829	447,639	429,033
Transfers out	-	(34,476)	(36,217)	(121,989)	(611,406)	(628,853)	(407,529)	(378,864)	(332,409)
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>	<b>950,588</b>
<b>Special items</b>									
<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>	<b>\$ (261,849)</b>
Other capital expenditures	\$ 31,262	\$ 49,529	\$ 23,960	\$ 33,706	\$ 65,197	\$ 24,651	\$ 129,294	\$ 305,480	\$ 304,684
Total capital expenditures	\$ 936,680	\$ 811,674	\$ 690,609	\$ 648,795	\$ 771,069	\$ 857,739	\$ 1,402,291	\$ 1,222,453	\$ 1,455,655
<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>	<b>5.54%</b>

Note: As a result of GASB Statement No. 34 implementation in FY2002, only nine 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.

**Tax Revenues by Source, Governmental Funds****Last Nine Fiscal Years**

(modified accrual basis of accounting, dollars in thousands)

**Exhibit S-1E**

<b>Fiscal Year</b>	<b>Property Tax</b>			<b>Sales and Use</b>	<b>Income and Franchise</b>	<b>Gross Receipts</b>	<b>Other Taxes</b>	<b>Total</b>
	<b>Real</b>	<b>Personal</b>	<b>Rental</b>					
<b>2002</b>	\$ 726,014	\$ 65,208	\$ 13,172	\$ 750,060	\$ 1,160,423	\$ 231,786	\$ 283,146	\$ 3,229,809
<b>2003</b>	822,845	67,294	11,749	779,920	1,167,452	261,643	273,191	3,384,094
<b>2004</b>	947,690	63,558	16,840	828,391	1,299,009	271,897	379,521	3,806,906
<b>2005</b>	1,058,100	72,068	18,165	957,394	1,472,432	295,819	377,213	4,251,191
<b>2006</b>	1,163,598	55,548	22,336	970,885	1,591,483	278,453	390,542	4,472,845
<b>2007</b>	1,452,267	67,394	32,239	1,056,780	1,736,361	302,768	498,198	5,146,007
<b>2008</b>	1,666,315	59,690	33,086	1,101,859	1,755,894	302,873	413,401	5,333,118
<b>2009</b>	1,832,748	69,163	32,612	1,052,011	1,478,068	315,976	261,909	5,042,487
<b>2010</b>	1,821,458	52,032	3,325	1,081,005	1,434,131	295,531	264,959	4,952,441

Note: As a result of GASB Statement No. 34 implementation in FY2002, only nine 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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## Statistical Section

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**Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(dollars in thousands)**

**Exhibit S-2A**

<b>Fiscal Year</b>	<b>Estimated Actual Value</b>		<b>Total Taxable</b>	<b>Tax Exempt</b>	<b>Total Value</b>	<b>Total Direct Tax Rate**</b>	<b>Tax Exempt as a % of Total Value</b>
	<b>Commercial Property</b>	<b>Residential Property *</b>					
<b>2001</b>	\$ 21,960,148	\$ 22,268,968	\$ 44,229,116	\$ 32,086,134	\$ 76,315,250	1.45	42.0%
<b>2002</b>	27,619,604	24,902,543	52,522,147	33,812,037	86,334,184	1.39	39.2%
<b>2003</b>	29,684,430	28,379,237	58,063,667	35,728,289	93,791,956	1.38	38.1%
<b>2004</b>	33,752,889	32,701,220	66,454,109	43,234,068	109,688,177	1.35	39.4%
<b>2005</b>	36,905,213	49,982,554	86,887,767	43,219,725	130,107,492	1.37	33.2%
<b>2006</b>	40,400,447	58,090,888	98,491,335	59,664,865	158,156,200	1.34	37.7%
<b>2007</b>	51,748,487	73,126,786	124,875,273	57,690,545	182,565,818	1.31	31.6%
<b>2008</b>	61,557,827	81,400,361	142,958,188	67,869,520	210,827,708	1.30	32.2%
<b>2009</b>	68,495,502	84,544,053	153,039,555	81,211,121	234,250,676	1.29	34.7%
<b>2010</b>	68,254,862	81,862,427	150,117,289	82,113,504	232,230,793	1.30	35.4%

\* After deduction of homestead exemption and credits against tax for 1999-2007

Does not reflect the 2002 & 2003 Cap Assessment of 25% for Class 01 with Homestead Exemptions

Does not reflect the 2004 & 2005 Cap Assessment of 12% for Class 01 with Homestead Exemptions

Does not reflect the 2006 Cap Assessment of 10% for Class 01 with Homestead Exemptions

After deduction of Homestead Exemption for 2008- 2009

\*\*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

Note: Assessed value is 100 percent of estimated actual value

**Direct Property Tax Rates  
Last Ten Fiscal Years**

**Exhibit S-2B**

<b>Fiscal Year</b>	<b>Basic Rate</b>	<b>Direct Property Tax Rate</b>			<b>Total Direct</b>
		<b>General Obligation</b>	<b>Debt Service</b>	<b>Redevelopment Program</b>	
<b>2001</b>	0.75	0.70		-	1.45
<b>2002</b>	0.79	0.60		-	1.39
<b>2003</b>	0.78	0.60		-	1.38
<b>2004</b>	0.90	0.45		-	1.35
<b>2005</b>	0.92	0.45		-	1.37
<b>2006</b>	0.94	0.40		-	1.34
<b>2007</b>	0.86	0.45		-	1.31
<b>2008</b>	0.98	0.32		-	1.30
<b>2009</b>	1.01	0.28		-	1.29
<b>2010</b>	1.02	0.28		-	1.30

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									
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-.085	0.09975	0.11	0.10	
2010	0.85	0.85	1.65/1.85	1.65/1.85	10.00	3.40	0.0600	2/2.5	0.24	.040-.085	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	2010			2001		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
JBG/FEDERAL CENTER LLC	\$ 599,321	1	0.399%	\$ ***		
MANUFACTURERS LIFE INSURANCE	563,284	2	0.375%	230,800	1	0.522%
DAVID NASSIF ASSOCIATES	446,002	3	0.297%	137,633	12	0.311%
13TH & F ASSOCIATES LP	425,749	4	0.284%	221,778	2	0.501%
WASHINGTON SQUARE LIMITED PARTNERSHIP	412,957	5	0.275%	181,074	3	0.409%
CARR CRHP PROPERTIES LLC	393,639	6	0.262%	161,333	7	0.365%
WARNER INVESTMENTS LP	390,000	7	0.260%	176,831	5	0.400%
SECOND ST HOLDING LLC	385,134	8	0.257%	***		
UNITED BROTHERHOOD CRPT JNR AM NATL H S FD	379,262	9	0.253%	39,229	167	0.089%
1301 K STREET LP	343,172	10	0.229%	164,184	6	0.371%

\*\*\* 2001 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**

<b>Property</b>	<b>Value</b>
INTERNATIONAL FINANCE CORPORATION	\$ 544,621
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	459,053
INTER-AMERICAN DEVELOPMENT BANK	429,786
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 owners with multiple properties.

**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
*(dollars in thousands)*

**Exhibit S-2F**

<b>Fiscal Year Ended Sept 30</b>	<b>Tax Levy</b>	<b>Tax Collections (1)</b>			<b>Percent of Collections to Levy</b>		
		<b>Current</b>	<b>Subsequent Years (2)</b>	<b>Total</b>	<b>Current</b>	<b>Total</b>	
<b>2001</b>	\$ 669,016	\$ 576,965	\$ 58,359	\$ 635,324	86.2%	95.0%	
<b>2002</b>	740,387	649,895	57,729	707,624	87.8%	95.6%	
<b>2003</b>	847,980	774,989	63,110	838,099	91.4%	98.8%	
<b>2004</b>	1,011,891	898,352	47,701	946,053	88.8%	93.5%	
<b>2005</b>	1,198,319	1,021,836	46,314	1,068,150	85.3%	89.1%	
<b>2006</b>	1,234,062	1,102,954	47,422	1,150,376	89.4%	93.2%	
<b>2007</b>	1,525,002	1,361,132	66,500	1,427,632	89.3%	93.6%	
<b>2008</b>	1,815,303	1,623,073	67,384	1,690,457	89.4%	93.1%	
<b>2009</b>	2,103,251	1,760,938	69,483	1,830,421	83.7%	87.0%	
<b>2010</b>	2,064,618	1,746,542	97,044	1,843,586	84.6%	89.3%	

(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**

Year	Top Rate	Top Income Tax Rate Is Applied to Taxable Income in Excess of Listed Amounts				* Average Effective Rate	
		Married		Head of Household			
		Single	Filing Jointly				
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		5.64%	
2010	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	2010				2001			
	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	41,949	13.65%	\$ 590,978,417	59.86%	28,214	9.59%	\$ 596,029,000	58.62%
\$75,001 -- \$100,000	22,237	7.24%	\$ 104,135,049	10.55%	15,373	5.22%	\$ 87,223,531	8.58%
\$50,001 -- \$75,000	41,051	13.36%	\$ 120,105,761	12.17%	32,586	11.07%	\$ 121,357,560	11.94%
\$25,001 -- \$50,000	77,417	25.19%	\$ 108,528,441	10.99%	82,268	27.96%	\$ 152,597,440	15.01%
\$10,001 -- \$25,000	63,152	20.55%	\$ 26,610,644	2.70%	77,697	26.41%	\$ 50,874,277	5.00%
\$10,000 -- and lower	61,518	20.02%	\$ 36,829,815	3.73%	58,103	19.75%	\$ 8,709,844	0.86%
Total	307,324	100.00%	\$ 987,188,127	100.00%	294,241	100.00%	\$ 1,016,791,652	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

Fiscal Year	General Obligation Bonds (GO)	Actual Value of Taxable Property	GO Bonds as a Percentage of Actual Value of Taxable Property	GO Debt Per Capita *
<b>2001</b>	\$ 2,582,017	\$ 44,229,116	5.84%	\$ 4,470
<b>2002</b>	2,670,573	52,522,147	5.08%	4,611
<b>2003</b>	3,251,118	58,063,667	5.60%	5,631
<b>2004</b>	3,418,933	66,454,109	5.14%	5,900
<b>2005</b>	3,632,198	86,887,767	4.18%	6,240
<b>2006</b>	3,773,863	98,491,335	3.83%	6,446
<b>2007</b>	4,140,133	124,875,273	3.32%	7,043
<b>2008</b>	4,592,518	142,958,188	3.21%	7,760
<b>2009</b>	3,766,628	153,039,555	2.46%	6,281
<b>2010</b>	2,781,053	150,117,289	1.85%	4,622

\* 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

Fiscal Year	Tax Increment Financing Debts					Coverage
	Sales Tax Increment	Real Property Tax Increment	Debt Service		Interest	
<b>2003</b>	\$ -	\$ -	-	\$ -	\$ 4,236	0.00%
<b>2004</b>	790	-	-	-	4,236	18.65%
<b>2005</b>	4,507	2,397	4,942	4,764	4,764	71.13%
<b>2006</b>	8,299	974	4,809	4,899	4,899	95.52%
<b>2007</b>	8,948	3,516	4,666	5,042	5,042	128.39%
<b>2008</b>	9,090	1,563	4,565	5,147	5,147	109.69%
<b>2009</b>	10,032	4,918	4,467	5,245	5,245	153.93%
<b>2010</b>	7,529	4,431	4,390	5,320	5,320	123.17%

Note: Details regarding the District's outstanding debt can be found in the Notes to the Basic Financial Statements.

Beginning FY 2010, the District has revised the presentation of the Exhibit by removing sales tax increment and real property tax increment that was dedicated to tax increment financing other than the Gallery Place TIF Bonds and the Mandarin Hotel TIF Bonds for which the principal and interest components of debt service were indicated.

**Ratios of Outstanding Debt by Type****Last Ten Fiscal Years**

(dollars in thousands, except per capita)

**Exhibit S-3C**

Fiscal Year	Governmental Activities										Personal Income(2)	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(4)	Tobacco Bonds(1)					
2001	\$ 2,582,017	\$ -	\$ 6,900	\$ -	\$ 121,564	\$ -	\$ -	\$ -	\$ 521,105	\$ 3,231,586	\$ 25,525,115	12.7%	\$ 5,594	\$ 4,692	
2002	2,670,573	-	126,545	3,582	-	157,057	-	-	514,280	3,472,037	25,786,286	13.5%	5,995	5,107	
2003	3,251,118	-	125,524	3,327	129,530	90,458	-	-	506,550	4,106,507	26,913,785	15.3%	7,112	6,235	
2004	3,418,933	-	124,009	3,071	128,345	84,456	-	-	502,740	4,261,554	29,203,213	14.6%	7,354	6,486	
2005	3,632,198	-	117,525	2,815	120,760	76,390	-	-	498,740	4,448,428	31,874,543	14.0%	7,643	6,786	
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	8,148	
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	8,749
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	9,709
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	40,784,749	16.3%	11,081	9,895
2010	2,781,053	2,570,650	91,807	9,518	241,185	36,108	517,390	85,615	156,621	699,779	7,189,726	N/A	N/A	11,949	10,786

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

(4) PILOT - Payments in Lieu of Taxes

N/A - Not Available

**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
*(dollars in thousands)*

**Debt Service Cost Margin Calculation for Fiscal Year 2010:**

General fund revenue	\$ <u>5,749,761</u>
Debt service cost limitation (17% of general fund revenue)	\$ 977,459
Debt expenditure applicable to limit:	
Principal	\$ 175,019
Interest	<u>233,536</u>
Subtotal for current year	<u>408,555</u>
Highest debt service cost	\$ <u>408,555</u>
Total debt service cost subject to the limitation	\$ <u>408,555</u>
Debt service cost margin	\$ <u>568,904</u>

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Debt service cost limitation	\$ 718,024	\$ 622,331	\$ 627,516	\$ 735,472	\$ 823,558	\$ 875,852	\$ 1,000,684	\$ 1,039,711	\$ 1,002,774	\$ 977,459
Highest future year debt service cost	270,910	284,114	319,160	339,003	359,735	383,659	406,161	456,152	408,506	408,555
Debt service cost margin	\$ 447,114	\$ 338,217	\$ 308,356	\$ 396,469	\$ 463,823	\$ 492,193	\$ 594,523	\$ 583,559	\$ 594,268	\$ 568,904
Total debt service cost subject to the limit as a percentage of debt service cost limit	37.7 %	45.7 %	50.9 %	46.1 %	43.7 %	43.8 %	40.6 %	43.9 %	40.7 %	41.8 %
Debt limit ratio	6 %	7.8 %	8.6 %	7.8 %	7.4 %	7.4 %	6.9 %	7.5 %	6.9 %	7.1 %

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)*

**Exhibit S-3E**

General Fund Expenditures:	\$	5,803,867
General Fund Transfers out:		<u>177,361</u>
<b>Total:</b>	<b>\$</b>	<b><u>5,981,228</u></b>
Limitation on borrowing (12%):	\$	717,747
FY 2010 debt service cost:		<u>544,201</u>
<b>Margin on Limitation:</b>	<b>\$</b>	<b><u>173,546</u></b>
<b>FY 2010 Debt service percentage:</b>		<b><u>9.10%</u></b>

**FY 2010 Debt service percentage:**

Debt Service Expenditures by Fiscal Year												
	2010			2011			2012			2013		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
<b>Long Term Debt</b>												
General Obligation Bonds	\$ 156,840	148,887	305,727	132,785	127,379	260,164	49,223	140,489	189,712	48,075	140,529	188,604
Income Tax Revenue Bonds	-	59,710	59,710	86,495	127,424	213,919	154,090	118,602	272,692	88,025	114,627	202,652
TIF Bonds	4,389	5,320	9,709	4,323	5,385	9,708	4,269	5,440	9,709	4,222	5,489	9,711
TIF Notes	3,187	4,610	7,797	12,165	6,971	19,136	1,566	4,010	5,576	1,382	3,911	5,293
QZAB	669	-	669	945	-	945	946	-	946	946	-	946
Capital Leases	8,384	2,536	10,920	8,675	2,040	10,715	9,189	1,521	10,710	9,744	971	10,715
Ballpark Bonds	4,360	26,386	30,746	4,540	27,012	31,552	4,915	26,788	31,703	5,680	26,533	32,213
Equipment Financing Program	38,958	4,746	43,704	39,574	3,764	43,338	31,471	2,260	33,731	24,517	1,143	25,660
HPTF Revenue Bonds	585	1,561	2,146	1,280	3,502	4,782	1,530	4,044	5,574	1,585	3,988	5,573
AWC PILOT Rev Bonds	6,020	4,530	10,550	6,290	4,258	10,548	6,575	3,974	10,549	6,875	3,678	10,553
Rhode Island Avenue Metro PILOT	-	-	-	-	-	-	98	208	306	204	408	612
Foundry Lofts PILOT Note	-	-	-	-	229	229	53	292	345	110	288	398
Capper Carrollsburg PILOT	-	-	-	-	1,357	1,357	-	1,160	1,160	29,000	580	29,580
NCRC Revenue Bonds	8,497	595	9,092	1,038	1,327	2,365	1,091	1,446	2,537	1,147	1,387	2,534
COPs	8,541	11,079	19,620	10,850	11,772	22,622	11,400	11,216	22,616	11,970	10,649	22,619
Washington Convention Center Authority	12,160	21,651	33,811	12,700	21,655	34,355	13,265	21,055	34,320	13,865	20,376	34,241
<b>Total</b>	<b>\$ 252,590</b>	<b>291,611</b>	<b>544,201</b>	<b>321,660</b>	<b>344,075</b>	<b>665,735</b>	<b>289,681</b>	<b>342,505</b>	<b>632,186</b>	<b>247,347</b>	<b>334,557</b>	<b>581,904</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	Population (1)	Personal Income (2)(3)	Per Capita Income (2)	Median Age (1)	Employment (4)	Unemployment Rate (4)	Claims Accepted (5)	Claims Rejected (5)
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	40,784,749	68,013	35.1	707,100	9.9%	34,668	13,697
2010	601,723	N/A	N/A	N/A	718,000	9.8%	34,481	10,761

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  
Prior Year and Nine Years Ago \*\***
**Exhibit S-4B**

Employer	2009 **			2000		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Georgetown University	*	1	*	*	4	*
The George Washington University	*	2	*	*	1	*
Washington Hospital Center	*	3	*	*	2	*
Children's National Medical Center	*	4	*	*	5	*
Howard University	*	5	*	*	3	*
Georgetown University Hospital	*	6	*	*	7	*
American University	*	7	*	*	10	*
Fannie Mae	*	8	*	*	6	*
The Catholic University of America	*	9	*	*	15	*
Providence Hospital	*	10	*	*	8	*
Howard University Hospital	*	11	*	*	12	*
Sibley Memorial Hospital	*	12	*	*	21	*
George Washington University Hospital	*	13	*	*	19	*
Total	<b>48,539</b>		<b>7.1%</b>	<b>41,127</b>		<b>6.5%</b>

\* 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 thirteen principal employers.

\*\* 2010 data will not be available until fiscal year 2011

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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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*Statistical Section*

**Exhibit S-5A**

**Operating Indicators by Function/Program  
Last Ten Fiscal Years**

Function/Program	Operating Indicators									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>GOVERNMENTAL DIRECTION AND SUPPORT</b>										
<i>General Obligation Bonds</i>										
Bond rating by S&P	BBB+	BBB+	A-	A	A+	A+	A+	A+	A+	A+
Bond rating by Moody's	Baa1	Baa1	Baa1	A2	A2	A2	A1	A1	A1	Aa2
Bond rating by Fitch	BBB+	BBB+	A-	A-	A	A	A+	A+	A+	AA-
<i>Income Tax Secured Revenue Bond *</i>										
Bond rating by S&P	-	-	-	-	-	-	-	-	AAA	AAA
Bond rating by Moody's	-	-	-	-	-	-	-	-	Aa2	Aa1
Bond rating by Fitch	-	-	-	-	-	-	-	-	AA	AA+
*First issued in FY 2009										
<b>ECONOMIC DEVELOPMENT AND REGULATION</b>										
Taxable retail sales (\$ millions)	\$ 7,367	\$ 7,485	\$ 7,683	\$ 8,343	\$ 10,487	\$ 10,051	\$ 9,971	\$ 11,048	10,198	11,191
Commercial construction units	38	59	59	115	125	121	173	156	107	138
Value	\$ 889,830	\$ 919,252	\$ 418,049	\$ 1,720,869	\$ 1,466,587	\$ 1,366,931	\$ 1,300,454	\$ 1,938,197	2,321,216	1,518,394
Residential construction units	422	448	499	506	861	815	664	1,237	1,003	850
Value	\$ 100,366	\$ 102,861	\$ 68,931	\$ 117,803	\$ 192,609	\$ 186,685	\$ 182,298	\$ 276,722	269,812	214,187
<i>Housing Finance Agency</i>										
Number of Single-Family Units Financed	503	161	5	0	0	67	273	218	109	15
Amount of Single-Family Financing Provided (\$ 000s)	\$ 61,300	\$ 19,600	\$ 612	\$ 0	\$ 0	\$ 16,820	\$ 59,070	\$ 43,795	24,750	2,704
Number of Multi-Family Units Financed	1,555	1,893	1,237	525	7,623	1,165	1,198	917	297	1,307
Amount of Multi-Family Financing Provided (\$ 000s)	\$ 98,534	\$ 101,205	\$ 76,358	\$ 36,051	\$ 133,510	\$ 71,543	\$ 118,978	\$ 91,014	28,255	137,000
Total Number of Housing Units Financed	2,058	2,054	1,242	525	7,623	1,232	1,471	1,135	406	1,322
Total Amount of Housing Financing Provided (\$ 000s)	\$ 159,834	\$ 120,805	\$ 76,970	\$ 36,051	\$ 133,510	\$ 88,363	\$ 178,048	\$ 134,809	53,005	139,704
<b>PUBLIC SAFETY AND JUSTICE</b>										
<i>Police</i>										
Crime Index Offenses	40,305	40,213	39,797	36,246	32,678	32,311	33,043	35,351	34,977	30,872
Number of Police Officers	3,601	3,666	3,711	3,800	3,800	3,800	3,907	4,050	4,047	3,960
<i>Fire &amp; EMS</i>										
Number of Operational Personnel **	1,613	1,648	1,765	1,768	1,831	1,800	1,818	1,958	1,958	1,946
Total Number of Incidents	145,121	138,277	142,154	140,585	145,812	149,395	153,778	158,919	165,725	162,440
Total Number of Fire/Rescue Incidents	41,243	30,672	30,559	30,029	30,989	32,015	32,363	32,396	30,728	31,562
Number of Medical Incidents	103,878	107,605	11,595	110,556	114,823	117,380	121,415	126,523	134,997	130,878
Total number of Transports	71,267	75,785	79,245	77,289	73,314	75,186	76,841	81,981	86,824	94,039
Inspections	23,923	20,303	13,055	26,703	29,072	28,636	19,282	13,175	22,716	24,862
**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	2,715,332	2,721,119	2,609,062	2,559,601	2,333,957	2,873,518	3,037,696	2,897,099	2,525,848	2,242,514

**Operating Indicators by Function/Program**  
Last Ten Fiscal Years

**Exhibit S-5A**  
(Continued)

Function/Program	Operating Indicators									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>PUBLIC EDUCATION SYSTEM</b>										
<b>D.C. Public School System</b>										
Number of School Teachers	4,850	4,938	4,365	5,206	4,938	4,614	4,509	4,328	3,722	3,758
Number of School Students	68,925	67,522	65,093	62,306	62,306	56,943	52,945	46,208	46,132	45,772
Number of High School Graduates	2,808	2,894	2,723	2,740	2,680	2,450	2,489	2,555	2,679	2,790
<b>University of the District of Columbia</b>										
Number of Teachers	N/A	260	260	208	219	215	242	247	241	231
Number of Students	5,456	5,468	5,241	5,424	5,364	5,772	5,612	5,595	5,260	5,855
Number of Graduates	511	466	483	508	503	573	475	599	711	602
<b>PUBLIC WORKS/PUBLIC TRANSPORTATION</b>										
Street Resurfaced (includes reconstruction); regular cover; pavement restoration (miles)	78.8	103.1	27.8	36.5	90.0	65.2	52.3	32.1	18.0	13.0
Potholes Repaired	5,802	7,005	7,679	9,177	5,272	3,649	6,262	2,800	2,400	5,580
Refuse collected (tons per day)	466	491	511	506	485	425	406	404	378	390
Recyclables collected (tons per day)	82	78	83	84	85	86	95	98	105	110
Tons of Bulk Trash Removed	N/A	4,898	4,994	5,362	4,956	4,610	4,831	4,025	4,136	3,611
Tons of Leaves Removed	N/A	8,983	8,014	6,651	9,569	9,588	7,834	10,072	8,289	8,050
Tons of Snow Removed	1,475,619	638,106	8,056,083	2,472,659	880,000	855,712	661,050	674,225	808,732	5,298,905
<b>Department of Motor Vehicles</b>										
Number of motor vehicle registrations (1/1 - 12/31)	N/A	231,848	235,907	243,874	250,602	260,662	271,243	269,549	259,367	276,585
Number of operator licenses issued (1/1 - 12/31)	N/A	70,491	78,022	96,760	80,765	90,456	117,902	112,072	110,846	109,630
Number of operator licenses outstanding (1/1 - 12/31)	N/A	N/A	241,304	237,526	314,650	357,569	396,193	342,816	340,316	348,036
<b>D.C. WATER AND SEWER AUTHORITY</b>										
Number of Customer locations	124,749	130,000	122,502	122,802	123,062	123,465	124,109	124,582	125,130	124,993
Average daily water consumption (MGD)	132	135	86	87	86	87	87	84	80	79
Daily maximum sewer capacity (MGD)	740	1,076	370	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>CONVENTION CENTER</b>										
Conferences held	165	169	163	201	189	106	151	183	204	214
Attendees	985,196	915,088	891,008	1,023,072	1,153,250	935,485	1,028,953	1,091,406	1,053,266	1,015,324

N/A: Not Available

**Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

Function/Program	Fiscal Years									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Police</b>										
Police Stations Including Satellites	13	14	14	16	16	16	16	17	11	11
Number of Patrol Cars	N/A	N/A	N/A	1,207	1,199	1,234	1,222	1,242	1,200	1,183
<b>Fire</b>										
Number of Fire and EMS stations	34	34	34	34	34	33	34	34	34	34
Number of Front-line Emergency Vehicles	78	78	91	92	92	107	130	111	126	126
<b>EMS</b>										
Number of Ambulances	53	53	65	62	62	91	78	79	77	78
<b>D.C. Public School System</b>										
Schools	146	146	147	147	165	144	144	144	131	122
Number of School Buses	N/A	N/A	N/A	650	669	712	727	727	790	753
<b>Public Library</b>										
Number of Main and Branch Buildings	22	22	22	22	22	22	22	22	24	25
Number of Community and Kiosk Facilities	5	5	5	5	5	5	5	5	0	0
<b>Parks and Recreation</b>										
Acreage	800	800	800	800	800	832	836	836	836	836
Number of Recreation & Community Centers	77	78	75	75	72	70	73	75	75	79
Number of Day Camps	3	78	57	70	51	86	86	71	68	76
Number of Outdoor Swimming Pools	35	22	32	27	26	24	26	24	24	23
Number of Indoor Swimming Pools	7	7	6	6	8	6	8	7	7	10
<b>Public Works/Public Transportation</b>										
Number of Refuse Collection Trucks	52	52	52	52	71	71	77	77	84	71
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	64,349	66,089	66,570	66,562	66,650	66,630	68,000	68,000	68,000	68,000
Number of Signalized Intersections	1,519	1,529	1,533	1,534	1,538	1,563	1,570	1,575	1,600	1,700
Number of Trees	N/A	106,000	110,000	114,000	118,000	120,934	128,540	144,000	145,312	146,920
<b>D.C. Water &amp; Sewer Authority</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

N/A: Not Available

**Budgeted Full-Time Equivalent District Government Employees, by Function, General Operating Funds  
Last Ten Fiscal Years  
(Year ended Sept 30)**

Exhibit S-5C

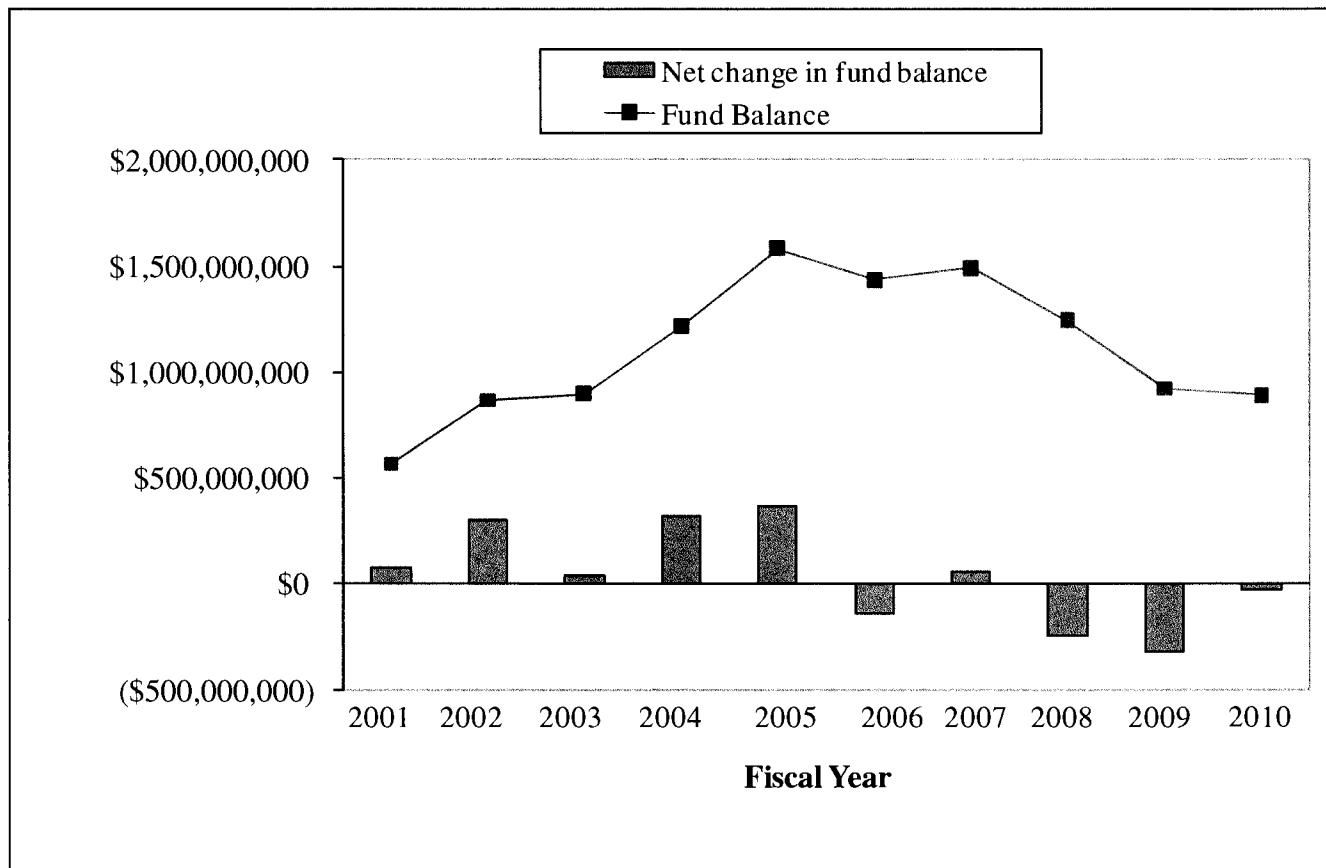
<b>Function</b>	<b>Full-time Equivalent District Government Employees</b>									
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	*	<b>2009</b>
Governmental direction and support	2,659	2,647	2,417	2,358	2,419	2,475	2,613	2,725	2,726	2,440
Economic development and regulation	597	556	538	1,000	986	1,104	1,157	1,220	1,230	1,128
Public safety and justice	7,328	7,169	7,379	7,547	7,963	7,919	8,234	8,720	8,728	8,586
Public education system	10,824	11,344	10,818	10,770	9,211	9,714	9,367	8,618	8,323	7,651
Human support services	1,957	4,095	4,280	4,211	4,555	4,611	4,571	4,816	4,559	3,946
Public works	2,071	1,585	1,454	1,624	1,752	1,789	1,889	2,073	2,197	2,106
<b>Total</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>28,172</b>	<b>27,763</b>	<b>25,857</b>

\* The statistics for FY 2008 were revised to reflect budget.

Source: Office of Budget and Planning

**Exhibit S-5D**

**General Fund  
Fund Balance Trend Chart**





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YEAR ENDED SEPTEMBER 30, 2010