



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

# CAFR 2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**YEAR ENDED SEPTEMBER 30, 2011**

**VINCENT C. GRAY • MAYOR**

**NATWAR M. GANDHI • CHIEF FINANCIAL OFFICER**





VINCENT C. GRAY  
MAYOR

January 25, 2012

Dear Residents of the District of Columbia,

I am pleased to present the District of Columbia's (District) Fiscal Year 2011 Comprehensive Annual Financial Report (CAFR). Despite the on-going nationwide economic downturn, the District's finances remain strong. We completed Fiscal Year 2011 with a budgetary surplus of \$240 million, resulting in a General Fund balance of \$1.105 billion as of September 30, 2011, and the audit opinion is unqualified for the fifteenth 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. Our population has grown remarkably by more than 16,000 residents in the past year. We currently 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. These strong bond ratings allow the District to finance public capital projects such as schools, recreation facilities, streets and bridges and other critical needs 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 in Fiscal Year 2012 are projected to increase 6.5 percent. However, because the District will likely feel the negative effects of significant reductions in federal spending that will occur through the federal sequestration process as a result of last summer's debt-ceiling compromise between President Obama and the Congress, the forecast for growth in FY 2013 and beyond is considerably slower. This will require more creative approaches to managing the budget. Despite these challenges, as "One City", we will continue to 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 residents.

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 and provide our children with a proud legacy, and a much brighter future.

Sincerely,

Handwritten signature of Vincent C. Gray in blue ink.

Vincent C. Gray

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



**Natwar M. Gandhi**  
Chief Financial Officer

January 25, 2012

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

Dear Mayor Gray:

It is with great pleasure that I present the District of Columbia's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2011. I am proud to report that our independent auditors, KPMG, LLP, issued an unqualified (clean) opinion on the District's fiscal year (FY) 2011 financial statements, which marks the 15<sup>th</sup> consecutive year in which the District has received a clean audit opinion on its annual financial statements.

Through the collaborative efforts of the Mayor, Council, Agency Directors, and other District managers and staff, in FY 2011, the District was able to weather the financial storm resulting from the lingering effects of the economic decline of recent years. This financial report presents the results of our joint efforts to maintain financial stability as the District continued to face challenging financial and economic times. Due to disciplined financial management practices and innovative approaches, the District's financial position at the close of FY 2011 was sound. As presented in the CAFR, at the end of FY 2011, General Fund revenues exceeded expenditures by \$240 million on a budgetary basis and the cumulative General Fund fund balance was \$1.105 billion, up from \$930.8 million<sup>1</sup> in FY 2010. Considering the economic times in which we are operating, the District's General Fund fund balance position is far better than that of many other state and local governments.

The District has continued to have strong bond ratings in recent years, with general obligation bonds currently rated as follows: AA- by Fitch Ratings; Aa2 by Moody's Investors Service; and A+ by Standard and Poor's Rating Service. In addition, the District's Income Tax Secured Revenue Bonds are currently rated as: AA+ by Fitch Ratings; Aa1 by Moody's Investors Service; and AAA by Standard and Poor's Rating Service. As a result of these strong ratings, the District was able to refund approximately \$63.9 million of its outstanding Income Tax Secured Revenue Bonds through the issuance of Income Tax Secured Revenue Refunding Bonds. This refunding was completed to maintain the amortization schedule of the refunded bonds by extending the stated maturities.

---

<sup>1</sup> Revised from \$890 million to reflect the effect of the Clarification of Personal Property Tax Revenue Reporting Act of 2011.

Maintaining strong bond ratings continues to be important as the District's revenue streams continue to be threatened by shifts in the national and regional economies. Measures must be taken to avoid practices that will compromise the District's strong bond ratings. Accordingly, the District should make every effort to limit the use of reserves to meet operational needs or close budget gaps and must prudently use available financial resources.

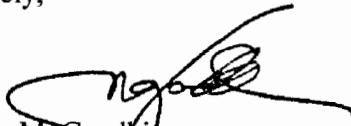
The ability to effectively manage the District's finances depends on sound and reasonable revenue estimates. Although the economy showed signs of recovery in FY 2011, the economic climate presented budget challenges during the year. During the first quarter of fiscal year 2011, the economic picture was not encouraging. At that time, revenues from sales and excise taxes and the non-withholding portion of income taxes were down significantly from prior years. Consequently, at the close of the first quarter, estimated revenues for FY 2011 totaled \$5.031 billion. However, due primarily to moderate recovery in sales taxes and strong withholding collections, by the end of the fiscal year, the revenue estimate increased to \$5.264 billion.

At the start of FY 2011, most economic indicators showed that the national and local economies were in recovery. However, throughout the fiscal year, the pace of recovery remained slow. 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. The lackluster job market, the national housing slump, the unwinding of consumer debt and cutbacks in state and local spending continue to threaten the recovery in the short to medium term. Because the federal government has historically been the underpinning of employment and real estate in the District, the anticipated sequestration of federal spending cannot help but impact the District's economic outlook.

Recognizing the vulnerability of the District's economy and the potential impact of economic conditions on its finances, 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 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 2011. Through their tireless efforts, the District was able to prepare and timely issue its FY 2011 CAFR with a clean audit opinion. This is an accomplishment of which we all should be proud.

Sincerely,



Natwar M. Gandhi  
Chief Financial Officer

---

**Government of the District of Columbia  
Comprehensive Annual Financial Report  
Year Ended September 30, 2011**

**Vincent C. Gray  
Mayor**

**Natwar M. Gandhi  
Chief Financial Officer**

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

---

---

**Prepared by:**

**Office of the Chief Financial Officer  
Office of Financial Operations and Systems**

**Anthony F. Pompa  
Deputy Chief Financial Officer**

**Bill K. Slack  
Deputy Controller**

**Financial Control & Reporting Division**

**Diji Omisore  
Director**

**Cassandra Alexander  
David Barrow  
Cassandra Butler  
Kim Chamberlain  
Lou Dimitroff  
Jesse Dolojan  
Jocelyn Hill  
Marie Kamara  
Michelle McNaughton  
Deena Parker  
David Pivec  
Belete Sitota  
Tong Yu**

---

**DISTRICT OF COLUMBIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended September 30, 2011**

**TABLE OF CONTENTS**

Exhibit	Page
<b>INTRODUCTORY SECTION</b>	
<b>Letter of Transmittal</b>	1
<b>Organizational Chart</b>	16
<b>Principal Officials</b>	17
<b>GFOA Certificate of Achievement</b>	18
<b>FINANCIAL SECTION</b>	
<b>Independent Auditors' Report</b>	19
<b>Management's Discussion and Analysis</b>	23
<b>Basic Financial Statements</b>	41
1-a Statement of Net Assets	42
1-b Statement of Activities	43
2-a Balance Sheet - Governmental Funds	44
2-b Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	45
2-c Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	46
2-d Budgetary Comparison Statement	47
3-a Statement of Net Assets - Proprietary Funds	48
3-b Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	49
3-c Statement of Cash Flows - Proprietary Funds	50
4-a Statement of Fiduciary Net Assets - Fiduciary Funds	51
4-b Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	52
5-a Discretely Presented Component Units - Combining Statement of Net Assets	53
5-b Discretely Presented Component Units - Combining Statement of Activities	54
<b>Index to the Notes to the Basic Financial Statements</b>	55
<b>Notes to the Basic Financial Statements</b>	56
<b>Required Supplementary Information</b>	127
<b>Other Supplementary Information</b>	131
<b>General Fund</b>	133
A-1 Balance Sheet	134
A-2 Schedule of Revenues, Expenditures and Changes in Fund Balance	135
A-3 Schedule of Expenditures and Net Financing (Sources) Uses, Function and Object - GAAP Basis	136
A-4 Schedule of Local Source Revenues, Budget and Actual (Budgetary Basis)	137
A-5 Schedule of Budgetary Basis Revenues and Expenditures by Source of Funds	138
A-6 Schedule of Budgetary Basis Revenues and Expenditures	139
<b>Nonmajor Governmental Funds</b>	141
B-1 Combining Balance Sheet	142
B-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	143

<b>Fiduciary Funds</b>	145
C-1      Pension Trust Funds - Combining Statement of Fiduciary Net Assets	146
C-2      Pension Trust Funds - Combining Statement of Changes in Fiduciary Net Assets	147
C-3      Schedule of Changes in Assets and Liabilities - Agency Funds	148
<b>Supporting Schedules</b>	149
D-1      Schedule of Budgetary Basis Expenditures	150
D-2      Schedule of Budgetary Basis Operations by Source of Funds	152
D-3      Schedule of Budget Revisions	156
<b>STATISTICAL SECTION</b>	
<b>Statistical Section</b>	159
<b>Financial Trends</b>	161
S-1A     Net Assets By Component	162
S-1B     Changes in Net Assets	163
S-1C     Fund Balances, Governmental Funds	165
S-1D     Changes in Fund Balances, Governmental Funds	166
S-1E     Tax Revenues by Source, Governmental Funds	167
<b>Revenue Capacity</b>	169
S-2A     Assessed Value and Estimated Actual Value of Taxable Property	170
S-2B     Direct Property Tax Rates	170
S-2C     Major Tax Rates	171
S-2D     Principal Property Taxpayers	171
S-2E     Ten Highest Assessed Values for Tax Exempt Properties	172
S-2F     Property Tax Levies and Collections	172
S-2G     Personal Income Tax Rates	173
S-2H     Personal Income Tax Filers and Liability by Income Level	173
<b>Debt Capacity</b>	175
S-3A     Ratios of General Obligation Bonds Outstanding	176
S-3B     Pledged-Revenue Coverage	176
S-3C     Ratios of Outstanding Debt by Type	177
S-3D     Legal Debt Margin Information	178
S-3E     Limitation on Borrowing	179
<b>Demographic and Economic Information</b>	181
S-4A     Demographic and Economic Statistics	182
S-4B     Principal Employers	182
<b>Operating Information</b>	183
S-5A     Operating Indicators by Function/Program	184
S-5B     Capital Assets Statistics by Function/Program	186
S-5C     Budgeted Full-Time Equivalent District Government Employees, by Function, General Operating Funds	187
S-5D     General Fund-Fund Balance Trend Chart	188



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

# CAFR 2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**YEAR ENDED SEPTEMBER 30, 2011**

**VINCENT C. GRAY • MAYOR**

**NATWAR M. GANDHI • CHIEF FINANCIAL OFFICER**



**INTRODUCTORY SECTION**

# Government of the District of Columbia



## Office of the Chief Financial Officer Office of Financial Operations and Systems

1100 4<sup>th</sup> Street, S.W. (East Building), 8<sup>th</sup> Floor  
Washington, D.C. 20024  
(202) 442-8200  
(Fax) (202) 442-8201

January 25, 2012

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, 2011, 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 state and local governments as promulgated by the Governmental Accounting Standards Board (GASB) and includes all disclosures necessary for readers to gain an understanding of the District's financial activities.

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 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 material 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 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, 2011. 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 was issued in conjunction with the CAFR, that discussed 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 related requirements. This report is commonly referred to as the Yellow Book Report.

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 and a separate report, often referred to as the Single Audit Report, is issued by the independent auditors. The District's fiscal year 2011 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 the State of Maryland and the Commonwealth of 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.

Significant dates in the history of the District of Columbia are presented in the timeline shown in **Table 1**.

**Table 1 – Timeline: Key Dates in the History of the District of Columbia**

February 1801	Congress enacted the Organic Act of 1801, thereby dividing the capital district into Washington County (former Maryland area) and Alexandria County (former Virginia area).
1846	Congress passed a law allowing the City of Alexandria and Alexandria County to be returned to the Commonwealth of Virginia.
1871	Congress consolidated Georgetown, Washington City, and Washington County into one territorial government. The President appointed a territorial governor and council and an elected House of Delegates. A non-voting delegate to Congress was also established.
1874	The territorial government of the District of Columbia was abolished and the non-voting delegate to Congress was eliminated.
1878	The power to elect a territorial governor and council was eliminated. Congress established a three-member Board of Commissioners to govern the District of Columbia. This form of governance lasted for almost 100 years.
1961	The 23rd Amendment to the U.S. Constitution was ratified. Citizens of the District of Columbia were granted the right to vote in a presidential election.
1967	President Lyndon B. Johnson appointed Walter E. Washington Mayor of the District of Columbia.
1970	Congress passed the District of Columbia Delegate Act.
1971	Walter Fauntroy became the first Congressional Delegate to represent the District of Columbia.
1973	Congress passed the District of Columbia Home Rule Act, which provides for a popularly elected mayor and a 13-member Council.

Although Congress passed the Home Rule Act in 1973, Congress retained and continues to retain the right to review and overturn the legislative acts of the Council if both houses of Congress vote within 30 legislative days to do so. In addition, 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 tax-exempt property 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. 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), which totaled \$150 million.

Although progress has been made on many fronts throughout the city's history, District of Columbia residents still do not have voting representation in Congress. However, 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 on behalf of the District of Columbia. Some of her recent major accomplishments include the following:

- Launched inter-city bus service from the District's Union Station as part of efforts to transform Union Station into a model inter-modal transportation center. The Congresswoman insisted that intercity bus service begin on Union Station's existing upper bus deck in advance of the years of work necessary to create a new intercity bus terminal. In addition, the Congresswoman continues to pursue additional opportunities for bringing more low-cost intercity bus service to the District.

- Took measures to ensure that the District would receive two Presidential Disaster Declarations following the record snowstorms in the winter of 2010. Consequently, the District received two federal public assistance grants totaling \$7,703,425 for the cost of responding to the December 2010 and February 2011 snowstorms that crippled the region. Congresswoman Norton also secured \$1.5 million to repair the damage done to the RFK Stadium parking lot and \$1 million for the Washington Metropolitan Area Transit Authority for labor and equipment used to shovel platforms and pedestrian areas, plow lots and clear walkways.
- Developed and opened an Opportunities Center on the Department of Homeland Security (DHS) headquarters construction site located on the St. Elizabeth's campus in the District's Ward 8. The Opportunities Center was created through the collaborative efforts of the General Services Administration, Clark Construction, and the Congresswoman to give District residents the first job opportunities and small business contracts stemming from this major construction project. Workshops for small and minority-owned businesses are held regularly at the Opportunities Center.

During fiscal year 2011, the DHS headquarters construction progressed from breaking ground to initial hiring. Much of the work thus far has been hauling away dirt and rocks to make room for the massive U.S. Coast Guard headquarters. Approximately 70 percent of the drivers doing this work are District residents. Further, 89 District businesses have been subcontracted, with 17 from Ward 8. The project is expected to generate 38,000 construction-related jobs and 14,000 additional permanent federal jobs.

- Secured \$20 million for the 10-Year Anacostia River Clean-Up Plan and \$20 million for the D.C. Water and Sewer Authority to tackle the District's combined sewer overflow that pollutes the Anacostia River.
- Worked with the National Park Service and the District government to transfer ownership of 15 acres of land at Fort Dupont Park, where the District and the Washington Nationals will provide underserved children with a baseball academy.

- Introduced a bill to permanently authorize the D.C. National Guard Tuition Assistance Program, a program to assist D.C. Guard members with paying for college education expenses and secured \$375,000 for this effort in FY 2010.

For more information on the initiatives, activities 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 (d/b/a 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 the component units 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 Nonmajor Proprietary Fund is used to account for the operations of J.B. Johnson Nursing Center (J.B. Johnson). Prior to fiscal year 2011, J.B. Johnson was managed by a long-term care management company under a contract awarded by the District's Office on Aging. During fiscal year 2010, the District decided to lease the facility to a private entity upon expiration of the management contract on October 20, 2010. As of December 13, 2010, J.B. Johnson was dissolved by the District. The former management company entered into a 20-year ground lease agreement with the District, effective December 14, 2010, to occupy and use the building, land, and improvements thereon. The leased premises are to be used for the operation of a long-term care nursing home facility and for related nursing home services. Further information on the Basis of Presentation can be found on pages 58 through 60 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. On or about March 20 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 (including a multi-year capital improvement plan by project for all District agencies) through passage of a Budget Request Act. 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 then to Congress for approval. Congress 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 District's 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's 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. A fund is a separate, distinct accounting entity that 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.

### Measurement Focus and Basis of Accounting

The District's financial statements are prepared in accordance with 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.
- 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.
- The budgetary basis of accounting is used to prepare the budgetary comparison statement presented in Exhibit 2-d found on page 47. This basis of accounting differs from the GAAP basis as described below:
  - **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 included or excluded on a GAAP basis for reporting purposes. Such activities primarily include the

following as reported in Exhibit 2-d found on page 47:

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.

### 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 decade, 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.

In fiscal year 2010, the District also launched CFOInfo, a District government OCFO financial web portal, which presents data on actual expenditures for at least the two most recent fiscal years, the current fiscal year's approved budget, and the budget for the upcoming fiscal year. Users can view data in graphical or tabular format and may create comparisons and cross tabs for more detailed analyses. Users may access data regarding operating budgets, special purpose revenue, capital budgets, and the current year financial status.

In recent years, the District broadened its efforts to be transparent in financial reporting by creating the website, [www.recovery.dc.gov](http://www.recovery.dc.gov), which offers a wealth of information regarding the District's receipt and use of federal Stimulus funds. This website allows the general public to track the District's receipt and use of such funds (by project category and District agency) and provides information on how District residents may access the benefits associated with Stimulus funds.

To ensure accurate and consistent accounting for and reporting of Stimulus funding, the OCFO uses Stimulus 360, a web-based application that provides background information on the Act and details on how Stimulus awards are to be managed and recorded in the District's accounting system of record.

## ECONOMIC CONDITION AND OUTLOOK

During fiscal year 2011 the District continued to benefit from the presence of the federal government due to both direct federal hiring and contracts. However, the boost from the federal sector became less strong as the year progressed. In fiscal year 2011, private sector job growth was also weak, unemployment among District residents continued to be high, and the growth in wage and salary earnings was slower than in fiscal year 2010. The year ended on a note of considerable uncertainty both because of national economic factors and the potential for cutbacks in federal government activities resulting from deficit reduction measures.

In general, in terms of the District's future economic outlook, the following factors have been forecasted:

- Employment gains of approximately 4,100 (0.6 percent) in fiscal year 2012 and 3,000 (0.4 percent) in fiscal year 2013.
- Unemployment rate of 9.9 percent in fiscal year 2012 and 9.6 percent in fiscal year 2013.

- Growth of wages and salaries earned in the District of 2.8 percent in fiscal year 2012 and 3.6 percent in fiscal year 2013.
- Growth of personal income of 3.6 percent in fiscal year 2012 and 3.8 percent in fiscal year 2013.
- Consistent with all indications, the District's population and the number of households will continue to grow in the next few years.

The following risks and uncertainties must be considered when forecasting the District's future economic conditions.

- The Washington metropolitan region has historically benefitted from the presence of the federal government, which is the source of jobs from both direct federal hiring and contracts. However, growth in federal employment appears to be slowing and may soon reverse. Wages have already been frozen and other reductions may be forthcoming. Proposed cuts in federal spending may adversely impact the District's economy because such reductions may reduce the federal presence in the District and the surrounding region. The District's level of vulnerability as a result of federal "cutbacks" represents a significant risk to the District's economy.
- Real property tax revenues have been relatively steady and have been used to offset declines in sales and income tax revenues in the District. However, the real property market is extremely sensitive to financial sector disruptions. The credit freeze after the collapse of Lehman Brothers had an immediate impact on property markets and a major failure in Europe may have a similar outcome. In addition, the weakness in private sector employment warns of diminishing demand for office space, particularly in developments on the District's Waterfront and in the North of Massachusetts Avenue (NoMa) area.
- There have been few gains in some of the higher wage portions of the District's private sector. For example, although more professional and technical employees were working in the District in July 2011 than in the prior year, the level of employment remains below the level before the recession began in December 2007.
- The slow-down in District employment and rising unemployment that have occurred since the spring of 2011 indicate that the District's economy has lost momentum. It is difficult to determine whether this represents a temporary pause. In addition, it is not clear which sectors will lead the District's economy if federal employment stops growing.

## Key Factors in the District's Economy

### Population

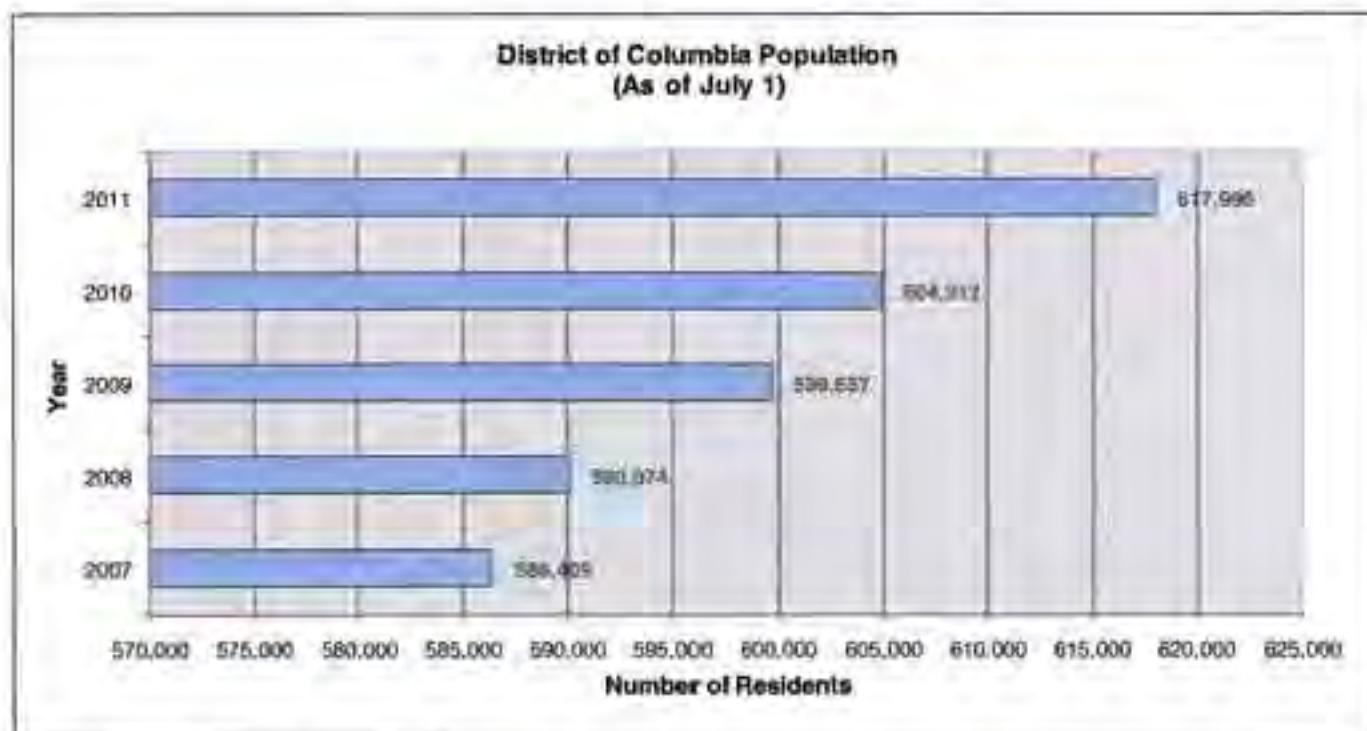
The U.S. Census Bureau estimated that there were 617,996 residents in Washington, D.C., as of July 1, 2011. This represents an increase of 13,084, or 2.2%, from the revised July 1, 2010 estimate of 604,912. Annual census estimates are based on birth and death records, changes in tax return filings, and estimates of the number of immigrants who move into the District each year. Chart 1 presents the District's population trends for calendar years 2007 through 2011.

### *Income Trends*

Income has grown considerably in the District in recent years. From the third quarter of 2007 to the third quarter of 2011, personal income grew approximately 17.2% in the District as compared to 8.5% nationally.

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. Median household income data is not yet available for 2011; however, for the two-year period 2009 and 2010, the District's median household income of \$58,526 was 14.3% above the U.S. average. The Census Bureau estimates that 18.7% of the District's population was below the poverty line in 2010 as compared to 14.4% for all of the U.S.

Chart 1 - Population Trends (2007 - 2011)



### Employment Trends

Total wage and salary employment in the Washington metropolitan area decreased to approximately 2,938,900 in fiscal year 2011 from the revised 2,956,700 for fiscal year 2010, representing a 0.6% decrease. 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 2010 employment numbers may differ from those presented in the fiscal year 2010 CAFR because of updates and revisions. **Table 2** presents 2011 labor market data for the District and the metropolitan region.

Total wage and salary employment within the District decreased slightly to 23.9% of the metropolitan area's total wage and salary employment. The seasonally adjusted September 2011 unemployment rate in the District was 11.1%, compared to the September 2010 seasonally adjusted rate of 9.7%.

Total employment within the District increased to 710,500 as of September 2011 from the revised 708,408 as of

September 2010. 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 2011 federal workforce in the Washington metropolitan area was 379,200; with approximately 209,800 federal employees located in Washington, D.C. and 169,400 additional federal employees who worked elsewhere in the Washington metropolitan area.

### 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 and has not been revised since that time. Therefore, effective July 24, 2009, the District's minimum wage rate increased to \$8.25 per hour and remained unchanged through calendar year 2011.

**Table 2 – 2011 Labor Market Data for the District and Surrounding Metropolitan Area**

#### **Labor Market (000s): FY 2011**

<b>Item</b>	<b>District of Columbia</b>			<b>Metropolitan Area</b>		
	<b>Level</b>	<b>1 yr. change (number)</b>	<b>1 yr. change (%)</b>	<b>Level</b>	<b>1 yr. change (number)</b>	<b>1 yr. change (%)</b>
Employed residents	297.8	-2.1	-0.7	2,904.3	24.0	0.8
Labor force	334.5	3.2	1.0	3,092.8	30.9	1.0
Total wage and salary employment	710.5	0.9	0.1	2,983.9	8.5	0.3
Federal government	209.8	0.2	0.1	379.2	-0.3	-0.1
Local government	34.6	-0.4	-1.1	307.6	2.1	0.7
Leisure & hospitality	59.0	-0.4	-0.7	266.8	1.2	0.5
Trade	21.4	-1.5	-6.6	315.7	-2.1	-0.7
Education and health	108.3	-0.8	-0.7	362.3	3.1	0.9
Prof., bus., and other services	215.1	2.3	1.1	874.0	8.9	1.0
Other private	62.3	1.5	2.5	478.3	-4.4	-0.9
Unemployed	36.7	5.4	17.1	188.5	6.9	3.8
New Unemployment Claims	1.9	0.3	17.7			

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

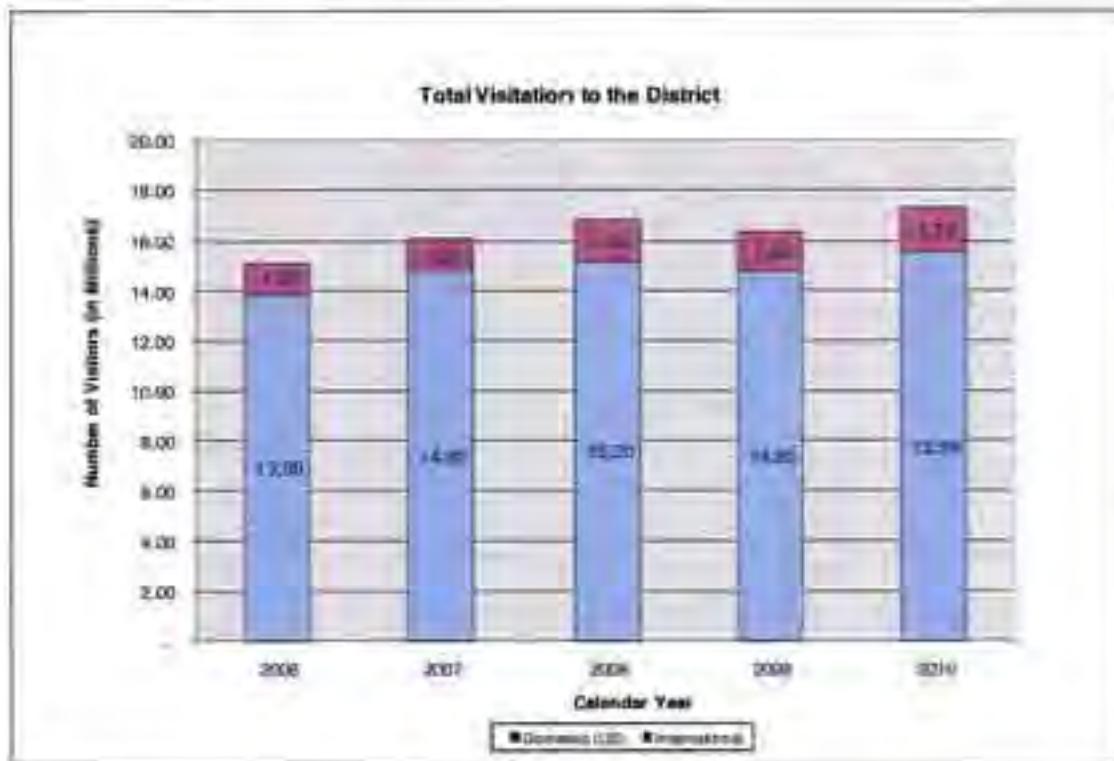
All data are monthly averages for the fiscal year and are preliminary, not seasonally adjusted.

### Tourism and Hospitality

Millions of U.S. citizens and international tourists visit the District's more than 400 museums and other historical landmarks each year. Popular attractions include sites along the National Mall, numerous 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 2010, approximately 15.54 million domestic visitors and 1.74 million international visitors traveled to the District. During calendar year 2010, the District was the seventh most visited destination in the U.S. for international travelers. **Chart 2** presents the trends in tourism for calendar years 2006 through 2010. Tourism data for calendar year 2011 are not yet available.

Direct visitor spending generated additional business activity in related industries (e.g., hotel, restaurant, and retail) and continues to help sustain the local and regional economies. The District's hospitality industry generated an estimated \$5.69 billion in visitor spending on hotels, retail, transportation and entertainment in 2010, which was an increase of 8.3% over the prior year. Hotel occupancy was approximately 76.3% at September 30, 2011. Travel and tourism support more than 71,301 jobs in the District, generating approximately \$2.8 billion in wages.

**Chart 2 – Trends in District Tourism (2006 – 2010)**



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

### Construction - Commercial Real Estate

The construction sector showed signs of recovery during calendar year 2011 as the vacancy rate for commercial office properties fell slightly from the 2010 level. During the year, leased space increased by 1.71 million square feet, outpacing the net addition to inventory of 1.56 million square feet. Consequently, the vacancy rate (including sublet) declined from 9.1% at the end of 2010 to 8.7% at the end of 2011.

In 2011, federal leasing activities continued to contribute to the declining vacancy rate while private sector tenants remained hesitant to lease new space. It is anticipated that federal leasing activity would remain constant. However, private-sector demand is expected to slowly improve over the next few years. It is further expected that construction completions will be "light", with the new supply being at its lowest since the late 1990s.

### Construction – Housing Units

For the 12-month period ending September 2011, 2,458 housing unit building permits were issued. This was a level which had not been reached since the spring of 2006.

#### **Apartment Units in the District**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Inventory	84,186	85,427	87,090	87,970	89,071
Occupied Units	80,819	81,521	81,964	82,965	84,439

In calendar year 2011, there were 89,071 apartment units in the District, of which 84,439, or 94.8%, were occupied. It is anticipated that approximately 4,899 new apartment units will be added to the inventory in calendar years 2012 and 2013.

### **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. Total stimulus operating expenditures were approximately \$205.4 million in fiscal year 2011. Approximately \$171.3 million, or 83.4%, of the stimulus operating expenditures were made by the following agencies: Department of Health Care Finance (44.3%), Office of the State Superintendent for Education (15.9%), Department of Housing and Community Development (14.4%), and Department of Human Services (8.8%).

In fiscal year 2011, total stimulus capital expenditures were approximately \$55.9 million, of which approximately \$52.4 million, or 94%, were made by the District Department of Transportation (71%) and the District Department of the Environment (23%).

### **The District's Bond Rating**

Rating agencies assess the credit quality of municipal issuers and assign a credit rating to the issuer based on the outcome of their assessments. Consequently, rating agencies provide vital information to investors regarding the relative risks associated with rated bond issues. Attaining an acceptable credit rating is important to an issuer because it allows the issuer to more easily 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 3** 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 access the market and 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 3**, the District's ratings for its Income Tax Secured Revenue Bonds continued to be high in fiscal year 2011.

**Table 3 – Bond Rating History (Last Four Fiscal Years)**

	General Obligation Bonds				Income Tax Secured Revenue Bonds		
	2008	2009	2010	2011	2009	2010	2011
Fitch Ratings	A+	A+	AA-	AA-	AA	AA+	AA+
Moody's Investors Service	A1	A1	Aa2	Aa2	Aa2	Aa1	Aa1
Standard & Poor's Rating Service	A+	A+	A+	A+	AAA	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 18.8% and child poverty rate of 31.1% 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 costs of delivering services to District residents are high. Labor costs in the District are 21% above the national average for public services, and the costs associated with acquiring capital goods and services are 55% above the national average. The high costs of delivering services to a large population in need of healthcare, housing, welfare and other similar services or assistance 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 service delivery is limited by several federally mandated restrictions. 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 this lost tax revenue. 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.

As a result of these restrictions on the District's tax revenue collections, District 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. 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 \$1.1 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 issues faced during challenging economic times. Across the nation, recovery from the recent recession has been slow and the District has not been immune to the lingering effects of 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.

In addition, the District implemented measures to mitigate the risk of budget shortfalls in fiscal year 2011 and beyond. Some of the measures included mandatory furlough days, a tax amnesty program, and other programs/initiatives. The District is also considering other innovative initiatives such as leasing the city's fiber optic lines and establishing a program for Internet gambling. A brief discussion of each of these measures follows:

- **Mandatory Furlough Days** - Through the passage of the Balanced Budget Holiday Furlough Emergency Amendment Act of 2011, four statutorily mandated furlough days were authorized, which included: President's Day (February 21, 2011); D.C. Emancipation Day (April 15, 2011); Memorial Day (May 30, 2011); and Independence Day (July 4, 2011). Several groups were exempt from the furloughs, including uniformed members of the Metropolitan Police Department, emergency medical services personnel of the Fire and Emergency Medical Services Department, and employees in agencies occupying positions subject to a court order that specifically excludes such positions from furloughs. The District saved approximately \$23.8 million in fiscal year 2011 as a result of these furloughs.
- **Tax Amnesty Program** – The District granted a tax amnesty period from August 2, 2010 through September 30, 2010. Accumulated penalties and fees on delinquent taxes paid during this period were waived. More than 11,500 of roughly 42,000 delinquent taxpayers paid their past due tax liabilities plus interest during the two-month tax amnesty period. Of the amnesty payments received, 45% were individual income taxes, 16% were sales and use taxes, 13% were corporate franchise taxes, 11% were unincorporated franchise taxes, 8% were personal property taxes, 4% were withholding taxes, and 3% were other taxes.

The District collected approximately \$20.8 million in delinquent taxes through its amnesty program, \$800,000 more than estimated by the Office of the Chief Financial Officer. The excess collections were used to address the revenue shortfall in fiscal year 2011.

- **Leasing Access to the District's Fiber Optic Network** – The District operates a fiber optic network, D.C.-Net, which includes 350 miles of cable connecting city agencies at 355 locations. More than 33,000 District employees use D.C.-Net every day. The network handles calls to the city's emergency 911 call center and its 311 information line.

In 2010, the District received a \$17.4 million stimulus fund grant from the federal government to add 150 miles of cable to the network and bring broadband access to residents who could not afford it. The District currently has one contract (valued at \$1.6 million annually) with a federal agency to lease access to D.C.-Net. The

District intends to expand leasing opportunities to other federal agencies as well as other entities.

- **Internet Gambling** – Efforts are under way for the District to begin allowing Internet gambling (iGaming) within its borders in 2012. When implemented, the District will be the first U.S. jurisdiction to allow online poker and betting. Players will have to physically be within the District's borders to play. Although game play will take place via online connection, the technology will shut out players from outside of the District's borders. The District plans to set up 20 to 30 hot spots in hotels, stores, bars, clubs, and other locations across the city. Players must be at least 19 years old and deposits in online accounts will be limited to about \$250 a week. The iGaming site will accept only debit transactions.

It is estimated that the District may generate more than \$13 million between fiscal years 2012 and 2014 through online gaming. Revenues from iGaming will be collected in the form of table fees to join poker games and taxes on winnings of \$600 or more.

## 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:

- **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 broke ground for the \$3.4 billion consolidated DHS headquarters. DHS is building its headquarters on the west campus of the old St. Elizabeth's Hospital located in Southeast Washington, D.C. The first phase of this project is the new energy-efficient, 1.18 million square foot Coast Guard headquarters facility. Occupancy of the new Coast Guard headquarters facility 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, Customs and Border Protection, Immigration and Customs Enforcement, and the Federal Emergency Management Administration.

- **CityCenter DC**

Construction began in March 2011 on CityCenter DC, a \$700 million complex with 2.5 million square feet of office, residential, and retail space as well as a public plaza and park. Completion of most of the planned project is slated for late 2013.

The principal owner of the CityCenter DC project is the Qatari Diar Real Estate Investment Company. This real estate arm of the Persian Gulf state of Qatar made a \$620 million equity investment in the project.

CityCenter DC will include six buildings (two for apartments, two for condominiums, and two for offices), each 10 or 11 stories in height, in keeping with the District's 130-foot height restriction. The six buildings will be connected by a public courtyard. There will be 458 apartments, 216 condominiums, 185,000 square feet of retail space, 515,000 square feet of office space and four levels of underground parking. A luxury hotel is also planned for the project's second phase.

- **Convention Center Hotel**

On November 10, 2010, the District broke ground on the 14-story Washington Convention Center Marriott Marquis Hotel. One of only four Marriott Marquis properties in the country, the hotel will have 1,175 rooms (including 46 suites) and more than 53,000 square feet of meeting space. The hotel will feature an elegant lobby and five separate retail and restaurant outlets on the ground floor; a 30,000-square foot grand ballroom; two 10,800-square foot junior ballrooms; an 18,800-square foot indoor event terrace; and a 5,200 square foot rooftop terrace.

The estimated cost of this project is \$520 million. District officials approved \$206 million in funding for the hotel during the summer of 2010 and the developer secured financing from private investors. The four-star boutique-style hotel, a mix of glass and steel, is scheduled to open in the spring of 2014.

The project will create about 1,600 construction jobs and more than 1,000 jobs at the hotel when completed.

- **D.C. Streetcar**

The District plans to build a \$1.5 billion network of eight streetcar lines throughout the city by 2020, providing transit links in areas currently

lacking Metrorail access. Construction on the project began in 2008. The first two lines, H Street/Benning Road in Northeast and Martin Luther King Boulevard in Anacostia, are scheduled to begin ferrying riders by 2013.

The District purchased its first "modern streetcars" in late 2009. These cars are approximately eight feet wide and approximately 66 feet long, about 10 inches narrower than and one-third the length of a light rail double car train. The modern streetcars are able to operate in mixed traffic and can easily accommodate existing curbside parking and loading.

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 bike sharing network of 1,100 bicycles throughout the District, and Arlington, Virginia. Bikes are docked at bike stations in the District and Arlington, where they remain locked to racks until a Capital Bikeshare member releases one for use. 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 bar-coded cards. These cards are slipped into a slot to release a bike. The first 30 minutes of each ride are free, after which the charges are: \$1.50 for the next 30 minutes; \$3 for the third half-hour; and \$6 for each 30-minute period after that.

Amounts owed are billed to the member's credit card and \$1,000 is charged if a 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 begins 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. Capital Bikeshare is the nation's largest program of its type. Members of Congress are encouraging the National Park Service to allow Capital Bikeshare stations on the

National Mall to offer an innovative, cost-effective and environment-friendly transportation service for the millions of people who visit the National Mall annually.

- **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.

In January 2010, to help fund such efforts, the District began levying a five-cent “bag tax” on District consumers. 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. During fiscal year 2011, the District collected more than \$1.8 million in bag taxes. Since the inception of the tax in 2010, the District has collected more than \$3.5 million in such taxes.

The District also makes every effort to implement initiatives that will enhance service to District residents and the general public. The Pay-By-Phone Parking initiative, designed to make parking in the District more convenient, was implemented in fiscal year 2011.

The District Department of Transportation rolled out the pay-by-phone parking program on a District-wide basis in fiscal year 2011. As a result, residents, workers, and visitors can now use their mobile telephones to pay for parking at all of the District’s approximately 17,000 on-street metered spaces. Pay-by-phone parking gives drivers another convenient payment option. Instead of feeding cash or a credit card into a meter, transactions may be completed by telephone, on the Internet, or by using a mobile “app.”

The pay-by-phone parking program is administered by Parkmobile USA, Inc. To use the Parkmobile system, motorists must register their license plate numbers and credit card information online at [www.parkmobile.com](http://www.parkmobile.com). Once registered, motorists can use a mobile “app” (available for the iPhone, Android, and Blackberry), the Internet, or a toll free telephone number to pay for parking. Motorists may also select the option to receive text message alerts and reminders.

Motorists can use the mobile “app” or place a call to start a parking session when pulling into a parking spot. Motorists must key in a zone number, the amount of meter time wanted, and proceed with their business or activity. Fifteen minutes before the meter expires, the motorist will

receive a text message reminder and can add additional time. There is a \$0.32 fee for each transaction, which covers the credit card processing charges and other program costs. Transactions appear in real time on the hand-held devices used by the District’s Parking Enforcement Officers.

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 General Services**  
2000 14<sup>th</sup> Street, N.W., 8<sup>th</sup> Floor  
Washington, D.C. 20009  
Telephone: (202) 727-2800  
Website: <http://dgs.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, 2010. The District has received this award for twenty-seven of the last twenty-nine 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 2011 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.

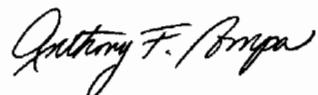
The District also earned an award from GFOA for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the fiscal year ended September 30, 2010, for the eighth consecutive year. The PAFR presents the District's financial results in a format and language that allows information to be 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 2011 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.

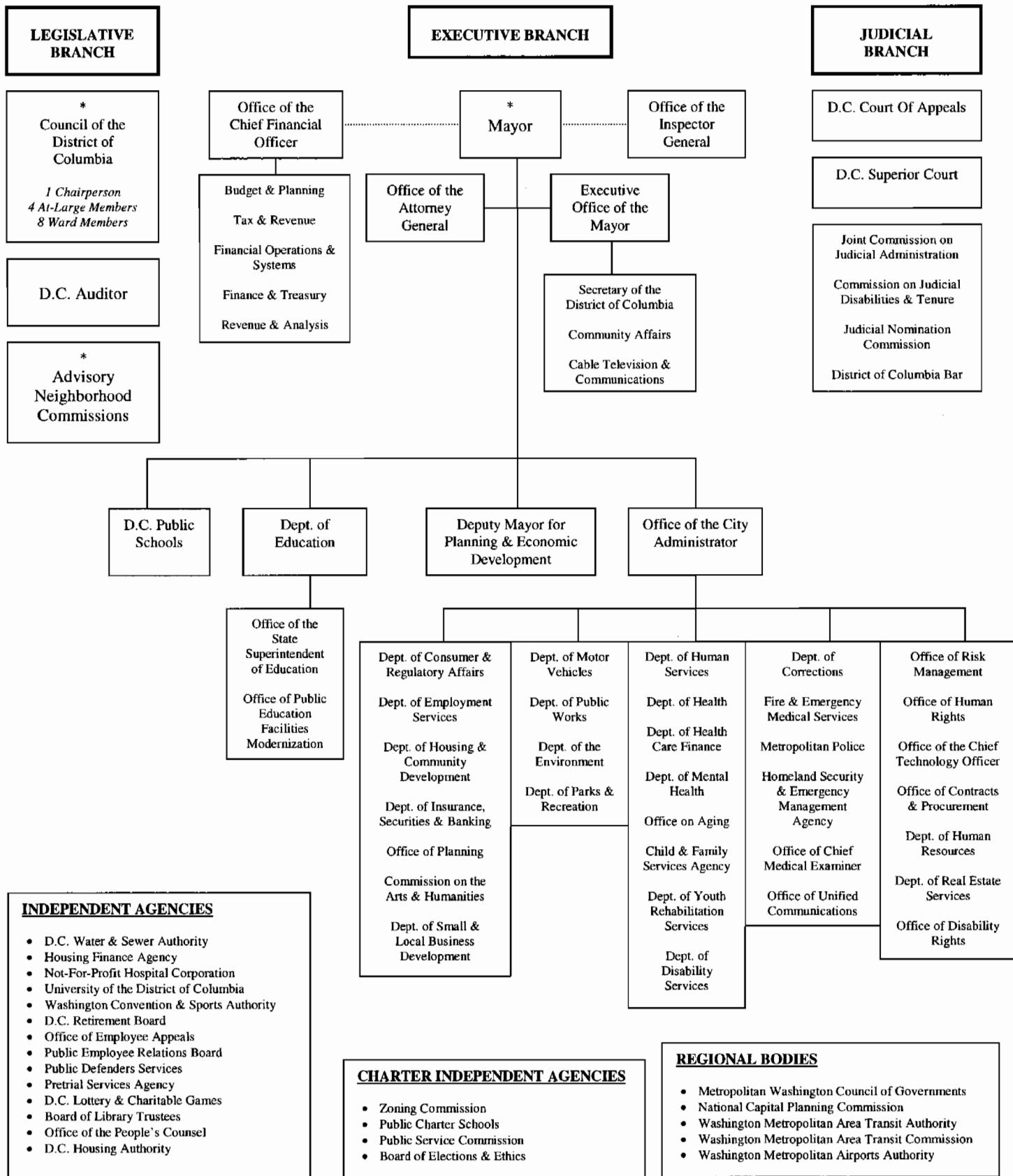
### Acknowledgments

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



**DISTRICT OF COLUMBIA  
PRINCIPAL OFFICIALS  
September 30, 2011**

Name	Position	Chief Executive Officer	First Took Office	Term Expires
<b>Council</b>				
Vincent C. Gray	Mayor		2011	2014
<b>House of Representatives</b>				
Eleanor Holmes Norton	Delegate		1991	2012
<b>Executive Officers</b>				
Allen Lew	City Administrator			
Natwar M. Gandhi	Chief Financial Officer			
Irvin B. Nathan	Attorney General			
Christopher Murphy*	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	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			
George Dines	Associate CFO, Government Services			
Delicia Moore	Interim Associate CFO, Human Support Services			
Angelique Hayes	Associate CFO, Public Safety and Justice			
Deloras A. Shepherd	Associate CFO, Elementary and Secondary Education			
Buddy Roogow	Executive Director, D.C. Lottery			

\*Appointed after September 30, 2011

# 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, 2010

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.



*Linda C. Danielson*

President

*Jeffrey P. Evans*

Executive Director



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

# CAFR 2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**YEAR ENDED SEPTEMBER 30, 2011**

**VINCENT C. GRAY • MAYOR**

**NATWAR M. GANDHI • CHIEF FINANCIAL OFFICER**

**FINANCIAL SECTION**

## **INDEPENDENT AUDITORS' REPORT**



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

### Independent Auditor's 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, 2011, 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.

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 Finance 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 also 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison statement for the general and federal and private resources funds for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1.F to the basic financial statements, the District passed the *Clarification of Personal Property Tax Revenue Reporting Act of 2011*, resulting in a change in an accounting principle relating to recognition of property tax revenues. Also, as discussed in Note 1.R to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective October 1, 2010.



In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2012 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 127 through 130 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 25, 2012



*[This page intentionally left blank]*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2011

(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, 2011, 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, 2011, by \$3,200,793. The District had unrestricted net assets totaling (\$524,146) at the end of fiscal year 2011. (See Table 1)
- The District's total net assets increased by \$138,817 as a result of an increase of \$362,847 in revenues and a smaller increase of \$134,778 in expenses in fiscal year 2011. In addition, due to a change in the method used to apply accounting principles when recognizing property tax revenues, prior year property tax revenues and net assets were adjusted. Consequently, net assets at the beginning of fiscal year 2011 increased by \$40,643.
- General revenues increased by approximately \$403,301 due to significant increases in income and franchise taxes, and other taxes totaling \$222,152 and \$121,115, respectively. Expenses increased by \$134,778 over the one-year period. During fiscal year 2011, the District implemented self-imposed cost reduction plans to address potential budget shortfalls. Such measures proved to be successful in limiting expenses and helping to prevent a year-end deficit. (See Table 2)
- As of September 30, 2011, the District's governmental funds reported combined ending fund balances of \$1,726,634, an increase of \$102,467 in comparison with the prior year. (See Table 3)
- The District's total long-term liabilities increased by \$543,400, or 6.6%, during fiscal year 2011. This increase resulted, in large part, from the District's issuance of Income Tax Secured Revenue Bonds during the year. The District issued \$544,945 in Income Tax Secured Revenue Bonds to fund infrastructure improvements/capital projects and refund certain series of outstanding income tax secured revenue bonds. The amount of income tax secured revenue bonds defeased through the fiscal year 2011 refundings totaled \$63,335. Other factors which contributed to the increase in long-term liabilities include the issuance of General Obligation Bonds (Build America Bonds) totaling \$181,330, Federal Highway Grant Anticipation Revenue Bonds (GARVEEs) totaling \$82,610, and increases in accreted interest totaling \$24,633.

### 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 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 District does not focus its operations on accumulating net assets, in general, gauging increases or decreases in net assets 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 "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.

**Financial statements of the governmental funds** consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balance. These statements are prepared using a basis of accounting which differs from that used to prepare the government-wide statements. Financial statements of the governmental funds 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. Financial statements of the governmental funds 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 column 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 adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. Consistent with that Statement, the District identified its nonspendable fund balance and further classified spendable fund balance as restricted, committed, assigned, or unassigned based on the relative strength of the constraints controlling how specific amounts may be used. Statement No. 54 also provides guidance for classifying and reporting stabilization amounts and clarifies the definitions of the general fund type, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type. Accordingly, the District reviewed its use of the various fund types to ensure compliance with the guidance contained in GASB Statement No. 54.

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

The financial statements of the District's governmental funds are presented on pages 44 and 47 of this report.

**Financial statements of the proprietary funds** 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 are used to account for the activities of District entities that charge customers fees for the services provided. The financial statements of the District's proprietary funds 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 one non-major proprietary fund, Nursing Home Services, which reports the operations of J.B. Johnson Nursing Center. Effective December 13, 2010, the J.B. Johnson Nursing Center was dissolved and the facility (land, building, and improvements) is being leased to a separate entity that continues to provide nursing home services. The District has no further responsibility for the operations of this nursing home facility.

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 financial statements of the District's proprietary funds are presented on pages 48 through 50 of this report.

**Financial statements of the fiduciary funds** 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 (either as a trustee or as an agent) for other parties, 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 financial statements of the District's fiduciary funds 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

The Notes to the Basic Financial Statements, which begin 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 toward funding its obligation to provide pension and other postemployment benefits to District employees. Required supplementary information can be found on pages 127 through 129 of this report.

Financial statements of individual funds, combining statements (in connection with nonmajor governmental funds), and supporting schedules are presented immediately following the required supplementary information on postemployment benefits. Financial statements of individual funds and combining statements and schedules can be found in the other supplementary information presented on pages 131 through 157 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**. The information for fiscal years 2010 and 2011 is based on the government-wide financial statements presented on pages 42 and 43 of this report.

**Table 1 - Net Assets as of September 30, 2011**

	Governmental activities		Business-type activities		Totals	
	2010		2010		2010	
	2011	Adjusted	2011	2010	2011	Adjusted
Current and other assets	\$ 3,964,874	\$ 3,571,063	\$ 339,309	\$ 364,234	\$ 4,304,183	\$ 3,935,297
Capital assets	9,815,312	9,228,531	478	4,827	9,815,790	9,233,358
Total assets	13,780,186	12,799,594	339,787	369,061	14,119,973	13,168,655
Long-term liabilities	8,723,811	8,174,105	22,912	29,218	8,746,723	8,203,323
Other liabilities	2,085,790	1,810,264	86,667	93,092	2,172,457	1,903,356
Total liabilities	10,809,601	9,984,369	109,579	122,310	10,919,180	10,106,679
Net assets:						
Invested in capital assets, net of related debt	2,534,538	2,437,385	478	4,827	2,535,016	2,442,212
Restricted	963,694	1,117,560	226,229	233,296	1,189,923	1,350,856
Unrestricted	(527,647)	(739,720)	3,501	8,628	(524,146)	(731,092)
<b>Total net assets</b>	<b>\$ 2,970,585</b>	<b>\$ 2,815,225</b>	<b>\$ 230,208</b>	<b>\$ 246,751</b>	<b>\$ 3,200,793</b>	<b>\$ 3,061,976</b>

**Table 2 - Change in Net Assets for the year ended September 30, 2011**

	Governmental activities		Business-type activities		Total	
	2010	Adjusted	2011	2010	2011	2010 Adjusted
	2011		2011		2011	Variance
Revenues:						2011/2010
Program revenues:						
Charges for services	\$ 490,101	\$ 450,022	\$ 235,884	\$ 250,150	\$ 725,985	\$ 700,172 \$ 25,813
Operating grants and contributions	3,343,747	3,321,671	34,968	36,998	3,378,715	3,358,669 20,046
Capital grants and contributions	172,964	259,277	-	-	172,964	259,277 (86,313)
General revenues:						
Property taxes	1,803,691	1,881,733	-	-	1,803,691	1,881,733 (78,042)
Sales and use taxes	1,121,257	1,081,005	-	-	1,121,257	1,081,005 40,252
Income and franchise taxes	1,656,283	1,434,131	-	-	1,656,283	1,434,131 222,152
Other taxes	682,201	560,490	128,875	129,471	811,076	689,961 121,115
Non tax revenues	569,522	466,524	238,119	243,293	807,641	709,817 97,824
<b>Total revenues</b>	<b>\$ 9,839,766</b>	<b>\$ 9,454,853</b>	<b>\$ 637,846</b>	<b>\$ 659,912</b>	<b>\$ 10,477,612</b>	<b>\$ 10,114,765</b> 362,847
Expenses:						
Governmental direction and support	783,557	871,240	-	-	783,557	871,240 (87,683)
Economic development and regulation	370,592	374,149	-	-	370,592	374,149 (3,557)
Public safety and justice	1,521,863	1,563,505	-	-	1,521,863	1,563,505 (41,642)
Public education system	2,086,722	1,989,518	-	-	2,086,722	1,989,518 97,204
Human support services	3,889,812	3,677,405	-	-	3,889,812	3,677,405 212,407
Public works	489,304	497,027	-	-	489,304	497,027 (7,723)
Public transportation	257,703	243,668	-	-	257,703	243,668 14,035
Interest on long-term debt	356,164	324,319	-	-	356,164	324,319 31,845
Lottery and games	-	-	169,526	163,393	169,526	163,393 6,133
Unemployment compensation	-	-	408,997	480,976	408,997	480,976 (71,979)
Nursing home services	-	-	4,555	18,817	4,555	18,817 (14,262)
<b>Total expenses</b>	<b>\$ 9,755,717</b>	<b>\$ 9,540,831</b>	<b>\$ 583,078</b>	<b>\$ 663,186</b>	<b>\$ 10,338,795</b>	<b>\$ 10,204,017</b> 134,778
Increase in net assets before special items and transfers	<b>\$ 84,049</b>	<b>(85,978)</b>	<b>\$ 54,768</b>	<b>(3,274)</b>	<b>\$ 138,817</b>	<b>(89,252)</b> 228,069
Special item	-	266,942	-	-	-	266,942 (266,942)
Transfer in (out)	71,311	96,624	(71,311)	(96,624)	-	-
Change in net assets	155,360	277,588	(16,543)	(99,898)	138,817	177,690 (38,873)
Net assets - Oct 1, as adjusted	2,815,225	2,537,637	246,751	346,649	3,061,976	2,884,286 177,690
<b>Net assets - Sept 30</b>	<b>\$ 2,970,585</b>	<b>\$ 2,815,225</b>	<b>\$ 230,208</b>	<b>\$ 246,751</b>	<b>\$ 3,200,793</b>	<b>\$ 3,061,976</b> \$ 138,817

Please refer to Note 1W – Reconciliation of Government-Wide and Fund Financial Statements, on page 72 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 \$138,817, or 4.5%, from \$3,061,976 in fiscal year 2010 to \$3,200,793 in fiscal year 2011. This increase in net assets resulted from an increase in revenues totaling \$362,847 and a \$40,643 adjustment to net assets related to a change in the method used to recognize personal property tax revenue. In addition, expenses in Governmental Direction and Support decreased by \$87,683 as a result of cost-saving measures implemented by the District and Public Safety and Justice expenses decreased by \$41,642 due to postponed hiring of police officers, delays in filling certain civilian positions, and other operational improvements at the Metropolitan Police Department (MPD). Savings were also achieved as a result of the transitioning of the fire hydrant inspection function from Fire and Emergency Medical Services (FEMS) to the Water and Sewer Administration and the strengthening of FEMS policies regarding overtime and use of sick leave.
- 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 \$1,189,923 in fiscal year 2011 and \$1,350,856 in fiscal year 2010, representing a decrease of \$160,933, or (11.9%). Most of this decrease is due to more funds being held for debt service, grants, and special purposes.

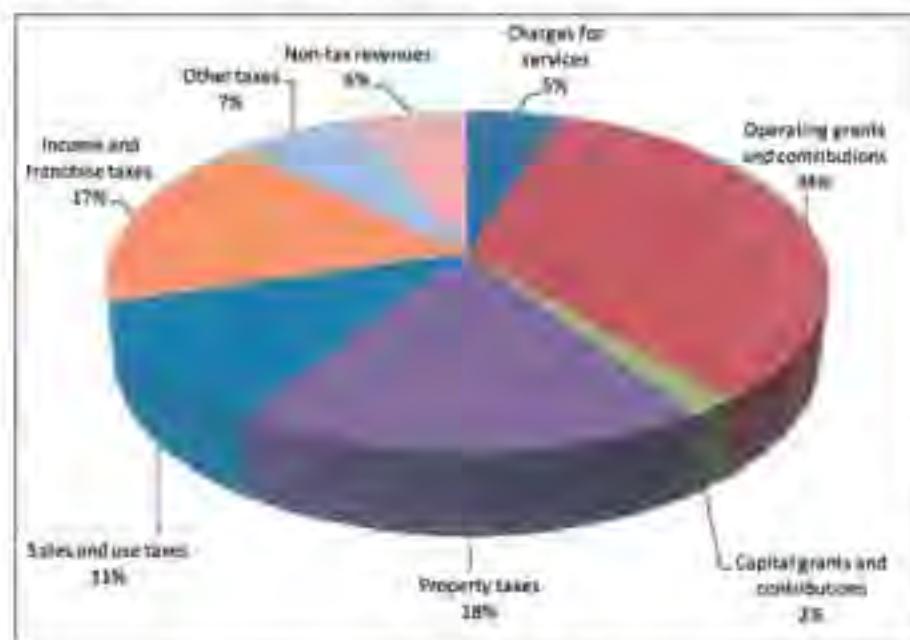
Total net assets of governmental activities was \$2,970,585 in fiscal year 2011, which was \$155,360 or 5.5%, more than total net assets of governmental activities in fiscal year 2010. Governmental Activities expenses increased by \$214,886 from the prior year and Governmental Activities revenues increased by \$384,913.

Total net assets increased mainly because of effective management of expenditures and increases in revenues from property taxes, income and franchise taxes, and sales and use taxes. This was a major contributing factor for the decrease in negative unrestricted net assets to \$524,146 in fiscal year 2011, compared to \$731,092 in fiscal year 2010.

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 2011 and 2010, the Lottery transferred \$62,175 and \$66,750 to the District's General Fund, respectively. In addition, \$9,136 was transferred to the District's General Fund upon the dissolution of the J.B. Johnson Nursing Home in fiscal year 2011. Total transfers from the proprietary funds to the primary government were \$71,311 in fiscal year 2011.

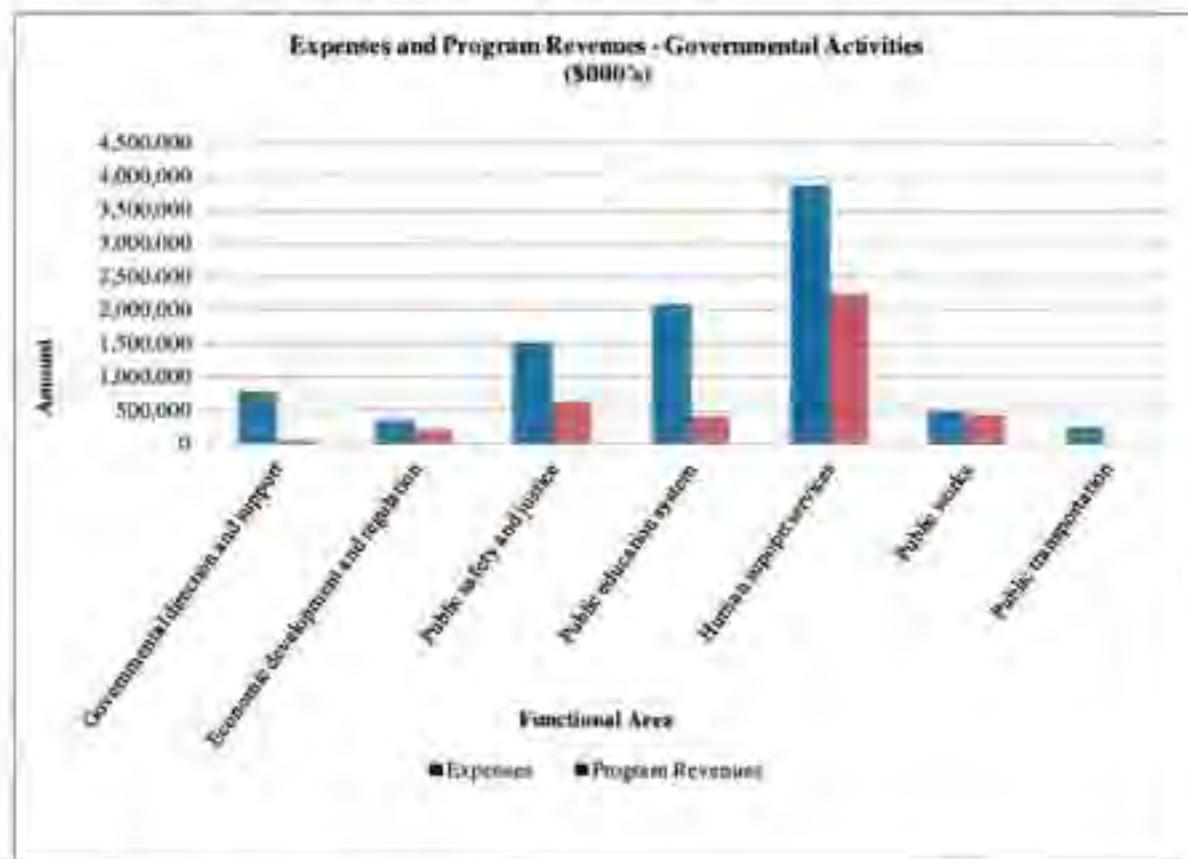
Chart 1 graphically depicts the District's sources of revenues in its governmental activities as presented in Table 2, *Change in Net Assets* for the year ended September 30, 2011, found on page 26.

**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, public works, and public transportation.

**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 142 and 143 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 unassigned 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, Housing Production Trust Fund, 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 \$1,726,634 in fiscal year 2011 and \$1,624,167 in fiscal year 2010, which represents an increase of \$102,467, or 6.3%, 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 2011 and FY 2010 Fund Balance**

Governmental Fund	FY 2011 Balance	FY 2010 Balance Adjusted	Dollar Variance	Percentage Variance
General	\$ 1,104,894	\$ 930,769	\$ 174,125	18.7%
Federal and Private Sources	183,610	191,023	(7,413)	-3.9%
Housing Production Trust	73,436	40,315	33,121	82.2%
General Capital Improvements	4,970	133,438	(128,468)	-96.3%
Nonmajor governmental funds	359,724	328,622	31,102	9.5%
<b>Total Fund Balance</b>	<b>\$ 1,726,634</b>	<b>\$ 1,624,167</b>	<b>\$ 102,467</b>	<b>6.3%</b>

The most significant change in the total fund balance of the governmental funds was 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 increased by \$245,485 as the economy began to show signs of recovery in fiscal year 2011. **Table 4** presents the most significant one-year variances in General Fund revenues.

**Table 4 – Changes in Major General Fund Revenues**

Revenue Category	Fiscal Year 2011	Fiscal Year 2010 Adjusted	Dollar Variance	Percentage Variance
Property taxes	\$ 1,770,185	\$ 1,881,284	\$ (111,099)	-5.9%
Income and franchise taxes	1,656,283	1,434,131	222,152	15.5%
Sales and use taxes	1,066,366	1,081,005	(14,639)	-1.4%
<b>Total (These Categories)</b>	<b>\$ 4,492,834</b>	<b>\$ 4,396,420</b>	<b>\$ 96,414</b>	<b>2.2%</b>

Property tax. With the passage of the Clarification of Personal Property Tax Revenue Reporting Act of 2011, the District changed its policy regarding personal property tax revenue reporting. The period of intended use of the personal property tax was changed from 25% in the fiscal year when the assessment is made and 75% in the subsequent fiscal year to 100% in the fiscal year of assessment. Changing the period of intended use did not affect the amount of personal property tax revenue recognized in fiscal year 2011. However, fiscal year 2010 personal property tax revenue was adjusted by approximately \$4.5 million to reflect the increase resulting from this change in revenue recognition methods.

Furthermore, 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. These declines impacted the fiscal year 2010 assessments, resulting in lower real property tax collections in that year and in fiscal year 2011.

Personal property tax collections also declined in fiscal year 2011 as a result of decreases in the level of business activity and new business investments in the District.

Income and franchise tax. Wages and salaries earned by District residents increased in fiscal year 2011 which led to increased income tax collections through withholdings. The non-withholding component of income tax revenue, which includes declarations (estimated payments), also increased in fiscal year 2011. The behavior of the

declarations component is related to the performance of the stock market which declined sharply in recent years. However, the stock market regained some strength in fiscal year 2011 which resulted in an increase in the non-withholding component of income taxes.

Corporate franchise tax revenues increased in fiscal year 2011 due to increases in corporate profits.

**Sales and use tax.** Total sales tax revenues increased by \$40,252 in fiscal year 2011 as the national and local economies began to show signs of recovery. However, the General Fund portion of sales and use taxes decreased by \$14,639 as a result of the District's implementation of GASB Statement No. 54. Consistent with the requirements of that statement, \$54,891 in sales tax revenue is presented in the District's Nonmajor Governmental Funds.

#### Dedicated Revenues

The dedicated portions of tax revenues related to the special revenue funds are recorded directly in those funds. However, dedicated taxes for capital project funds are transferred out of the local fund (the major component of the general fund). In fiscal year 2011, the District dedicated a total of \$170,410 in tax revenues to fund the projects shown in **Tables 5**.

**Table 5 – Dedicated Local Tax Revenues**

(Dollars in 000s)

	Total Dedicated Taxes	Special Revenue Funds			
		Tax Incentive Financing Program	Housing Production Trust	PILOT Special Revenue	Baseball Project
<b>Property taxes</b>	\$ 30,560	13,569		16,991	
<b>Sales and use taxes</b>	54,891	45,379			9,512
<b>Gross receipts taxes</b>	44,582				44,582
<b>Other taxes</b>	40,377		40,377		
<b>Total taxes</b>	<b>\$ 170,410</b>	<b>58,948</b>	<b>40,377</b>	<b>16,991</b>	<b>54,094</b>

- Expenditures:** The District's general fund expenditures, excluding debt service, increased by \$69,452 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 2011	Fiscal Year 2010	Dollar Variance	Percentage Variance
Governmental direction and support	\$ 620,426	\$ 579,457	\$ 40,969	7.1%
Economic development and regulation	220,878	247,355	(26,477)	-10.7%
Public safety and justice	993,978	1,018,335	(24,357)	-2.4%
Public education system	1,507,747	1,400,832	106,915	7.6%
Human support services	1,572,717	1,564,143	8,574	0.5%
Public works	226,783	276,990	(50,207)	-18.1%
Public transportation	257,703	243,668	14,035	5.8%
<b>Total Functional Expenditures</b>	<b>\$ 5,400,232</b>	<b>\$ 5,330,780</b>	<b>\$ 69,452</b>	<b>1.3%</b>

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

**Public Education** – Certain initiatives and activities of the District of Columbia Public Schools (DCPS) contributed to the \$106,915 increase in Public Education expenditures. DCPS expenditures increased over the one year period between 2010 and 2011 due to increases in enrollment and special student populations. Additional funding was also

used to support a blended Head Start program. DCPS launched an innovative early education model to expand the District's ability to provide comprehensive preschool and pre-Kindergarten programs to ensure that every child attending a Title I school will benefit from comprehensive services typically only offered to Head Start classrooms. Under the new model, an additional 184 classrooms in 70 schools were able to receive all the benefits of a full Head Start program. The new model requires schools that previously received a Head Start subsidy for more than one classroom to fund the full salary of a second classroom teacher.

In addition, programs and activities of the D.C. Public Library (DCPL) also contributed to the increase in Public Education expenditures. With the new Deanwood Recreation Center opening at the end of fiscal year 2010 and six new libraries opening in fiscal year 2011, the DCPL used funding to support its increased staffing needs and pay the costs of moving into the new facilities. The new libraries are substantially larger and provide more services than the older facilities; therefore, additional staff were needed.

**Public Works** – During fiscal year 2011, the Department of Public Works (DPW) implemented several cost-saving measures which proved to be effective in reducing expenditures by \$50,207 in fiscal year 2011. Some of the cost-saving measures implemented by DPW included: (a) transitioning the Household Hazardous Waste and Shred-It program to a once-a-month Saturday collection; (b) streamlining the Fall leaf collection program; and (c) reducing the Small Business Improvement District Litter program. In addition, DPW reduced the number of positions in its Solid Waste Education and Enforcement Program and certain other administrative and financial management areas. Other cost-savings were realized as a result of renegotiating the recycling charges and moving the auction of vehicles to an on-line site.

**Governmental Direction and Support** – The \$40,969 increase in expenditures in Governmental Direction and Support is attributable to the District's enhancement of its operations and processes for administering programs and services. Investing resources to attract and enhance the skills of high-quality employees is of critical importance to the District. Therefore, substantial resources were devoted to and used by the Department of Human Resources Workforce Development Administration for this purpose. In addition, resources were devoted to strengthening the oversight function within the District and to address staffing needs in the Office of the Inspector General and enhance the audit capacity of the Office of the D.C. Auditor.

Funds were also used to establish initiatives and programs consistent with legal mandates made by the Council. For example, Council established an independent Public Education Finance Reform Commission to study and recommend revisions to the Uniform Per Student Funding Formula; and the Office of the Chief Financial Officer used resources to implement the Vacant Property Disincentivization Act of 2010. Another initiative which contributed to the increased expenditures was the use of funds for local non-profit health centers' malpractice insurance.

#### 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 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 on the annual amount budgeted. However, 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 \$1,155,116 on general capital improvements which exceeded the general capital improvements revenues of \$184,793 by \$970,323, which is reported as a deficiency in the capital projects fund. This deficiency was subsequently financed with a total of \$841,855 from bond proceeds and other financing sources. The net change in the general capital improvements fund balance was a decrease of \$128,468.

## 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, JB Johnson Nursing Center, which was dissolved on December 13, 2010.

The total assets for the Lottery decreased by \$6,807, or 14.9%, over the prior year, due to scheduled payments to long-term prize winners.

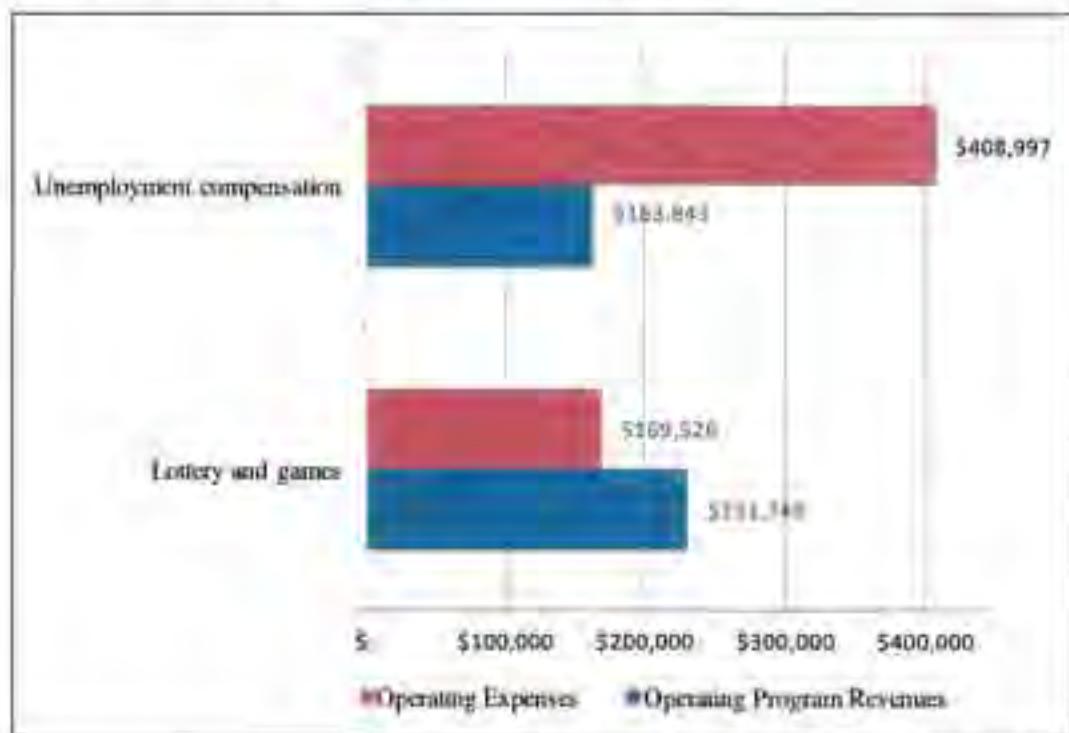
Total assets for Unemployment decreased by \$12,718, or 3.6%, due primarily to: (a) payments of claimants' benefits; (b) a decrease in interest earned on monies held in trust in the District's name at the U.S. Department of the Treasury; and (c) a decline in the amounts owed to Unemployment by employers. The noted decreases in assets were offset by an increase in the amount due from other states.

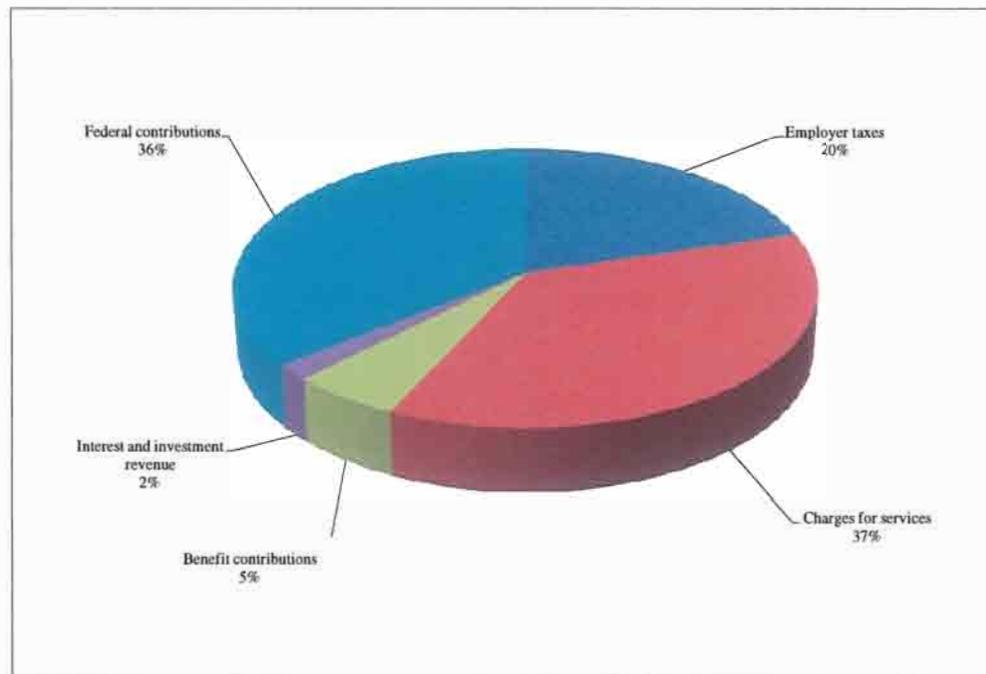
District residents who have exhausted regular District benefits may also participate in the federally funded Emergency Unemployment Compensation (EUC) Program. Pursuant to the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, the EUC program was extended until March 6, 2012. Between 2010 and 2011, there was a \$1,646 decrease in the amount owed to Unemployment by the federal government for extended benefits.

Overall total net assets of the District's proprietary funds decreased by \$16,543, or 6.7%, over the prior year, due in large part to the factors mentioned above. 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 – Operating Revenues and Expenses – 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 146, 147, and 148 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 2011	Fiscal Year 2010	Dollar Variance	Percentage Variance
Police and Firefighters Pension	\$ 3,127,467	\$ 2,925,742	\$ 201,725	6.9%
Teachers Pension	1,340,712	1,317,470	23,242	1.8%
Other Postemployment Benefits	511,486	424,254	87,232	20.6%
<b>Total Net Assets (End of Year)</b>	<b>\$ 4,979,665</b>	<b>\$ 4,667,466</b>	<b>\$ 312,199</b>	<b>6.7%</b>

Net assets of the fiduciary funds increased due to increases in the value of equity investments. In addition, there were reductions in securities lending transactions 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 (d/b/a United Medical Center); (4) Housing Finance Agency; and (5) University of the District of Columbia. 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 \$700,000 in Tax Revenue Anticipation Notes (TRANs) on October 25, 2010, at an interest rate of 2.00%. 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, 2011.

### 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 capital assets 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, 2011, the District had \$8,723,811 in long term debt outstanding, of which \$7,438,214, or 85.3%, was in the form of bonds. Of the outstanding bonds, \$2,829,598, or 38%, were general obligation bonds, and \$3,029,100, or 40.7%, were income tax secured revenue bonds. **Table 8** presents the District's outstanding bonds as of September 30, 2011.

**Table 8 – Outstanding Bonds at September 30, 2011 and 2010**

Type of Bonds	Outstanding Bond Debt			Percentage Variance	
	2011	2010	Dollar Variance		
General Obligation Bonds	\$ 2,829,598	\$ 2,781,053	\$ 48,545		1.7%
Income Tax Secured Revenue Bonds	3,029,100	2,570,650	458,450		17.8%
Other Bonds:					
Tobacco Bonds	690,289	699,779	(9,490)		-1.4%
Ballpark Bonds	512,850	517,390	(4,540)		-0.9%
AWC PILOT Revenue Bonds	90,660	96,950	(6,290)		-6.5%
TIF Bonds	87,484	91,807	(4,323)		-4.7%
HPTF Bonds	84,335	85,615	(1,280)		-1.5%
NCRC Revenue Bonds	22,715	30,671	(7,956)		-25.9%
Qualified Zone Academy Bonds	8,573	9,518	(945)		-9.9%
GARVEE Revenue Bonds	82,610	-	82,610		100.0%
<b>Total</b>	<b>\$ 7,438,214</b>	<b>\$ 6,883,433</b>	<b>\$ 554,781</b>		<b>8.1%</b>

The \$458,450 increase in Income Tax secured Revenue Bonds is directly attributable to the following three bond issuances made in fiscal year 2011:

- Issued on November 22, 2010, \$63,860 in Income Tax Secured Revenue Refunding Bonds, Series 2010E, used to currently refund \$63,335 of the outstanding principal amount of the Income Tax Secured Revenue Refunding Bonds, Series 2010C and pay the costs of issuing and delivering the Series 2010E Bonds.
- Issued December 2, 2010, \$342,615 in Income Tax Secured Revenue Bonds, Series 2010F, used to pay and/or reimburse the District for the costs of capital projects and the costs of issuing and delivering the Series 2010F Bonds.
- Issued September 29, 2011, \$138,470 in Income Tax Secured Revenue Bonds, Series 2011A, used to pay and/or reimburse the District for the costs of capital projects and the costs of issuing and delivering the Series 2011A Bonds.

In addition, on February 14, 2011, the District issued \$82,610 in Federal Highway Grant Anticipation Revenue Bonds, Series 2011. This bond issuance was authorized pursuant to the Transportation Infrastructure Improvements Grant Anticipation Revenue Vehicles (GARVEE) Bond Financing Act of 2009 to finance the District's 11<sup>th</sup> Street Bridge Project (Phase 1). The proceeds of the 2011 Bonds were also used to pay the costs of issuing the 2011 Bonds and fund the Senior Lien Bonds Debt Service Reserve Subaccount.

The total debt per capita as of September 30, 2011, was \$12,500 (not in thousands). This represents an increase of \$614 (not in thousands), or 4.6%, over the prior year. This increase is due to the issuance of Income Tax Secured Revenue Bonds totaling \$544,945 and Federal Highway GARVEE Bonds totaling \$82,610. Exhibit S-3C, on page 177, 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 91 through 110.

## 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 2011, total capital assets increased by \$582,432, or 6.3%, 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, 2011, total net capital assets (capital assets less depreciation) were \$9,815,790. Net capital assets of the governmental activities totaled \$9,815,312 and the net capital assets of the business-type activities totaled \$478. The governmental activities depreciation charges for fiscal year 2011 totaled \$336,212 compared to the prior year's amount of \$314,938. **Table 9** presents more detailed information on the District's net capital assets.

**Table 9 – Net Capital Assets as of September 30, 2011**

<b>Asset Category</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Land	\$ 919,558	\$ 916,721	\$ -	\$ -	\$ 919,558	\$ 916,721
Buildings	4,111,593	3,429,054	-	3,192	4,111,593	3,432,246
Infrastructure	2,465,943	2,279,590	-	-	2,465,943	2,279,590
Equipment	404,436	427,976	478	1,635	404,914	429,611
Construction in progress	1,913,782	2,175,190	-	-	1,913,782	2,175,190
<b>Total net capital assets</b>	<b>\$ 9,815,312</b>	<b>\$ 9,228,531</b>	<b>\$ 478</b>	<b>\$ 4,827</b>	<b>\$ 9,815,790</b>	<b>\$ 9,233,358</b>

For more detailed information on the District's capital asset activity, refer to Note 5, Capital Assets, found on pages 86 through 90.

## **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, 2011.

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

	Original Budget	Revised Budget	Actual	Variance (Actual to Revised)
<b>Revenues and Sources:</b>				
Taxes	\$ 4,869,807	\$ 5,054,156	\$ 5,203,168	\$ 149,012
Licenses and permits	64,276	59,948	76,020	16,072
Fines and forfeits	166,425	131,261	126,251	(5,010)
Charges for services	43,587	51,505	75,540	24,035
Miscellaneous	173,813	142,559	145,101	2,542
Other sources	410,456	411,276	476,584	65,308
General obligation bonds	15,000	15,000	6,320	(8,680)
Fund Balance released from restrictions	114,704	105,530	55,805	(49,725)
Interfund transfer from lottery and games	68,500	63,257	62,175	(1,082)
Interfund transfer - others	189,550	183,622	79,242	(104,380)
<b>Total revenues and other sources</b>	<b>6,116,118</b>	<b>6,218,114</b>	<b>6,306,206</b>	<b>88,092</b>
<b>Expenditures and Other Uses:</b>				
Governmental direction and support	464,046	455,607	440,427	15,180
Economic development and regulation	256,883	283,509	255,399	28,110
Public safety and justice	976,197	1,010,151	993,786	16,365
Public education	1,485,844	1,521,314	1,497,639	23,675
Human support services	1,453,131	1,500,534	1,466,639	33,895
Public works	540,669	547,708	538,837	8,871
Repay bonds and interest	418,483	413,641	409,550	4,091
Other expenditures and uses	519,541	484,819	464,234	20,585
Total expenditures and other uses	6,114,794	6,217,283	6,066,511	150,772
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses - Budgetary Basis</b>	<b>\$ 1,324</b>	<b>\$ 831</b>	<b>\$ 239,695</b>	<b>\$ 238,864</b>

**Revenues and Other Sources**

Actual General Fund revenues and other sources were \$88,092 more than the revised budget. As presented in **Table 10**, this variance was primarily due to significant increases in taxes and other sources which are discussed below.

**Taxes** – Tax revenues in excess of the revised budget were primarily in the form of Income and Franchise Taxes and Inheritance and Estate Taxes. Individual income tax revenue exceeded the revised budget by \$81,321 due to strong withholding collections in fiscal year 2011 and a stronger-than-expected recovery in the non-withholding portion of income tax. Unincorporated business franchise taxes exceeded the revised budget by \$21,756 in fiscal year 2011 due to a rebound in the equity markets and increased corporate profits.

In addition, Inheritance and Estate taxes exceeded the fiscal year 2011 revised budget by \$34,230. This excess was due to the death of wealthy District residents who had significantly enhanced their wealth positions in recent years. In light of the recession and continuing uncertainty about the federal estate tax, collections of District estate taxes are expected to decline over the next several years.

**Other Sources** – Revenues generated through other public sources exceeded the revised budget by \$65,308. This excess was due, for the most part, to the certain policy changes, which included but was not limited to the following: (a) taxing prepaid phone cards at a rate of 2%; (b) increasing Department of Health fees; (c) increasing food handler fees; (d) increasing notary public fees; (e) imposing a technology fee for basic business licenses; (f) assessing special events licensing fees; (f)

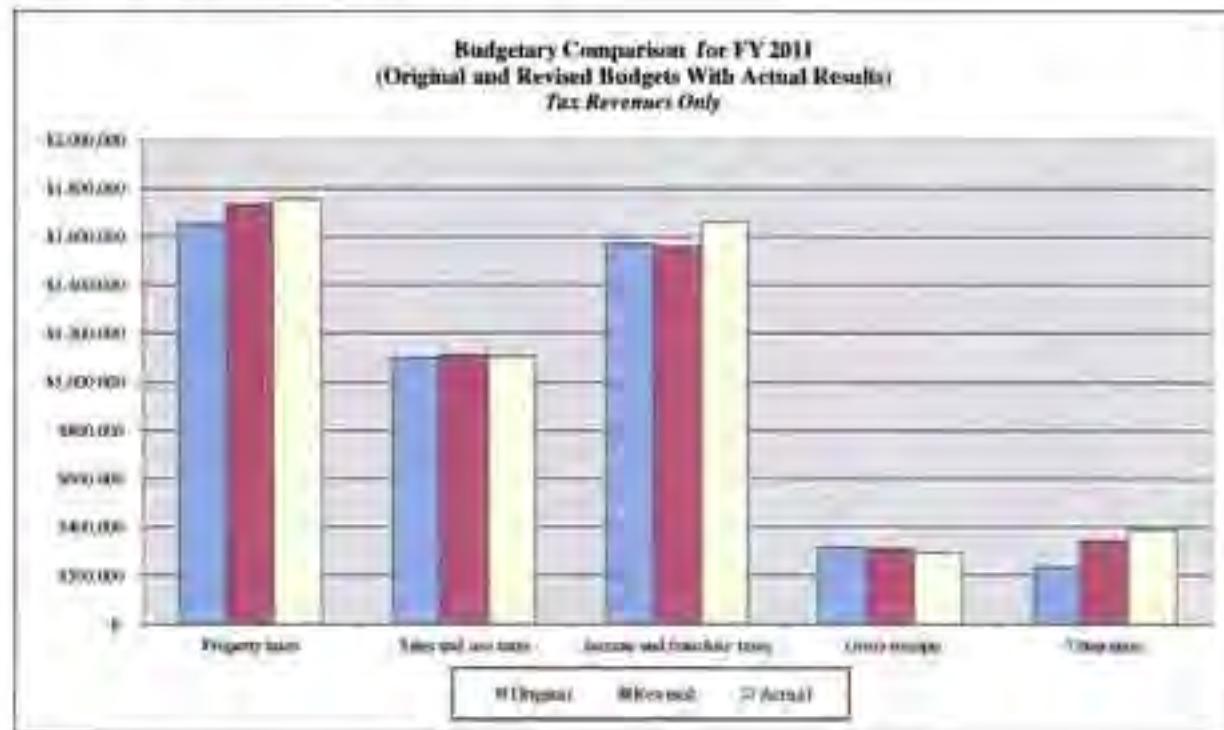
implementing Department of Transportation fee increases (steel plate fee, car sharing space fee, technology fee on public space permits, and permit fee for loading and unloading intercity buses).

**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 (\$49,725) less than the revised budget.

**Interfund Transfer – Others** – Interfund transfers are the flows of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for repayment. Actual interfund transfers in fiscal year 2011 were (\$105,462) less than the revised budget.

More than 82% 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 2011.

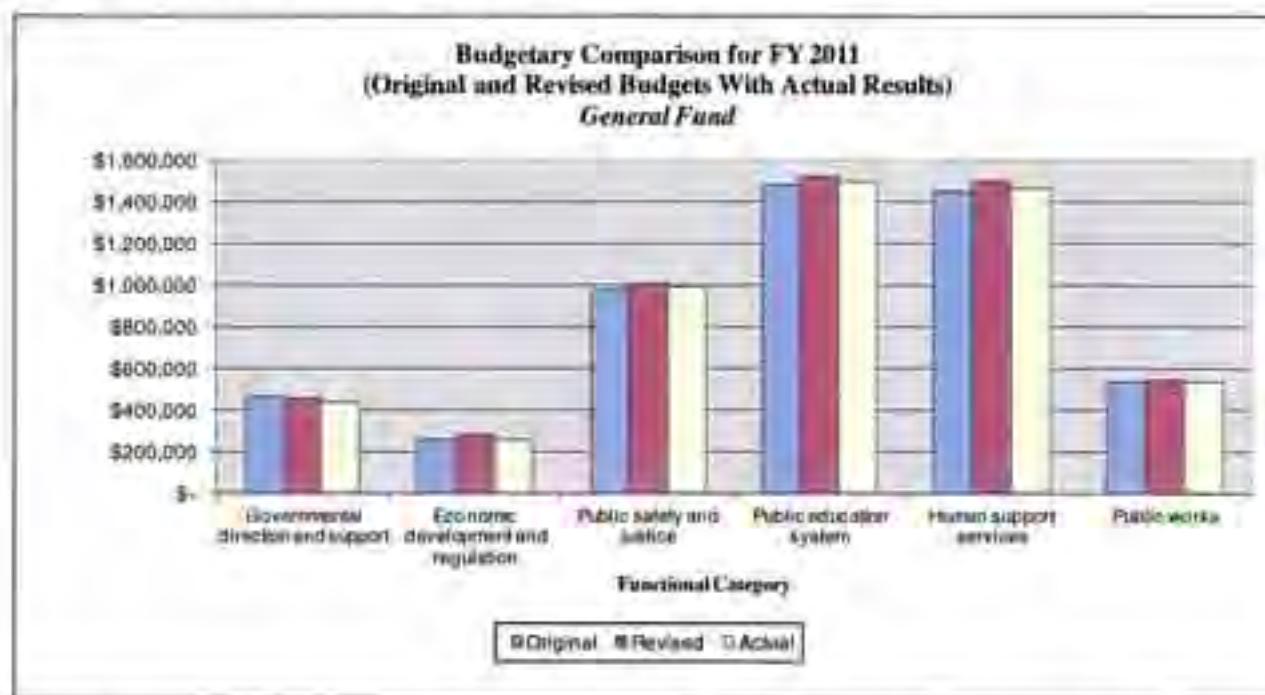
**Chart 5 – Budgetary Comparison – FY 2011 Tax Revenues**



#### *Expenditures and Other Uses*

Actual General Fund expenditures and other uses were (\$150,772) less than the revised budget. As presented in Table 10, this variance was primarily due to underspending in the areas of Human Support Services, Economic Development and Regulation, Public Education, and Other Expenditures and Uses.

More than 65% 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 2011.

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

For more detailed information, refer to the budgetary schedules for the General Fund, Exhibits A-4 to A-6 which are presented on pages 137 through 139.

**SUBSEQUENT EVENTS****Short-Term Debt**

On October 6, 2011, the District issued \$820,000 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 2012. These fixed rate TRANs were issued at an interest rate of 2.00% and mature on September 28, 2012. 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*****Series 2011B-C-D-E Bonds***

In November 2011, the District issued \$241,735 in Income Tax Secured Revenue Refunding Bonds (\$95,720, Series 2011B; \$3,415, Series 2011C; \$29,550, Series 2011D; and \$113,050, Series 2011E). The proceeds of the Series 2011B Bonds were used to currently refund \$63,335 of the outstanding principal amount of the District's Income Tax Secured Revenue Refunding Bonds, Series 2010E and pay the costs and expenses of issuing and delivering the Series 2011B Bonds. The proceeds of the Series 2011C Bonds, Series 2011D Bonds, and Series 2011E Bonds were used to advance refund the District's General Obligation Bonds, Series 2003A and pay the costs and expenses of issuing and delivering the Series 2011C Bonds, Series 2011D Bonds, and Series 2011E Bonds.

***Series 2011F-G Bonds***

In December 2011, the District issued \$410,470 in Income Tax Secured Revenue Bonds (\$200,000, Series 2011F and \$210,470, Series 2011G), together referred to as the Series 2011F-G Bonds.

The proceeds of the Series 2011F-G Bonds were used to pay and/or reimburse the District for costs associated with capital projects and pay the costs and expenses of issuing and delivering the Series 2011F-G Bonds.

These and other subsequent events are presented more fully in Note 16, found on pages 122 through 125.

**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, 2011**  
**(With Comparative Totals at September 30, 2010)**  
**(\$000s)**

	Primary Government					Component Units
	Governmental Activities	Business-Type Activities	Totals	2011	2010 Adjusted	
<b>ASSETS</b>						
Cash and cash equivalents (unrestricted)	\$ 687,877	\$ 9,982	\$ 697,859	\$ 90,374	\$ 288	166,083
Investments (unrestricted)	-	-	-	-	-	149,530
Due from federal government	416,097	3,859	419,956	590,968	-	20,505
Taxes receivable, net	359,532	-	359,532	355,860	-	-
Accounts receivable, net	485,673	22,456	508,129	238,471	-	75,159
Other receivables	-	-	-	-	-	31,892
Due from primary government	-	-	-	-	-	27,975
Due from component units	54,455	-	54,455	61,014	-	-
Due from fiduciary funds	2,631	-	2,631	1,882	-	-
Internal balances	33,100	(33,100)	-	-	-	-
Inventories	14,698	-	14,698	13,753	-	8,572
Other current assets	5,793	10	5,803	6,386	-	37,268
Cash and cash equivalents (restricted)	1,057,745	313,190	1,370,935	1,766,245	-	267,930
Investments (restricted)	345,327	22,912	368,239	349,163	-	828,094
Other long term assets	261,842	-	261,842	231,206	-	586,185
Deferred outflow of resources	69,087	-	69,087	61,697	-	-
Deferred charges	171,017	-	171,017	167,990	-	-
Depreciable capital assets, net	6,981,972	478	6,982,450	6,141,447	-	3,553,339
Non-depreciable capital assets	2,833,340	-	2,833,340	3,091,911	-	560,007
<b>Total assets</b>	<b>13,780,186</b>	<b>339,787</b>	<b>14,119,973</b>	<b>13,168,655</b>	<b>13,168,655</b>	<b>6,312,539</b>
<b>LIABILITIES</b>						
Accounts payable	686,904	76,229	763,133	816,229	-	162,072
Compensation payable	175,275	840	176,115	154,828	-	26,737
Due to primary government	-	-	-	-	-	54,455
Due to component units	27,975	-	27,975	15,513	-	-
Due to fiduciary funds	3,052	-	3,052	2,292	-	-
Unearned revenues	612,198	208	612,406	372,526	-	70,852
Accrued liabilities	391,153	9,390	400,543	360,804	-	61,341
Accrued interest payable	112,842	-	112,842	107,960	-	-
Other current liabilities	7,637	-	7,637	11,507	-	85,460
Derivative instrument liabilities	68,754	-	68,754	61,697	-	-
Long-term liabilities:						
Due within one year	395,053	6,878	401,931	428,184	-	72,445
Due in more than one year	8,328,758	16,034	8,344,792	7,775,139	-	4,065,551
<b>Total liabilities</b>	<b>10,809,601</b>	<b>109,579</b>	<b>10,919,180</b>	<b>10,106,679</b>	<b>10,106,679</b>	<b>4,598,913</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	2,534,538	478	2,535,016	2,442,212	-	1,319,273
Restricted for:						
Expendable						
Debt service	345,327	-	345,327	288,336	-	-
Benefit payments	-	226,229	226,229	233,296	-	-
Capital projects	4,970	-	4,970	4,484	-	-
Grants and special purposes	183,609	-	183,609	276,895	-	-
Budget reserves	35,430	-	35,430	74,447	-	-
Purpose restriction	37,310	-	37,310	118,143	-	-
Emergency reserves	338,583	-	338,583	337,945	-	-
Other	18,465	-	18,465	17,310	-	297,204
Nonexpendable	-	-	-	-	-	7,242
Unrestricted (deficit)	(527,647)	3,501	(524,146)	(731,092)	-	89,907
<b>Total net assets</b>	<b>\$ 2,970,585</b>	<b>\$ 230,208</b>	<b>\$ 3,200,793</b>	<b>\$ 3,061,976</b>	<b>\$ 1,713,626</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, 2011  
(With Comparative Totals for the Year Ended September 30, 2010)  
(\$'000s)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services, Fees, Fines & Forfeits	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Primary Government	Component Units
					2011	2010	Adjusted	
<b>Governmental activities:</b>								
<b>Primary government:</b>								
Governmental direction and support	\$ 783,557	\$ 20,019	\$ 42,778	\$ 3,496	\$ (717,264)	\$ (787,653)		
Economic development and regulation	370,592	126,407	96,317	-	(147,868)	(143,873)		
Public safety and justice	1,521,863	107,394	523,749	-	(890,720)	(957,865)		
Public education system	2,086,722	426	410,062	-	(1,676,234)	(1,493,342)		
Human support services	3,889,812	7,588	2,234,095	451	(1,647,698)	(1,541,211)		
Public works	489,304	228,287	36,746	-	(55,254)	(55,254)		
Public transportation	257,703	-	-	-	(257,703)	(257,703)		
Interest on long-term debt	356,164	-	-	-	(356,164)	(356,164)		
<b>Total governmental activities</b>	<b>\$ 9,755,717</b>	<b>490,101</b>	<b>3,343,747</b>	<b>172,964</b>	<b>(5,748,905)</b>	<b>(5,748,905)</b>	<b></b>	<b>(5,509,861)</b>
<b>Business-type activities:</b>								
Lottery and games	169,526	231,749	-	-	\$ 62,223	62,223		
Unemployment compensation	408,997	-	34,968	-	(374,029)	(443,978)		
Nursing home services	4,555	4,135	-	-	(420)	(420)		
<b>Total business-type activities</b>	<b>583,078</b>	<b>235,884</b>	<b>34,968</b>	<b>-</b>	<b>(312,226)</b>	<b>(312,226)</b>	<b></b>	<b>(376,038)</b>
<b>Total primary government</b>	<b>\$ 10,338,795</b>	<b>\$ 725,985</b>	<b>\$ 3,378,715</b>	<b>\$ 172,964</b>	<b>(5,748,905)</b>	<b>(312,226)</b>	<b>(6,061,131)</b>	<b>(5,885,899)</b>
<b>Component units:</b>								
Water and sewer authority	\$ 412,894	\$ 400,045	\$ -	\$ 47,374				
Convention center	147,499	25,488	-	-				
United Medical Center	94,872	95,716	-	-				
Housing finance	62,701	7,561	-	-				
University	152,640	30,154	-	-				
<b>Total component units</b>	<b>\$ 870,606</b>	<b>\$ 558,964</b>	<b>\$ 27,398</b>	<b>\$ 14,493</b>	<b></b>	<b></b>	<b></b>	<b></b>
General revenues:								
Taxes:								
Property taxes					1,803,691	1,881,733		
Sales and use taxes					1,121,257	1,081,005		
Income and franchise taxes					1,656,283	1,434,131		
Gross receipts taxes					279,002	295,531		
Other taxes					403,199	128,875		
Investment earnings					6,122	11,764	32,740	54,324
Miscellaneous					563,400	226,355	789,755	64,177
Subsidy from primary government					-	-	677,077	164,417
Special item - federal real property swap					-	-	266,942	-
Transfer in (out)					71,311	(71,311)	-	-
Total general revenues, special item and transfers								
Change in net assets					5,904,265	295,683	6,199,948	282,918
Net assets at October 1, as adjusted					155,360	(16,543)	138,817	177,690
Net assets at September 30								60,541
The accompanying notes are an integral part of this statement.								

## Exhibit 2-a

District of Columbia Balance Sheet Governmental Funds September 30, 2011 (With Comparative Totals at September 30, 2010) (\$000s)							
	General	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds	
						2011	2010 Adjusted
<b>ASSETS</b>							
Cash and cash equivalents (unrestricted)	\$ 687,877	\$ -	\$ -	\$ -	\$ -	\$ 687,877	\$ 76,455
Due from federal government	5,486	366,279	-	44,332	-	416,097	585,463
Taxes receivable, net	356,993	-	-	-	2,539	359,532	355,860
Accounts receivable, net	174,113	278,173	-	3,331	30,056	485,673	214,741
Due from component units	53,790	-	-	-	666	54,456	61,014
Due from other funds	190,707	36,091	16,134	1,199	13,528	257,659	648,978
Inventories	10,510	4,188	-	-	-	14,698	13,753
Other current assets	5,222	572	-	-	-	5,794	6,128
Cash and cash equivalents (restricted)	322,583	119,029	57,302	221,443	337,388	1,057,745	1,443,419
Investments (restricted)	345,327	-	-	-	-	345,327	319,945
Other long term assets	13,646	15,314	232,882	-	-	261,842	231,206
<b>Total assets</b>	<b>2,166,254</b>	<b>819,646</b>	<b>306,318</b>	<b>270,305</b>	<b>384,177</b>	<b>3,946,700</b>	<b>3,956,962</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	405,922	97,824	-	175,343	7,815	686,904	734,032
Compensation payable	152,097	19,785	-	3,269	124	175,275	153,376
Due to other funds	35,893	105,179	-	68,421	15,488	224,981	617,878
Due to component units	15,194	-	-	12,782	-	27,976	15,513
Deferred revenue	206,543	260,270	232,882	5,520	925	706,140	448,976
Accrued liabilities	238,086	152,966	-	-	101	391,153	351,513
Other current liabilities	7,625	12	-	-	-	7,637	11,507
<b>Total liabilities</b>	<b>1,061,360</b>	<b>636,036</b>	<b>232,882</b>	<b>265,335</b>	<b>24,453</b>	<b>2,220,066</b>	<b>2,332,795</b>
<b>Fund balances:</b>							
Nonspendable	18,465	-	-	-	-	18,465	13,634
Restricted	756,650	183,610	73,436	4,970	359,724	1,378,390	1,475,096
Committed	256,287	-	-	-	-	256,287	135,437
Assigned	73,492	-	-	-	-	73,492	-
<b>Total fund balances</b>	<b>1,104,894</b>	<b>183,610</b>	<b>73,436</b>	<b>4,970</b>	<b>359,724</b>	<b>1,726,634</b>	<b>1,624,167</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,166,254</b>	<b>\$ 819,646</b>	<b>\$ 306,318</b>	<b>\$ 270,305</b>	<b>\$ 384,177</b>		<b>\$ 3,956,962</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.						9,815,312	
Certain long term assets are not available to pay current period expenditures and are therefore deferred in the funds.						79,548	
Adjustment for lease agreement - nursing home.						14,394	
Net of deferred outflow resources and derivative instrument liabilities.						333	
Adjustment for deferred charges.						171,017	
Certain liabilities (such as bonds payable and accrued expenses) are not due and payable in the current period:							
General obligation bonds					2,829,598		
Income tax revenue bonds					3,029,100		
Tobacco settlement bonds					690,289		
TIF bonds					87,484		
Ballpark bonds					512,850		
QZAB					8,573		
Accrued interest payable					112,842		
Capital leases					27,433		
Other long-term liabilities					1,538,484		
					(8,836,653)		
Net assets of governmental activities						\$ 2,970,585	

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, 2011**  
**(With Comparative Totals for the Year Ended September 30, 2010)**  
**(\$000s)**

	<b>Federal</b>	<b>Housing</b>	<b>General</b>	<b>Nonmajor</b>	<b>Total</b>	
	<b>General</b>	<b>&amp; Private</b>	<b>Production</b>	<b>Capital</b>	<b>Governmental</b>	<b>Governmental Funds</b>
	<b>Resources</b>	<b>Trust</b>	<b>Improvements</b>	<b>Funds</b>	<b>2011</b>	<b>2010 Adjusted</b>
<b>REVENUES</b>						
Taxes:						
Property taxes	\$ 1,770,185	\$ -	\$ -	\$ 30,560	\$ 1,800,745	\$ 1,881,284
Sales and use taxes	1,066,366	-	-	54,891	1,121,257	1,081,005
Income and franchise taxes	1,656,283	-	-	-	1,656,283	1,434,131
Gross receipts taxes	234,420	-	-	44,582	279,002	295,531
Other taxes	362,822	-	40,377	-	403,199	264,959
Fines and forfeitures	129,448	-	-	-	129,448	128,473
Licenses and permits	102,769	-	-	-	102,769	86,951
Charges for services	236,744	3,516	-	17,624	257,884	234,598
Investment earnings	3,194	-	-	2,480	5,789	19,156
Miscellaneous	433,015	27,708	24,393	11,714	52,176	549,006
Federal contributions	-	617,845	-	-	617,845	670,186
Operating grants	-	2,725,902	-	172,964	-	2,898,866
<b>Total revenues</b>	<b>5,995,246</b>	<b>3,374,971</b>	<b>64,770</b>	<b>184,793</b>	<b>202,313</b>	<b>9,822,093</b>
<b>EXPENDITURES</b>						
Current:						
Governmental direction and support	620,426	41,689	-	-	36,002	698,117
Economic development and regulation	220,878	99,287	31,649	-	-	351,814
Public safety and justice	993,978	523,662	-	-	-	1,517,640
Public education system	1,507,747	435,691	-	-	-	1,943,438
Human support service	1,572,717	2,241,885	-	-	8,715	3,823,317
Public works	226,783	38,967	-	-	-	265,750
Public transportation	257,703	-	-	-	-	243,668
Debt service:						
Principal	179,097	-	-	-	32,599	211,696
Interest	266,272	-	-	-	67,600	333,872
Fiscal charges	14,296	-	-	-	-	14,296
Capital outlay	-	-	-	1,155,116	34,240	1,189,356
<b>Total expenditures</b>	<b>5,859,897</b>	<b>3,381,181</b>	<b>31,649</b>	<b>1,155,116</b>	<b>179,156</b>	<b>10,606,999</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>135,349</b>	<b>(6,210)</b>	<b>33,121</b>	<b>(970,323)</b>	<b>23,157</b>	<b>(784,906)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt issuance	7,915	-	-	737,110	-	745,025
Refunding debt issuance	63,860	-	-	-	-	63,860
Premium on sale of bonds	6,188	-	-	18,523	-	24,711
Payment to refunded bond escrow agent	(63,335)	-	-	-	-	(63,335)
Equipment financing program	75	-	-	45,726	-	45,801
Transfers in	147,572	146	-	67,039	87,302	302,059
Transfers out	(123,499)	(1,349)	-	(26,543)	(79,357)	(230,748)
<b>Total other financing sources (uses)</b>	<b>38,776</b>	<b>(1,203)</b>	<b>-</b>	<b>841,855</b>	<b>7,945</b>	<b>887,373</b>
<b>Net change in fund balances</b>	<b>174,125</b>	<b>(7,413)</b>	<b>33,121</b>	<b>(128,468)</b>	<b>31,102</b>	<b>102,467</b>
Fund balances at October 1, as adjusted	930,769	191,023	40,315	133,438	328,622	1,624,167
Fund balances at September 30	\$ 1,104,894	\$ 183,610	\$ 73,436	\$ 4,970	\$ 359,724	\$ 1,726,634
<i>The accompanying notes are an integral part of this statement.</i>						

**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, 2011**  
**( $\$000s$ )**

Net change in fund balances - total governmental funds	\$ 102,467
--	------------

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.	586,781
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.	2,946
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.	(548,716)
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.	(2,845)
Capital assets leased to nursing home	14,394
Investment income from investment derivative instrument	333
Change in net assets of governmental activities	<u>\$ 155,360</u>

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

**District of Columbia**  
**Budgetary Comparison Statement**  
For the Year Ended September 30, 2011  
(\$000s)

	General Fund			Federal and Private Resources			Totals		
	Budget		Revised	Budget		Original	Budget		Actual
	Original	Negative	(Negative)	Original	Revised	Actual	Original	Revised	Actual
<b>Revenues and Sources:</b>									
Taxes:									
Property taxes	\$ 1,653,786	\$ 1,733,188	\$ 1,753,246	\$ 20,058	\$ -	\$ -	\$ 1,653,786	\$ 1,733,188	\$ 1,753,246
Sales and use taxes	1,096,616	1,108,902	1,108,126	(1,776)	-	-	1,096,616	1,108,902	1,108,126
Income and franchise taxes	1,558,833	1,559,201	1,636,282	97,081	-	-	1,558,833	1,559,201	1,636,282
Other taxes	550,522	651,865	685,514	33,649	-	-	550,522	651,865	685,514
Total taxes	4,869,807	5,054,156	5,203,168	149,012	-	-	4,869,807	5,054,156	5,203,168
Licenses and permits	166,425	131,261	126,251	(5,010)	-	-	166,425	131,261	126,251
Fines and forfeits	43,587	51,505	51,540	24,035	-	-	43,587	51,505	51,540
Charges for services	173,813	147,559	145,101	2,542	-	-	173,813	142,559	145,101
Miscellaneous	410,436	411,276	476,584	65,308	-	-	410,436	411,276	476,584
Other sources	15,000	15,000	6,320	(8,680)	-	-	15,000	15,000	6,320
General obligation bonds	-	-	-	-	-	-	-	-	(8,680)
Federal contributions	-	-	-	-	-	-	-	-	(3,672)
Operating grant	-	-	-	-	-	-	-	-	(2,745)
Fund balance released from restrictions	114,704	105,330	55,805	(49,725)	-	22,192	22,192	114,704	127,722
Fund balance released from lottery and games	68,500	63,257	62,197	(1,082)	-	-	68,500	63,257	62,175
Intrafund transfer—others	189,550	183,622	79,242	(104,380)	-	-	189,550	183,622	79,242
Total revenues and other sources	6,116,118	6,218,114	6,306,206	38,092	2,697,053	2,792,393	2,661,556	(130,837)	8,813,171
<b>Expenditures and Other Uses:</b>									
Governmental direction and support	464,046	453,607	440,427	15,180	27,810	34,135	28,980	51,155	491,856
Economic development and regulation	256,833	283,599	255,399	28,110	136,584	116,788	100,102	16,686	393,467
Public safety and justice	976,197	1,010,151	993,786	16,365	224,904	202,820	135,228	67,592	1,210,101
Public education system	1,485,844	1,394,754	1,371,079	23,675	311,135	358,552	334,044	24,508	1,753,306
Public education AY12 expenditure	-	126,560	126,560	-	-	-	-	-	126,560
Human support services	1,453,131	1,500,534	1,466,639	33,895	1,924,815	2,025,760	1,998,423	27,337	3,377,946
Public works	540,659	547,708	538,837	8,871	56,835	39,368	38,967	401	597,504
Wilson building	3,598	3,598	3,566	32	-	-	-	3,598	3,598
Repay bonds and interest	410,909	405,067	404,768	1,299	-	-	-	410,909	406,067
Repay revenue bonds and interest	7,574	7,574	4,782	2,792	-	-	-	7,574	7,574
Bond fiscal charge	15,000	15,000	5,885	9,115	-	-	-	15,000	15,000
Interest on short term borrowing	3,000	3,000	2,844	159	-	-	-	3,000	2,844
Certificates of participation	33,045	33,045	32,244	801	-	-	-	33,045	33,045
Settlements and judgments fund	21,477	21,477	21,477	-	-	-	-	21,477	21,477
Baseball tax transfer	29,582	30,336	30,336	-	-	-	-	29,582	30,336
Convention center transfer	101,696	96,844	96,844	-	-	-	-	101,696	96,844
Highway trust transfer	37,678	31,273	30,001	1,272	-	-	-	37,678	31,273
TIF and pilot transfer	61,304	58,254	-	-	-	-	-	61,304	58,254
Emergency planning and security costs	-	-	-	-	-	-	-	-	-
Equipment lease operating	49,804	48,819	48,247	572	-	14,970	13,307	1,463	14,970
Emergency and contingency reserve	3,000	-	-	3,000	-	-	-	-	48,819
Pay-go capital	12,071	31,726	31,726	-	-	-	-	12,071	3,000
Schools modernization fund	8,613	8,613	8,613	-	-	-	-	8,613	8,613
District retiree health contribution	98,700	98,700	94,200	4,500	-	-	-	98,700	94,200
Cash reserve	40,000	161	-	161	-	-	-	40,000	161
Non-departmental agency	973	973	-	973	-	-	-	973	973
Total expenditures and other uses	6,114,794	6,217,283	6,066,511	150,772	2,697,053	2,792,393	2,649,251	143,142	8,811,847
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES – BUDGETARY BASIS</b>	\$ 1,324	\$ 831	\$ 239,695	\$ 238,864	\$ -	\$ -	\$ 12,305	\$ 1,324	\$ 831
The accompanying notes are an integral part of this statement.									

The accompanying notes are an integral part of this statement.  
**OTHER SOURCES OVER EXPENDITURES AND OTHER USES – BUDGETARY BASIS**  
\$ 1,324 \$ 831 \$ 239,695 \$ 238,864 \$ - \$ - \$ 12,305 \$ 1,324 \$ 831

## Exhibit 3-a

**District of Columbia**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2011**  
**(With Comparative Totals at September 30, 2010)**  
**(\$000s)**

	<b>Lottery and Games</b>	<b>Unemployment Compensation</b>	<b>Nonmajor JB Johnson</b>	<b>Totals</b>				
				<b>2011</b>	<b>2010</b>			
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents (unrestricted)	\$ 9,982	\$ -	\$ -	\$ 9,982	\$ 13,919			
Investments (unrestricted)	-	-	-	-	288			
Due from federal government	-	3,859	-	3,859	5,505			
Accounts receivable, net	5,442	17,014	-	22,456	23,730			
Due from other funds	-	3,177	-	3,177	5,621			
Other current assets	10	-	-	10	258			
Cash and cash equivalents (restricted)	-	313,190	-	313,190	322,826			
Total current assets	<u>15,434</u>	<u>337,240</u>	<u>-</u>	<u>352,674</u>	<u>372,147</u>			
Noncurrent assets:								
Investments (restricted)	22,912	-	-	22,912	29,218			
Capital assets, net	478	-	-	478	4,827			
Total noncurrent assets	<u>23,390</u>	<u>-</u>	<u>-</u>	<u>23,390</u>	<u>34,045</u>			
<b>Total assets</b>	<b>38,824</b>	<b>337,240</b>	<b>-</b>	<b>376,064</b>	<b>406,192</b>			
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	1,495	74,734	-	76,229	82,197			
Accrued compensated absences	840	-	-	840	1,452			
Due to other funds	-	36,277	-	36,277	37,131			
Deferred revenue	208	-	-	208	152			
Accrued liabilities	9,390	-	-	9,390	9,291			
Long term liabilities due within one year	6,878	-	-	6,878	6,873			
Total current liabilities	<u>18,811</u>	<u>111,011</u>	<u>-</u>	<u>129,822</u>	<u>137,096</u>			
Noncurrent liabilities:								
Long term liabilities due in more than one year	16,034	-	-	16,034	22,345			
Total noncurrent liabilities	<u>16,034</u>	<u>-</u>	<u>-</u>	<u>16,034</u>	<u>22,345</u>			
<b>Total liabilities</b>	<b>34,845</b>	<b>111,011</b>	<b>-</b>	<b>145,856</b>	<b>159,441</b>			
<b>NET ASSETS</b>								
Invested in capital assets	478	-	-	478	4,827			
Restricted - expendable	-	226,229	-	226,229	233,296			
Unrestricted	<u>3,501</u>	<u>-</u>	<u>-</u>	<u>3,501</u>	<u>8,628</u>			
<b>Total net assets</b>	<b>\$ 3,979</b>	<b>\$ 226,229</b>	<b>\$ -</b>	<b>\$ 230,208</b>	<b>\$ 246,751</b>			

The accompanying notes are an integral part of this statement.

**Exhibit 3-b****District of Columbia**

**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2011**  
**(With Comparative Totals for the Year Ended September 30, 2010)**

(\$000s)

	<b>Lottery and Games</b>	<b>Unemployment Compensation</b>	<b>Nonmajor JB Johnson</b>	<b>Totals</b>	
				<b>2011</b>	<b>2010</b>
<b>Operating revenues:</b>					
Employer taxes	\$ -	\$ 128,875	\$ -	\$ 128,875	\$ 129,471
Charges for services	231,749	-	4,135	235,884	250,150
Benefit contributions	-	34,968	-	34,968	36,998
Miscellaneous	-	-	11	11	211
<b>Total operating revenues</b>	<b>231,749</b>	<b>163,843</b>	<b>4,146</b>	<b>399,738</b>	<b>416,830</b>
<b>Operating expenses:</b>					
Benefits	-	408,997	-	408,997	480,976
Prizes, agents commission & advertising	146,313	-	-	146,313	138,558
Personnel services	11,767	-	454	12,221	12,615
Contractual services	11,277	-	2,811	14,088	26,585
Depreciation	169	-	-	169	577
Miscellaneous	-	-	1,290	1,290	3,875
<b>Total operating expenses</b>	<b>169,526</b>	<b>408,997</b>	<b>4,555</b>	<b>583,078</b>	<b>663,186</b>
<b>Operating income (loss)</b>	<b>62,223</b>	<b>(245,154)</b>	<b>(409)</b>	<b>(183,340)</b>	<b>(246,356)</b>
<b>Nonoperating revenues:</b>					
Interest and investment revenue	20	11,743	1	11,764	13,584
Federal contribution	-	226,344	-	226,344	229,498
<b>Total nonoperating revenue</b>	<b>20</b>	<b>238,087</b>	<b>1</b>	<b>238,108</b>	<b>243,082</b>
<b>Income (loss) before transfers</b>	<b>62,243</b>	<b>(7,067)</b>	<b>(408)</b>	<b>54,768</b>	<b>(3,274)</b>
Transfer out	(62,175)	-	(9,136)	(71,311)	(96,624)
<b>Change in net assets</b>	<b>68</b>	<b>(7,067)</b>	<b>(9,544)</b>	<b>(16,543)</b>	<b>(99,898)</b>
Total net assets at October 1	3,911	233,296	9,544	246,751	346,649
<b>Total net assets at September 30</b>	<b>\$ 3,979</b>	<b>\$ 226,229</b>	<b>\$ -</b>	<b>\$ 230,208</b>	<b>\$ 246,751</b>

The accompanying notes are an integral part of this statement.

## Exhibit 3-c

<b>District of Columbia Statement of Cash Flows Proprietary Funds</b> <b>For the Year Ended September 30, 2011</b> <b>(With Comparative Totals for the Year Ended September 30, 2010)</b>						
	(\$000s)					
	<b>Lottery and Games</b>	<b>Unemployment Compensation</b>	<b>Nonmajor JB Johnson</b>	<b>2011</b>	<b>Totals</b>	<b>2010</b>
<b>Cash Flows from Operating activities:</b>						
Cash receipts from customers/employers	\$ 231,041	\$ 163,843	\$ 4,547	\$ 399,431	\$ 408,475	
Other cash receipts	292	-	11	303	533	
Cash payments to vendors	(22,602)	-	(591)	(23,193)	(39,681)	
Cash payments to employees/claimants	(7,020)	(411,566)	(1,826)	(420,412)	(482,187)	
Other cash payments, including prizes	(140,363)	-	(1,786)	(142,149)	(137,528)	
Net cash provided by (used in) operating activities	<u>61,348</u>	<u>(247,723)</u>	<u>355</u>	<u>(186,020)</u>	<u>(250,388)</u>	
<b>Cash Flows from Noncapital financing activities:</b>						
Intergovernmental grants	-	226,344	-	226,344	261,298	
Interfund transfers out	(62,175)	-	(3,037)	(65,212)	(96,624)	
Reimbursement of administrative cost	-	-	-	-	(1,148)	
Net cash provided by (used in) noncapital financing activities	<u>(62,175)</u>	<u>226,344</u>	<u>(3,037)</u>	<u>161,132</u>	<u>163,526</u>	
<b>Cash Flows from Capital and related financing activities:</b>						
Disposal (acquisition) of capital assets	(69)	-	(380)	(449)	29,331	
Net cash provided by (used in) capital and related financing activities	<u>(69)</u>	<u>-</u>	<u>(380)</u>	<u>(449)</u>	<u>29,331</u>	
<b>Cash Flows from Investing activities:</b>						
Receipts of interest and dividends	20	11,743	1	11,764	13,584	
Net proceeds from related party	-	-	-	-	(1,417)	
Purchase of investments	-	-	-	-	(288)	
Net cash provided by investing activities	<u>20</u>	<u>11,743</u>	<u>1</u>	<u>11,764</u>	<u>11,879</u>	
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>						
	(876)	(9,636)	(3,061)	(13,573)	(45,652)	
<b>Cash and cash equivalents at October 1</b>	<u>10,858</u>	<u>322,826</u>	<u>3,061</u>	<u>336,745</u>	<u>382,397</u>	
<b>Cash and cash equivalents at September 30</b>	<u>\$ 9,982</u>	<u>\$ 313,190</u>	<u>\$ -</u>	<u>\$ 323,172</u>	<u>\$ 336,745</u>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>						
Operating income (loss)	\$ 62,223	\$ (245,154)	\$ (408)	\$ (183,339)	\$ (246,357)	
Depreciation	169	-	-	169	577	
Decrease (increase) in assets:						
Accounts receivable	(473)	2,773	490	2,790	(7,662)	
Allowance for uncollectible	-	-	507	507	1,146	
Deposits	-	-	(3)	(3)	28	
Other current assets	(3)	-	82	79	(4,734)	
Increase (decrease) in liabilities:						
Accounts payable	(726)	(5,342)	(313)	(6,381)	5,582	
Accrued liabilities	266	-	-	266	485	
Deferred revenue	56	-	-	56	(28)	
Other current liabilities	(164)	-	-	(164)	575	
<b>Net cash provided by (used in) operating activities:</b>	<u>\$ 61,348</u>	<u>\$ (247,723)</u>	<u>\$ 355</u>	<u>\$ (186,020)</u>	<u>\$ (250,388)</u>	

The accompanying notes are an integral part of this statement.

## Exhibit 4-a

**District of Columbia**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2011**  
**(*\$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	\$ 246,025	\$ -	\$ 85,743
Investments - restricted:			
Equities	2,647,260	108,698	-
Fixed income securities	1,339,980	58,557	-
Real estate	203,157	-	-
Private equity	716,486	-	-
Collateral for securities lending transactions	416,288	-	-
Accounts receivable	-	82	-
Due from federal government	1,051	-	-
Benefit contribution receivables	3,312	-	-
Due from other funds	3,000	-	52
Other receivables	-	-	22,236
Other current assets	146,966	-	-
Capital assets	9	-	-
Total assets	<u>5,723,534</u>	<u>167,337</u>	<u>108,031</u>
<b>LIABILITIES</b>			
Accounts payable	4,308	96	7,609
Securities lending collateral	419,096	-	-
Due to other funds	2,573	-	57
Other current liabilities	317,892	-	100,365
Total liabilities	<u>743,869</u>	<u>96</u>	<u>\$ 108,031</u>
<b>NET ASSETS</b>			
Held in trust for pension and OPEB benefits and other purposes	<u>\$ 4,979,665</u>	<u>\$ 167,241</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, 2011**  
(\$000s)

	<b>Pension/OPEB Trust Funds</b>	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 221,400	\$ -
Plan members	58,478	33,465
Total contributions	<u>279,878</u>	<u>33,465</u>
Investment earnings:		
<i>From investment activities</i>		
Net increase (decrease) in fair value of investments	38,506	(2,952)
Other revenue	2,051	-
Interest and dividends	95,317	2,633
Total investment gain	<u>135,874</u>	<u>(319)</u>
Less - investment expenses	(12,115)	(1,716)
Net gain (loss) from investing activities	<u>123,759</u>	<u>(2,035)</u>
<i>From securities lending activities</i>		
Securities lending income	2,734	-
Less: securities lending expenses	(868)	-
Net income from securities lending activities	1,866	-
Net investment gain (loss)	<u>125,625</u>	<u>(2,035)</u>
<b>Total additions</b>	<u>405,503</u>	<u>31,430</u>
<b>DEDUCTIONS</b>		
Benefits	83,419	-
Administrative expenses	9,885	484
Distributions to participants	-	9,723
<b>Total deductions</b>	<u>93,304</u>	<u>10,207</u>
<b>Change in net assets</b>	<u>312,199</u>	<u>21,223</u>
Net assets at October 1	<u>4,667,466</u>	<u>146,018</u>
Net assets at September 30	<u>\$ 4,979,665</u>	<u>\$ 167,241</u>

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

Exhibit 5-a

**District of Columbia**  
**Discretely Presented Component Units**  
**Combining Statement of Net Assets**  
**September 30, 2011**  
**(With Comparative Totals at September 30, 2010)**  
(\$000s)

	Water and Sewer Authority	Washington Convention and Sports Authority	Not-for-Profit Hospital Corporation	Housing Finance Agency	University	2011	Totals	2010
<b>ASSETS</b>								
<b>Current Assets:</b>								
Cash and cash equivalents (unrestricted)	\$ 112,944	\$ 11,611	\$ 626	\$ 17,449	\$ 23,453	\$ 166,083	\$ 147,975	
Investments (unrestricted)	69,764	45,082	-	8,924	25,760	149,530	160,871	
Receivables, net:								
Accounts	55,454	3,846	11,877	-	3,982	75,159	62,034	
Other	-	-	-	14,899	16,993	31,892	29,795	
Due from federal government	20,505	-	-	-	-	20,505	40,264	
Due from primary government	456	8,405	-	-	19,114	27,975	15,513	
Inventories	7,264	-	1,308	-	-	8,572	8,318	
Other current assets	204	2,952	1,058	32,806	248	37,268	25,558	
Restricted cash	98,054	936	902	167,101	937	267,930	367,509	
Restricted investments	183,121	337,476	-	300,255	7,242	828,094	463,978	
Total current assets	<u>547,766</u>	<u>410,308</u>	<u>15,771</u>	<u>541,434</u>	<u>97,729</u>	<u>1,613,008</u>	<u>1,321,815</u>	
<b>Noncurrent Assets:</b>								
Loans receivable	-	-	-	548,306	897	549,203	526,462	
Other	24,069	10,120	689	1,808	296	36,982	16,699	
Total long term assets	<u>24,069</u>	<u>10,120</u>	<u>689</u>	<u>550,114</u>	<u>1,193</u>	<u>586,185</u>	<u>543,161</u>	
<b>Capital assets, net</b>								
Property and equipment	2,813,849	606,678	53,092	1,931	77,789	3,553,339	3,421,622	
Non-depreciable capital assets	485,497	45,374	8,532	573	20,031	560,007	399,226	
<b>Total assets</b>	<b><u>3,871,181</u></b>	<b><u>1,072,480</u></b>	<b><u>78,084</u></b>	<b><u>1,094,052</u></b>	<b><u>196,742</u></b>	<b><u>6,312,539</u></b>	<b><u>5,685,824</u></b>	
<b>LIABILITIES</b>								
<b>Current Liabilities:</b>								
Payables:								
Accounts	128,350	8,222	12,364	1,464	11,672	162,072	127,220	
Compensation	16,748	361	5,060	223	4,345	26,737	34,687	
Due to primary government	2,436	791	6,000	-	45,228	54,455	61,014	
Accrued liabilities	39,945	17,676	-	-	3,720	61,341	48,076	
Deferred revenue	33,568	2,561	-	26,085	8,638	70,852	69,580	
Current maturities	18,721	13,265	-	40,459	-	72,445	63,166	
Other current liabilities	35,200	5,719	1,331	39,344	3,866	85,460	68,792	
Total current liabilities	<u>274,968</u>	<u>48,595</u>	<u>24,755</u>	<u>107,575</u>	<u>77,469</u>	<u>533,362</u>	<u>472,535</u>	
<b>Noncurrent Liabilities:</b>								
Long term debt:								
Bonds payable	1,530,174	659,044	-	867,267	-	3,056,485	2,611,116	
Other long-term liabilities	31,720	11,198	1,317	485	-	44,720	31,963	
Refundable advances	-	1,004	-	-	1,241	2,245	2,272	
Deferred revenue	962,101	-	-	-	-	962,101	914,853	
Total long term liabilities	<u>2,523,995</u>	<u>671,246</u>	<u>1,317</u>	<u>867,752</u>	<u>1,241</u>	<u>4,065,551</u>	<u>3,560,204</u>	
<b>Total Liabilities</b>	<b><u>2,798,963</u></b>	<b><u>719,841</u></b>	<b><u>26,072</u></b>	<b><u>975,327</u></b>	<b><u>78,710</u></b>	<b><u>4,598,913</u></b>	<b><u>4,032,739</u></b>	
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	946,868	212,311	60,825	1,449	97,820	1,319,273	1,163,678	
Restricted - expendable	62,505	148,748	-	85,764	187	297,204	200,779	
Restricted - nonexpendable	-	-	-	-	7,242	7,242	7,242	
Unrestricted	62,845	(8,420)	(8,813)	31,512	12,783	89,907	281,386	
<b>Total Net Assets</b>	<b><u>\$ 1,072,218</u></b>	<b><u>\$ 352,639</u></b>	<b><u>\$ 52,012</u></b>	<b><u>\$ 118,725</u></b>	<b><u>\$ 118,032</u></b>	<b><u>\$ 1,713,626</u></b>	<b><u>\$ 1,653,085</u></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, 2011**  
**(With Comparative Totals for the Year Ended September 30, 2010)**  
**(\$000s)**

	Water and Sewer Authority	Washington Convention and Sports Authority	Hospital Corporation	Housing Finance Agency	University	2011	2010	Totals
<b>Expenses</b>	\$ 412,894	\$ 147,499	\$ 94,872	\$ 62,701	\$ 152,640	\$ 870,606	\$ 719,359	
<b>Program Revenues:</b>								
Charges for services, fees, fines & forfeits	400,045	25,488	95,716	7,561	30,154	558,964	434,852	
Operating grants and contributions	-	-	-	-	27,398	27,398	29,079	
Capital grants and contributions	47,374	-	-	-	14,493	61,867	31,876	
<b>Net (Expense) Revenue</b>	<u>34,525</u>	<u>(122,011)</u>	<u>844</u>	<u>(55,140)</u>	<u>(80,595)</u>	<u>(222,377)</u>	<u>(223,552)</u>	
<b>General Revenues:</b>								
Investment earnings	2,008	2,094	(274)	51,431	(935)	54,324	52,142	
Miscellaneous	8,210	1,230	1,921	10,713	42,103	64,177	27,213	
Subsidy from primary government	-	97,997	-	-	66,420	164,417	156,178	
<b>Total general revenues</b>	<u>10,218</u>	<u>101,321</u>	<u>1,647</u>	<u>62,144</u>	<u>107,588</u>	<u>282,918</u>	<u>235,533</u>	
<b>Capital Contributions</b>								
Change in net assets	44,743	(20,690)	2,491	7,004	26,993	60,541	60,109	
<b>Net assets at October 1</b>	<u>1,027,475</u>	<u>373,329</u>	<u>49,521</u>	<u>111,721</u>	<u>91,039</u>	<u>1,653,085</u>	<u>1,592,976</u>	
<b>Net assets at September 30</b>	<u>\$ 1,072,218</u>	<u>\$ 352,639</u>	<u>\$ 52,012</u>	<u>\$ 118,725</u>	<u>\$ 118,032</u>	<u>\$ 1,713,626</u>	<u>\$ 1,653,085</u>	

The accompanying notes are an integral part of this statement.

# NOTES TO THE BASIC FINANCIAL STATEMENTS

## Index

<b>NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....</b>	<b>56</b>	<b>NOTE 7. SHORT TERM LIABILITIES .....</b>	<b>91</b>
A. BACKGROUND AND HISTORY OF THE GOVERNMENTAL UNIT .....	56	B. GENERAL OBLIGATION BONDS .....	93
B. FINANCIAL REPORTING ENTITY .....	56	C. INCOME TAX SECURED REVENUE BONDS .....	94
C. RELATED ORGANIZATIONS .....	57	D. TOBACCO BONDS .....	95
D. JOINT VENTURE .....	57	E. TIF NOTES AND BONDS .....	96
E. BASIS OF PRESENTATION .....	58	F. OTHER REVENUE BONDS .....	98
F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING .....	60	G. REFUNDINGS AND BOND DEFEASANCES .....	101
G. BASIS OF BUDGETING AND BUDGETARY CONTROL POLICIES .....	62	H. HEDGING DERIVATIVE INSTRUMENT PAYMENTS AND HEDGED DEBT .....	103
H. CASH AND INVESTMENTS .....	63	I. OTHER LONG-TERM LIABILITIES .....	103
I. INVENTORY .....	63	J. CURRENT & LONG-TERM PORTIONS OF LONG-TERM LIABILITIES .....	106
J. RESTRICTED ASSETS .....	63	K. COMPONENT UNITS .....	107
K. PREPAID ITEMS AND DEFERRED CHARGES .....	63		
L. RECEIVABLES AND PAYABLES .....	64		
M. TRANSFERS AND OTHER TRANSACTIONS BETWEEN FUNDS .....	64		
N. CAPITAL ASSETS .....	64		
O. CAPITAL LEASES .....	65		
P. COMPENSATED ABSENCES .....	65		
Q. LONG-TERM LIABILITIES .....	65		
R. NEW ACCOUNTING STANDARDS ADOPTED .....	66		
S. NEW ACCOUNTING PRONOUNCEMENTS .....	66		
T. NET ASSETS AND FUND BALANCE .....	68		
U. OTHER POSTEMPLOYMENT BENEFITS (OPEB) .....	71		
V. USE OF ESTIMATES .....	71		
W. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS .....	72		
X. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS .....	73		
Y. PRIOR PERIOD ADJUSTMENT - LEGISLATIVE CHANGE	73		
<b>NOTE 2. CASH AND INVESTMENTS .....</b>	<b>74</b>	<b>NOTE 9. RETIREMENT PROGRAMS .....</b>	<b>111</b>
A. CASH .....	74	A. DEFINED BENEFIT PENSION PLANS .....	111
B. INVESTMENTS .....	74	B. DEFINED CONTRIBUTION PENSION PLAN .....	113
C. SECURITIES LENDING .....	82	C. DEFERRED COMPENSATION PLANS .....	114
<b>NOTE 3. RESTRICTED ASSETS .....</b>	<b>84</b>		
<b>NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES.....</b>	<b>84</b>	<b>NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) .....</b>	<b>114</b>
A. RECEIVABLES .....	84	<b>NOTE 11. FUND BALANCE/NET ASSETS .....</b>	<b>117</b>
B. INTERFUND TRANSFERS .....	85	<b>NOTE 12. JOINT VENTURE .....</b>	<b>118</b>
<b>NOTE 5. CAPITAL ASSETS .....</b>	<b>86</b>	<b>NOTE 13. TRANSACTIONS WITH THE FEDERAL GOVERNMENT .....</b>	<b>119</b>
A. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS BY CLASS .....	86	A. FEDERAL CONTRIBUTION .....	119
B. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS .....	87	B. EMERGENCY PREPAREDNESS .....	119
C. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS ACCUMULATED DEPRECIATION BY FUNCTION .....	87	C. GRANTS .....	119
D. BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS .....	88	D. WATER AND SEWER SERVICES .....	119
E. DISCRETELY PRESENTED COMPONENT UNITS CAPITAL ASSETS .....	88		
F. CONSTRUCTION IN PROGRESS .....	90		
<b>NOTE 6. CONDUIT DEBT TRANSACTIONS.....</b>	<b>90</b>	<b>NOTE 14. LEASES .....</b>	<b>119</b>
A. INDUSTRIAL REVENUE BOND PROGRAM.....	90	A. CAPITAL LEASES .....	119
B. ENTERPRISE ZONE FACILITY BONDS .....	91	B. OPERATING LEASES .....	119
		C. SCHEDULE OF FUTURE MINIMUM LEASE COMMITMENTS .....	120
		<b>NOTE 15. COMMITMENTS AND CONTINGENCIES .....</b>	<b>120</b>
		A. RISK MANAGEMENT .....	120
		B. GRANTS AND CONTRACTS .....	120
		C. CONTINGENCIES RELATED TO DERIVATIVE INSTRUMENTS .....	121
		D. LITIGATION .....	121
		E. DISABILITY COMPENSATION .....	121
		F. DEBT SERVICE DEPOSIT AGREEMENTS .....	121
		G. 225 VIRGINIA AVENUE LEASE .....	122
		<b>NOTE 16. SUBSEQUENT EVENTS .....</b>	<b>122</b>
		A. TAX REVENUE ANTICIPATION NOTES .....	122
		B. INCOME TAX SECURED REVENUE BONDS .....	122
		C. TAX INCREMENT FINANCING BONDS AND NOTES .....	123
		D. COMPONENT UNITS .....	124

## NOTES TO THE BASIC FINANCIAL STATEMENTS

September 30, 2011

(Dollar amounts expressed in thousands)

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

#### **A. BACKGROUND AND HISTORY OF THE 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 the cited Constitutional provisions, 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 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 (d/b/a United Medical Center), Housing Finance Agency, and the University of the District of Columbia.

The Not-for-Profit Hospital Corporation, a legally separate entity, is a discretely presented component unit because the Mayor and Council appoint a voting majority of its governing board. In addition, the District is able to impose its will on the Not-for-Profit 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 its annual operating budgets.

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

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

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

**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**

d/b/a 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 and the District is able to impose its will on this organization. The District appoints all members of the Tobacco Corporation's governing body, which is 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.

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 treats the District of Columbia Housing Authority and the District of Columbia Courts as related organizations because the District is not financially accountable for these entities. 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.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Further information regarding this joint venture is discussed in Note 12 on page 118.

### 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 financial 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 financial 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 debts and capital assets, including infrastructure, in the government-wide Statement of Net Assets. The 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.
- *Housing Production Trust Fund* – used to account for the financial resources which provide financial assistance to a variety of affordable housing programs and opportunities across the District such as: (a) fund initiatives to build affordable housing; (b) help provide homeownership opportunities for low income families; and (c) preserve existing federally assisted housing. The Housing Production Trust Fund is administered by the Department of Housing and Community Development.

The Housing Production Trust Fund was reported as a nonmajor fund in previous fiscal years. However, in fiscal year 2011, the fund met the minimum criteria for mandatory reporting as a major fund in accordance with the requirements of GASB Statement No. 34.

- *General Capital Improvements Fund* - used to account for the purchase or construction of capital assets financed by operating transfers, capital grants or debt proceeds.

**Nonmajor Governmental Funds** include five Special Revenue Funds: (1) Tax Increment Financing (TIF) Program Fund; (2) Tobacco Settlement Financing Corporation (TSFC) Fund; (3) Community Health Care

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financing Fund; (4) PILOT Special Revenue Fund; and (5) Baseball Project Fund. Other Nonmajor Governmental Funds include the Highway Trust Fund, and the Baseball 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 and of private employers in the District. Resources are contributed by private employers at rates fixed by law, and by the federal government on a reimbursable basis. The administrative costs of the program are accounted for in the General Fund.

Unemployment Insurance in general is a federal-state program that provides temporary benefits to workers who become unemployed through no fault of their own, and who are able and available for work. The benefits paid to unemployed workers reduce the hardship of unemployment, help maintain purchasing power of the unemployed, thereby supporting the local economy, and help to stabilize the workforce so that local workers are available to employers when they are ready to re-employ. The cost of the unemployment insurance program is financed by employers who pay state and federal taxes on part of the wages paid to each employee in a calendar year.

The Emergency Unemployment Compensation (EUC) program is a 100% federally funded program that provides benefits to individuals who have exhausted regular state benefits. The EUC program was created on June 30, 2008 and has been modified

several times. The extended benefits payments beyond the 26 weeks base period have to be authorized by the Federal Government. When this happens, the states, including the District of Columbia, are reimbursed from the Federal Government to cover the extended benefits. States are obligated to pay after the expenditures are incurred. Therefore, the District does not record the Federal Extended benefit because the expenditures have not actually been incurred.

- *Nonmajor Proprietary Fund* - used to account for the operations of the JB Johnson Nursing Center, which was dissolved in December 2010.

**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 amounts held in its 529 College Savings Investment Plan, which was established to help families save for college education expenses of designated beneficiaries while also receiving certain tax benefits.
- *Agency Funds* – used to report those resources which are held by the District in a purely custodial capacity 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.

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

### **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, 2010, 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 (i.e., 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) expenses associated with governmental activities; (b) expenses associated with business-type activities; and (c) the expenses of component units. The expenses of the governmental activities 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.

#### **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. Unassigned fund balance represents spendable resources that have not been restricted, committed, or assigned to specific purposes.

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. Property taxes are considered 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 invested in 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.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and OPEB Trust Funds 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 enforceable liens on property as of October 1 of the year after levy.

In the District, the personal property tax is self-assessed. Each year, on or before July 31, property owners must file a personal property tax return, covering the tax year beginning July 1 and ending June 30 of the next year. The return should report the remaining cost (current value) of all tangible personal property as of July 1 that is taxable in the District of Columbia. Property taxes are levied after the returns are filed. If a taxpayer fails to pay the levied taxes when due, the District would have a legal claim to the taxpayer's property. Pursuant to the Clarification of Personal Property Tax Revenue Reporting Act of 2011, the revenue budget for Personal Property

Tax is formulated with the understanding that 100% of collections are to be allocated for the year in which the tax was levied.

#### *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.

#### *Supplemental Nutrition Assistance Program (SNAP)*

The District participates in the federal government's Supplemental Nutrition Assistance Program (SNAP) (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. SNAP expenditures totaled \$227,783 in fiscal year 2011.

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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Process

On or about March 20 of each year, at the direction of the Council, the Mayor submits to the Council an annual budget for the District of Columbia government, which includes: (1) the budget for the forthcoming fiscal year, commencing October 1, specifying the agencies and purposes for which funds are being requested; (2) an annual budget message; (3) a multi-year plan for all agencies of the District government; and (4) a multi-year capital improvement plan by project for all agencies of the District government. 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. On or about June 1 of each year, after receipt of the budget proposal from the Mayor, and after the public hearings, the Council adopts the annual budget for the District of Columbia government. The Mayor submits the budget to the President for transmission by him to the Congress. After public hearings, the Congress enacts the budget through an appropriations act.

#### Appropriations Act

The Congressional Appropriations Act authorizes District government expenditures at the function level or by appropriation title, such as Public Safety and Justice, Human Support Services, or Public Education. In general, after enactment of the annual Appropriations Act by Congress, the District may transmit amendments or supplements to the budget by submitting a request for supplemental appropriation to the President and Congress. However, within certain limits, pursuant to D.C. Code §47-369.02, the District may supplement its General Fund budget simply by sending notification to Congress 30 days in advance of the changes taking place.

Pursuant to Home Rule Act § 446 and the Reprogramming Policy Act (D. C. Official Code §47-363 (2001), as amended), the District may reallocate budget amounts. The appropriated budget amounts in the Budgetary Comparison Statement (Exhibit 2-d) include all approved reallocations and other budget changes. 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 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). In addition, a negative expenditure variance for a particular agency within an appropriation is also a violation of the D.C. Anti-Deficiency Act.

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* – which arise because the basis of budgeting differs from the basis of accounting prescribed by GAAP as indicated in Note 1X on page 73.
- *Entity Differences* – which 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 73.

#### 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 (i.e. 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-

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

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 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, 2011, 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 cash equivalents if they mature within 90 days after the date of purchase. 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 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. 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 "restricted" 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.

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

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 underfund 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 Other Funds" 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.

### **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 their useful 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.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Capitalization and Depreciation Policies**

Capitalized assets have an original cost of \$5 (five thousand) 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)**

	<b>Useful life</b>
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 future minimum lease payments due during the 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 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 accreted interest liabilities, which have been incurred but not financed, are reported in the government-wide financial statements. Such obligations are to be paid through the District's General Fund.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 accrued and recorded annually using rates ranging from 6.60% 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 accrued and compounded semi-annually using rates ranging from 5.22% 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 begin paying 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 accrued 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, 2011, the District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

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

Issued in February 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 must be made when reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. Statement

No. 54 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 type, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified in this statement.

*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 amendments to several standards.

Implementation of this statement had no material impact on the District's fiscal year 2011 financial statements.

### S. NEW ACCOUNTING PRONOUNCEMENTS

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

*Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements*

Issued in November 2010, this statement addresses issues related to service concession arrangements (SCAs) between a transferor (a government) and an operator (governmental or non-governmental entity) in which: (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration; and (2) the operator collects and is compensated by fees from third parties. This statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows; the rights granted and retained; and guarantees and commitments.

The requirements of this statement are effective for periods beginning after December 15, 2011, the District's fiscal year 2013.

*Statement No. 61, The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*

Issued in November 2010, this statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This statement also amends the criteria for reporting component units as if they were part of the primary government (that is blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, this statement additionally requires that: (1) the primary government and the component unit have a financial benefit or burden relationship; or (2) management (below the level of elected officials) of the primary government have operational responsibility for the activities of the component unit. New criteria require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Additional guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This statement also clarifies the reporting of equity interests in legally separate organizations. It requires a

primary government to report its equity interest in a component unit as an asset.

The requirements of this statement are effective for periods beginning after June 15, 2012, the District's fiscal year 2013.

*Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

Issued in December 2010, this statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations;
- Accounting Principles Board Opinions; and
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures.

This statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 in that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

The requirements of this statement are effective for periods beginning after December 15, 2011, the District's fiscal year 2013.

*Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

Issued in June 2011, this statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure, and by renaming that measure "net position," rather than net assets.

The requirements of this statement are effective for periods beginning after December 15, 2011, the District's fiscal year 2013.

**Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions—An Amendment of GASB Statement No. 53**

Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider commits or experiences either an act of default or a termination event as described in the related swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements, or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Those provisions require governments to cease hedge accounting upon termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

Issued in June 2011, the objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. Statement No. 64 sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue.

The requirements of this statement are effective for periods beginning after June 15, 2011, the District's fiscal year 2012.

### T. NET ASSETS AND FUND BALANCE

The difference between assets and liabilities is "Net Assets" in the government-wide, proprietary, and fiduciary fund statements and "Fund Balance" in governmental fund statements. In the government-wide and proprietary fund financial statements "Net Assets" is further 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 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 not restricted for any project or other purpose.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in governmental fund financial statements, fund balances are classified as follows:

- *Nonspendable* - resources which cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact.
- *Restricted* – resources with use constraints which are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- *Committed* – resources which can only be used for specific purposes pursuant to limitations imposed by formal action of the District government's highest level of decision-making authority. Amounts in this category may be redeployed for other purposes with the appropriate due process. Committed amounts cannot be used for any other purpose unless the District government removes or changes the specified use by taking the same type of action it used to previously commit the amounts.
- *Assigned* – resources neither restricted nor committed for which the District has a stated intended use as established by the Mayor, Council, or a body or official to which the Mayor or Council has delegated the authority to assign amounts for specific purposes. These are resources where the constraints/restrictions are less binding than that for committed resources.
- *Unassigned* – resources which cannot be classified in one of the other four categories. The general fund is the only fund that is permitted to report a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance may be reported.

For committed fund balance, the bodies which have the highest level of decision-making authority are the Executive Office of the Mayor and the Council of the District of Columbia (the Council). The Council must pass legislation to establish, modify, or rescind a commitment of fund balance. Consistent with Sections 424, 448, and 450 of the District of Columbia Home Rule Act, the District's Mayor, Council, and Chief Financial Officer are responsible for managing the District's financial resources. In fulfilling their respective responsibilities, the Mayor, Council, or Chief Financial Officer, as authorized, may assign portions of fund balance for specific purposes; however, the assignment of fund balance must be formally documented in the form of an Executive Order, letter, or some other official directive.

It is the policy of the District to use Restricted resources first, followed by Committed resources and the Assigned resources, when expenses are incurred for purposes for which any of these resources are available. Therefore, the District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and considers committed fund balance to have been spent when an expenditure has been incurred for purposes for which committed, assigned, or unassigned amounts could have been used. The District does, however, reserve the

right to selectively spend unassigned resources first and to defer the use of the other classified funds.

Consistent with mandates imposed by the federal government and D.C. Code §1-204.50a, the District is required to maintain cash reserves totaling 6% of the previous fiscal year's general fund expenditures less debt service costs. The 6% includes a contingency cash reserve of 4% and an emergency cash reserve of 2%.

As of September 30, 2011, the District's fund balance included the following categories (see **Table 50a** on page 117.)

### **Nonspendable Fund Balance**

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

*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.

### **Restricted Fund Balance**

*Emergency and Contingency Cash Reserve* – 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.

*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.

*Budget* – This portion of fund balance represents unused FY 2011 budget reserve amounts that are available until expended.

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

*Payment in Lieu of Taxes (PILOT)* – This portion of fund balance is restricted for payment of future debt service associated with the PILOT Revenue Bonds.

*Tobacco Settlement* – This portion of fund balance is restricted to pay future debt service and related expenses associated with the Tobacco Corporation's

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

issuance of Tobacco Settlement Asset-Backed Bonds in fiscal years 2001 and 2006.

**Tax Increment Financing (TIF) Program** – This portion of fund balance is restricted for debt service on TIF Bonds and Notes.

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

**Capital Projects** – This portion of fund balance is restricted for the purpose of executing capital projects.

**Highway Projects** – This portion of fund balance is restricted for the purpose of executing federal highway projects.

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

### **Committed Fund Balance**

**Fiscal Stabilization Reserve** – This portion of fund balance is committed to purposes permitted for use of the Contingency Reserve Fund (except for cash flow management purposes)

**Cash Flow Reserve** – This portion of fund balance is committed to cover cash flow needs; provided that any amounts used must be replenished to this reserve in the same fiscal year.

**Budget Support Act** – This portion of fund balance is committed to various non-lapsing accounts established in the budget support act, which is a local law.

**Dedicated Taxes** – This portion of fund balance represents the portions of the District's tax revenue streams which are dedicated for specific purposes and are not available for general budgeting.

**Other Special Purposes** – This portion of fund balance is committed to activities financed by fees and charges for services.

### **Assigned Fund Balance**

**Other Special Purposes** – This portion of fund balance represents amounts set aside by the executive branch to fund other special purpose (O-Type) fund activities.

**Subsequent Years' 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 2012 budget approved by the District Council.

### **Minimum Fund Balance Policies**

Through Congressional mandate, the District is required to maintain cash reserves totaling 6% of the previous fiscal year's 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%. These reserves are reported as restricted cash and restricted net assets in the government-wide financial statements.

#### *Contingency Reserve*

The contingency reserve may only be used for nonrecurring or unforeseen needs that arise during the fiscal year, including expenses associated with unforeseen weather conditions or other natural disasters, unexpected obligations created by federal law or new public safety or health needs or requirements that have been identified after the budget process has occurred, or opportunities to achieve cost savings. In addition, the contingency reserve may be used, as needed, to cover revenue shortfalls experienced by the District government for three consecutive months (based on a two-month rolling average) that are 5% or more below the budget forecast. The contingency reserve fund may not be used to fund any shortfalls in any projected reductions which are included in the budget proposed by the District for the fiscal year.

Each fiscal year, the District must appropriate sufficient funds during the budget process to replenish any amounts allocated from the contingency reserve fund during the preceding fiscal years. Such appropriation is necessary so that not less than 50% of any amount allocated in the preceding fiscal year or the amount necessary to restore the contingency reserve fund to the 4% required balance, whichever is less, is replenished by the end of the first fiscal year following such allocation. In addition, 100% of the amount allocated or the amount necessary to restore the contingency reserve fund to the 4% required balance, whichever is less, must be replenished by the end of the second fiscal year following each such allocation.

#### *Emergency Reserve*

The emergency reserve fund may be used to provide for unanticipated and nonrecurring extraordinary needs of an emergency nature, including a natural disaster or calamity or unexpected obligations by federal law. The

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

emergency reserve fund may also be used in the event that a State of Emergency is declared by the Mayor. However, the emergency reserve fund may not be used to fund: (a) any department, agency, or office of the District government which is administered by a receiver or other official appointed by a court; (b) shortfalls in any projected reductions which are included in the budget proposed by the District for the fiscal year; or (c) settlements and judgments made by or against the District government.

Each fiscal year, the District must appropriate sufficient funds during the budget process to replenish any amounts used from the emergency reserve fund during the preceding fiscal years. Such appropriation is necessary so that not less than 50% of any amount allocated in the preceding fiscal year or the amount necessary to restore the emergency reserve fund to the 2% required balance, whichever is less, is replenished by the end of the first fiscal year following such allocation. In addition, 100% of the amount allocated or the amount necessary to restore the emergency reserve fund to the 2% required balance, whichever is less, must be replenished by the end of the second fiscal year following each such allocation.

### *Fiscal Stabilization Reserve*

The fiscal stabilization reserve may be used by the Mayor for the same purposes for which the contingency reserve was established (except for cash flow management purposes.) At full funding, this reserve must equal 2.34% of the District's General Fund operating expenditures for each fiscal year.

### *Cash Flow Reserve*

The cash flow reserve may be used by the District's Chief Financial Officer to cover cash flow needs. When amounts are used, the cash flow reserve must be replenished in the same fiscal year of use. At full funding, the cash flow reserve must equal 8.33% of the General Fund operating budget for each fiscal year.

If either the fiscal stabilization reserve or the cash flow reserve are below full funding upon issuance of the Comprehensive Annual Financial Report, the District's Chief Financial Officer must commit 50% of the unassigned end-of-year fund balance to each reserve, or 100% of the end-of-year fund balance to the reserve that has not reached full capacity, to fully fund the reserves to the extent allowed by the end-of-year fund balance. Moreover, if the amount required for the contingency reserve or emergency cash reserve is reduced, the amount required to be retained in the fiscal stabilization reserve is to be increased by the same amount.

### **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 utilizes a graded contribution schedule whereby District contributions to the plan are based on the employee's years of creditable District service. District contributions are limited such that the District pays no more than 72% 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 114.

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, 2011, there were 541 OPEB Plan participants receiving such benefits. The participants comprised of 411 teachers, police, and firefighters, and 130 general District retirees. During fiscal year 2011, \$4.1 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.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **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 \$79,548 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 2011. 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 of governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

The details of the \$586,781 difference related to capital outlay are as follows:

Capital outlay capitalized	\$ 895,484
<b>Less:</b>	
Depreciation expense	(336,212)
Capital asset additions	41,340
Transfer and dispositions	(13,831)
<b>Net Adjustment</b>	<b>\$ 586,781</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 \$2,946 more in the statement of activities than in the Statement of Revenues, Expenditures and Changes in Fund Balances.

The details of the (\$548,716) difference related to long-term liabilities are as follows:

Bonds issued	\$ (726,275)
Equipment financing program	(45,801)
Premium on long-term debt	(24,711)
GARVEE bonds	(82,610)
<b>Less:</b>	
Bonds current refunding	63,335
Principal payments on G.O. bonds	132,785
Principal payments on other long-term debt	124,311
Amortization of premium	7,224
Fiscal charges -net	3,026
<b>Net Adjustment</b>	<b>\$ (548,716)</b>

The details of the (\$2,845) difference related to the change in accrued liabilities are as follows:

Annual leave	\$ (6,070)
CAB interest accretion	(24,635)
Grant disallowances	(190)
Accrued interest	(4,882)
Claims and judgments	21,658
Future disability benefits	9,177
Unfunded pension expenses	3,000
Net OPEB liability	(903)
<b>Net Adjustment</b>	<b>\$ (2,845)</b>

<b>NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>
---

## X. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

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

	GENERAL FUND	FEDERAL AND PRIVATE RESOURCES
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS</b>	\$ 239,695	\$ 12,305
<b>Basis differences:</b>		
Inventory is recorded using the purchase method for budgetary purposes and the consumption method on a GAAP basis	897	49
Transfers - other financing (uses)	(1,649)	-
Debt related adjustments	2,616	-
Fund balance released from restrictions - a funding source for budgetary purposes but not revenue on a GAAP basis	(55,805)	(22,192)
Actuarial adjustments to retirement contributions to teachers' pension fund	(3,000)	-
State education loan program	(8,384)	2,425
Other	<u>(245)</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES - GAAP BASIS</b>	<u>\$ 174,125</u>	<u>\$ (7,413)</u>

## Y. PRIOR PERIOD ADJUSTMENT - LEGISLATIVE CHANGE

Prior to fiscal year 2011, the District formulated its revenue budget for personal property tax using the premise that 25% of the tax levied was to be allocated to the current fiscal year (the year of the assessment), and the remaining 75% was to be allocated to the following fiscal year. Consequently, the District's General Fund carried a personal property tax deferred revenue balance that was equal to the 75% allocated to the subsequent fiscal year.

With the passage of the Clarification of Personal Property Tax Revenue Reporting Act of 2011, the District changed its policy regarding personal property tax revenue reporting. The period of intended use of the personal property tax was changed from 25% in the fiscal year when the assessment is made and 75% in the subsequent fiscal year, to 100% in the fiscal year of assessment.

The revision of the period of intended use represents a change in the method of applying an accounting principle which requires retrospective application in the District's financial statements. Consequently, fiscal year 2010 personal property tax revenue has been adjusted to reflect the period-specific effect of this change of \$4,469 and fund balance has been adjusted to reflect the cumulative impact of this change of \$40,643.

October 1, 2010, as previously reported	\$ 890,126
Decrease in deferred property tax revenue	40,643
October 1, 2010, as adjusted	<u>\$ 930,769</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 \$2,834,575 within the custody of the District, in accordance with District policies, substantially all deposits as of September 30, 2011, were insured or collateralized with securities held by the District or by its agent in the District's name. At September 30, 2011, the carrying amount of cash for the primary government and fiduciary funds was \$2,400,562 and the bank balance was \$2,273,903. The carrying amount of cash (deposits) for the component units was \$434,013 and the bank balance was \$287,797.

### 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. 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. See **Table 5a** on page 77 for details.

The Retirement Board is authorized to manage and control the investment of the District Retirement Funds' assets. The Retirement Board may 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, subject to the exceptions in subsection (c) of this section.

The fair values of the investments held in the control of the Retirement Board as of September 30, 2011 are presented in **Table 2**.

**Table 2 – Fair Values of Investments: Retirement Board**

	<b>2011</b>	<b>2010</b>
Cash and short-term investments	\$ 149,759	\$ 224,620
Investments at fair value:		
Domestic equity	1,127,083	1,576,779
International equity	1,104,957	769,148
Fixed income	1,339,980	1,025,589
Real estate	203,157	188,543
Private equity	716,486	614,419
Total cash and investments at fair value	<u>\$ 4,641,422</u>	<u>\$ 4,399,098</u>

**Table 3** presents the debt instruments which were held by the Retirement Board's Investment Pool as of September 30, 2011.

**Table 3 – Debt Instruments Held by the Retirement Board Investment Pool at September 30, 2011**

Investment Type	Fair Value	% of Segment	Duration	Rating
US Agency	\$ 29,107	2.17%	8.09	A+
Asset Backed	58,165	4.34%	2.15	AA-
CMBS	22,789	1.70%	2.95	A+
CMO	49,322	3.68%	4.50	AA-
Corporate	317,777	23.72%	3.98	BBB
Foreign	14,948	1.12%	2.16	A+
Mortgage Pass-Through	256,130	19.11%	3.42	AA+
Municipal	23,422	1.75%	9.75	AA-
US Treasury	136,390	10.18%	10.04	AA+
Yankee	111,781	8.34%	4.35	AA
Infrastructure Funds	79,362	5.92%	N/A	NR
US Tips Index Fund	106,022	7.91%	N/A	NR
US Debt Index Fund	132,565	9.90%	N/A	NR
Other	2,200	0.16%	N/A	NR
Total Fixed Income	<u>\$ 1,339,980</u>	<u>100.00%</u>		

N/A - Not Available

NR - Not Rated

The District's investments and those of its discretely presented component units are subject to interest rate, credit, custodial credit, and foreign currency risks. The District, including the Retirement Board, broadly diversifies the investments of District funds so as to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so.

## NOTE 2. CASH AND INVESTMENTS

The types of risks to which the District may be exposed are described below:

- *Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity will have a greater sensitivity to fair value changes that are related to market interest rates. 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%

The Retirement Board monitors the interest rate risk inherent in its portfolio by measuring the weighted average duration of its portfolio. Duration is a measure of a debt instrument's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. As a general rule, the risk and return of the Retirement Board's fixed income segment of the portfolio is compared to the Barclays Capital US Universal Index. To mitigate interest rate risk, the fixed income segment is expected to maintain a weighted average duration (sensitivity to interest rate changes) within +/- 2 years of the duration of this Index.

- *Credit Risk* – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by

the assignment of a rating by a nationally recognized statistical rating organization.

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.

Unless specifically authorized otherwise in writing by the Retirement Board, fixed income managers invest retirement funds in investment grade instruments rated in the top four categories by a recognized statistical rating service.

- *Custodial Credit Risk* – Custodial credit risk is the risk that, given a financial institution's failure, the government will not be able to recover deposits or collateral.

Custodial credit risk occurs when investment securities are uninsured and/or not registered in the name of the government, and there is failure of the counterparty. In such cases, 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 2011 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, 2011, the District was in compliance with this policy.

## NOTE 2. CASH AND INVESTMENTS

- **Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair values of an investment.

As a general policy of the Retirement Board, investment managers with authority to invest in securities denominated in a foreign currency may reduce exposure to currency risk by systematically hedging foreign currency positions back to U.S. dollars through the foreign currency markets. Because the forward exchange rate is seldom equal to the spot exchange rate, forward hedging gains and losses may arise.

At September 30, 2011, other than the Retirement Board, the District had no exposure to foreign currency risk. At the end of fiscal year 2011, the Retirement Board held investments that were denominated in a currency other than the United States dollar, as presented in **Table 4**.

**Table 4 – Retirement Board Investments Denominated in Foreign Currency**

	Asset Class (in \$000s)					
	Cash	Equities	Fixed Income	Private Equity	Swaps	Total
Australian Dollar	\$ 489	\$ 11,090	\$ -	\$ -	\$ 119	\$ 11,698
Canadian Dollar	1	-	5,362	-	-	5,363
Swiss Franc	-	24,259	-	-	-	24,259
Danish Krone	3	1,244	9,060	-	-	10,307
Euro	734	147,693	8,736	18,099	-	175,262
Pound Sterling	58	35,554	485	-	35	36,132
Hong Kong Dollar	25	18,010	-	-	-	18,035
Israeli Shekel	1,681	-	-	-	-	1,681
Japanese Yen	152	92,596	-	-	-	92,748
South Korean Won	-	3,787	-	-	-	3,787
Norwegian Krone	3,247	-	-	-	-	3,247
New Zealand Dollar	-	-	-	-	-	-
Swedish Krona	101	9,444	-	-	-	9,545
Singapore Dollar	90	5,069	-	-	-	5,159
Mexican Peso	-	-	-	-	-	-
Brazilian Real	-	-	-	-	380	380
<b>Total Foreign Currency</b>	<b>\$ 6,581</b>	<b>\$ 348,746</b>	<b>\$ 23,643</b>	<b>\$ 18,099</b>	<b>\$ 534</b>	<b>\$ 397,603</b>

**NOTE 2. CASH AND INVESTMENTS****Table 5a – Cash and Investments Detail**

	<u>Total Carrying Value</u>
<b>INVESTMENTS</b>	
<b>Primary Government:</b>	
U. S. government securities	\$ 48,504
Mutual funds	<u>319,735</u>
<b>Total Primary Government</b>	<b>\$ 368,239</b>
<b>Fiduciary Funds:</b>	
Pension trust funds investments held by Board's agent in Board's name and Private Purpose Trust Fund:	
Equity securities	2,755,958
Fixed income securities	1,398,537
Real estate	203,157
Private equity	<u>716,486</u>
<b>Total Fiduciary Funds</b>	<b>5,074,138</b>
<b>Component Units:</b>	
U. S. government securities	558,524
Corporate securities	17,695
Investment contracts	209,780
Mutual funds	<u>191,625</u>
<b>Total Component Units</b>	<b>977,624</b>
<b>Total reporting entity investments</b>	<b>\$ 6,420,001</b>
<b>CASH BALANCES</b>	
Primary government	\$ 2,068,794
Fiduciary Funds	331,768
Component units	<u>434,013</u>
<b>Total cash balances</b>	<b>\$ 2,834,575</b>

**Table 5b – Reconciliation of the District's Deposit and Investment Balances**

	<u>Exhibit 1-a</u>	<u>Exhibit 4-a</u>	<u>Total</u>
Total investments per Table 5a	\$ 6,420,001		
Total cash balances		2,834,575	
<b>Total</b>	<b>\$ 9,254,576</b>		
Cash and cash equivalents	\$ 863,942	\$ -	\$ 863,942
Investments	149,530	-	149,530
Cash and cash equivalents (restricted)	1,638,865	331,768	1,970,633
Investments (restricted)	1,196,333	5,074,138	6,270,471
<b>Total</b>	<b>\$ 3,848,670</b>	<b>\$ 5,405,906</b>	<b>\$ 9,254,576</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 6** presents the fair value balances and notional amounts of the District's derivative instruments outstanding at September 30, 2011, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the fiscal year 2011 financial statements.

**Table 6 - Derivative Instruments Outstanding at September 30, 2011**

	Changes in Fair Value		Fair Value at September 30, 2011		
	Classification	Amount	Classification	Amount	Notional
<b>Governmental Activities:</b>					
Cash flow hedges:					
Floating to fixed interest rate swaps:					
2008C Swap	Deferred outflow	(\$7,780)	Debt	(\$54,346)	\$224,300
2007 A W C Swap	Deferred outflow	(\$190)	Debt	(\$12,373)	\$90,660
2004B Swap	Deferred inflow	\$749	Debt	(\$2,368)	\$38,250
Floating to floating interest rate swaps:					
2001C/D Basis Swap	Investment Revenue	\$165	Investment	\$333	\$222,510

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. The fair values take 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 7** presents the objective and terms of the District's hedging derivative instruments outstanding at September 30, 2011, along with the credit rating of the associated counterparty.

<b>NOTE 2. CASH AND INVESTMENTS</b>
-------------------------------------

**Table 7 – Objectives and Terms of Hedging Derivative Instruments Outstanding at September 30, 2011**

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	12/03/04	06/01/20	Pay fixed rates of 4.598%, 4.701%, 4.794% and 5.121%; receive the rate that matches the rate on the underlying bonds	Aa3/A+/AA-
2008 C Swap	Hedge of changes in cash flows on the Series 2008C Bonds (formerly 2002 A/B Bonds)	\$ 224,300	10/15/02	06/01/27	Pay fixed rate of 3.651%; receive 67% of 1-month LIBOR	A2/A/A
<b>Pay Floating Basis Swaps:</b>						
2001 C/D Basis Swap	Reduces basis risk by providing a closer match between the underlying variable rate bonds and the variable rate swap receipts from the counterparty	\$ 222,510	06/02/03	06/01/29	Pay 67% of LIBOR; receive variable rate as a percentage of the actual LIBOR reset each month ranging from 60% to 90% of LIBOR	Aa1/AA-/AA-
2007 AWC Swap	Hedge of changes in cash flows on the Series 2007 AWC PILOT Revenue Bonds	\$ 90,660	09/20/07	12/01/21	Pay fixed rate of 4.463%; receive the rate paid on the underlying bonds	Aa3/AA/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, 2011 were as presented in **Table 7**.

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, 2011, was \$333. 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 SIFMA swap index decreases, the District's net payment on its pay-fixed, receive variable interest rate swaps increases.

## NOTE 2. CASH AND INVESTMENTS

As of September 30, 2011, the District had investments in derivative instruments with the following maturities:

Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More than 10
Investment in derivative instruments	\$ 333	\$ -	\$ -	\$ -	\$ 333

The District is invested in a floating-to-fixed rate swap in connection with its \$214,155 Multimodal General Obligation Bonds, Series 2001C and its \$69,715 Multimodal General Obligation Refunding Bonds, Series 2001D (2001C/D Swap). At September 30, 2011, the notional amount of the 2001C/D Swap was \$222,510. The District pays the counterparty 67% of LIBOR and the counterparty pays the District a variable rate as a percentage of the actual LIBOR reset each month. The original swap agreement was executed on December 6, 2001 and the District entered into an enhanced swap agreement on June 2, 2003. The 2001C/D swap matures in June 2029. At September 30, 2011, this interest rate swap had a fair value of \$333.

### 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, 2011, the weighted-average interest rate on the District's hedged variable-rate debt was approximately 0.16%, while the SIFMA swap index rate was 0.16% and 67% of LIBOR was 0.16%.

### 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 was not exposed to termination risk on its rate cap because the current mark to market value of the swap is \$0. The District 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 2011.

### Retirement Board Derivatives

During fiscal year 2011, 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.

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 forwards, futures contracts and foreign currency options are generally used by the District

**NOTE 2. CASH AND INVESTMENTS**

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 risk is managed by limiting transactions to counterparties with short-term credit ratings of Al or Pl 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. Rights are a security that gives the holder the entitlement to purchase new shares issued by a corporation at a predetermined price in proportion to the number of shares already owned. Market risk for warrants and rights is limited to the purchase cost. Credit risk for warrants and rights 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.

<b>NOTE 2. CASH AND INVESTMENTS</b>
-------------------------------------

**Table 8** presents a list of the District Retirement Funds' derivatives aggregated by type as of September 30, 2011.

**Table 8 – Retirement Board Derivative Investments Aggregated by Type**

Type of Derivative	Classification	Amount (1)	Classification	Amount (2)	Notional (3)
Credit Default Swaps Bought	Investment Income	\$ 1,806	Swaps	\$ 2,784	\$ 40,300
Credit Default Swaps Written	Investment Income	(333)	Swaps	780	70,644
Fixed Income Futures Long	Investment Income	4,595	Futures	-	277,539
Fixed Income Futures Short	Investment Income	(1,891)	Futures	-	(12,000)
Fixed Income Options Written	Investment Income	(192)	Options	(1,412)	(132,700)
Foreign Currency Options Bought	Investment Income	32	Options	-	-
Foreign Currency Options Written	Investment Income	(1)	Options	(5)	(400)
Futures Options Bought	Investment Income	(271)	Options	-	-
Futures Options Written	Investment Income	383	Options	(52)	(64)
FX Forwards	Investment Income	(409)	LT Instruments	(329)	52,376
Index Futures Long	Investment Income	87	Futures	-	-
Pay Fixed Interest Rate Swaps	Investment Income	(3,884)	Swaps	(2,957)	29,369
Received Fixed Rate Interest Rate Swaps	Investment Income	942	Swaps	1,194	47,622
Rights	Investment Income	1,205	Common Stock	32	220
Warrants	Investment Income	(82)	Common Stock	17	142
<b>Grand Totals</b>		<b>\$ 1,987</b>		<b>\$ 52</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

District statutes and the Retirement Board's policies permit the District Retirement Funds to participate in securities lending transactions by relying on a Securities Lending Authorization Agreement, which authorizes the master custodian to lend the Retirement Board's securities to qualified broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2011, 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.

**NOTE 2. CASH AND INVESTMENTS**

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 2011.

During fiscal year 2011, the Retirement Board did not restrict the amount of the loans that the master custodian made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses resulting from a default of the borrowers or the master custodian during 2011.

The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in the Quality D Fund which is comprised of a liquidity pool and a duration pool. As of September 30, 2011, the liquidity pool had an average duration of 22.45 days and an average weighted final maturity of 59.36 days for USD collateral. As of this date, the duration pool had an average duration of 36.65 days and an average weighted final maturity of 501.49 days for USD collateral. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

Investments are restricted to issuers with a short-term credit rating not lower than A1/P1, or long-term ratings not lower than A-/A3, or the equivalent thereof. The Quality D Fund may invest in other investment vehicles managed by the master custodian provided they conform to fund guidelines.

On September 30, 2011, the Retirement Board had no credit risk exposure to borrowers.

As of September 30, 2011, the fair value of securities on loan was \$400,805. Associated collateral totaling \$419,096 was comprised of cash which was invested in the Quality D Fund. As of September 30, 2011, the invested cash collateral had a fair value of \$416,288.

During the fiscal year ended September 30, 2011, 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 \$2,808.

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 2011 was recorded on a cash basis which approximated the accrual basis. For the year ending September 30, 2011, securities lending income was \$2,734 and securities lending expense was \$868, resulting in net securities lending income of \$1,866.

### NOTE 3. RESTRICTED ASSETS

At September 30, 2011, restricted assets of the primary government, component units, and fiduciary funds totaled \$8,241,104 as summarized in **Table 9**.

**Table 9 – Summary of Restricted Assets**

<b>Governmental Funds/Governmental Activities</b>						
	<b>Federal &amp; General</b>	<b>Private Resources</b>	<b>Housing Production Trust Fund</b>	<b>General Capital Improvements</b>	<b>Non-Major</b>	<b>Total</b>
Bond Escrow Accounts	\$ 345,327	\$ -	\$ -	\$ -	\$ -	\$ 345,327
Public Transportation	-	-	-	221,443	50,241	271,684
Emergency Cash Reserves	322,583	-	-	-	-	322,583
Others	-	119,029	57,302	-	287,147	463,478
<b>Total</b>	<b>\$ 667,910</b>	<b>\$ 119,029</b>	<b>\$ 57,302</b>	<b>\$ 221,443</b>	<b>\$ 337,388</b>	<b>\$ 1,403,072</b>

<b>Proprietary Funds/Business-Type Activities</b>						
	<b>Lottery &amp; Games</b>	<b>Unemployment Compensation</b>	<b>Total</b>	<b>Fiduciary Funds</b>	<b>Component Units</b>	
Bond Escrow Accounts	\$ -	\$ -	\$ -	\$ -	\$ 1,085,112	
Unpaid Prizes	22,912	-	22,912	-	-	
University Endowment	-	-	-	-	7,242	
Benefits	-	313,190	313,190	5,405,906	-	
Other	-	-	-	-	3,670	
<b>Total</b>	<b>\$ 22,912</b>	<b>\$ 313,190</b>	<b>\$ 336,102</b>	<b>\$ 5,405,906</b>	<b>\$ 1,096,024</b>	

The bond escrow accounts include bond escrow for capital lease payment of \$10,710.

### NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

#### A. RECEIVABLES

Receivables are valued at their estimated collectible amounts. These receivables are presented in various funds as shown in **Table 10**.

**Table 10 – Receivables**

	<b>Federal &amp; General</b>	<b>Private Resources</b>	<b>General Capital Improvements</b>	<b>Nonmajor Governmental Funds</b>	<b>Lottery &amp; Games</b>	<b>Unemployment Compensation</b>	<b>Fiduciary Funds</b>
Gross Receivable:							
Taxes	\$ 503,553	\$ -	\$ -	\$ 2,539	\$ -	\$ -	\$ -
Accounts and other	342,256	386,053	9,467	30,056	5,442	28,523	25,630
Federal	5,486	366,279	44,332	-	-	3,859	1,051
<b>Total gross receivable</b>	<b>\$ 851,295</b>	<b>\$ 752,332</b>	<b>\$ 53,799</b>	<b>\$ 32,595</b>	<b>\$ 5,442</b>	<b>\$ 32,382</b>	<b>\$ 26,681</b>
Less-allowance							
for uncollectibles	314,703	107,880	6,136	-	-	11,509	-
<b>Total net receivable</b>	<b>\$ 536,592</b>	<b>\$ 644,452</b>	<b>\$ 47,663</b>	<b>\$ 32,595</b>	<b>\$ 5,442</b>	<b>\$ 20,873</b>	<b>\$ 26,681</b>

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

**B. INTERFUND TRANSFERS**

**Table 11** shows a summary of interfund transfers for the fiscal year ended September 30, 2011.

**Table 11– 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	\$ 29,938
General Fund	Highway Trust Fund	Taxes imposed for Capital Projects - DDOT	1,649
General Fund	Highway Trust Fund	PAYGO - Capital projects financed by operating funds	4,000
General Fund	Highway Trust Fund	Taxes imposed for Capital Projects - Parking and Storage	16,508
General Fund	Highway Trust Fund	Taxes imposed for Capital Projects - Public Space	3,869
Lottery and Games	General Fund	DC Lottery excess revenues, after operating cost, to the General Fund	62,175
General Fund	Capital Improvements Fund	PAYGO - Capital projects financed by the General Fund	27,726
General Fund	Capital Improvements Fund	PAYGO - Capital projects financed by the Local Roads Const Maint Fund	36,188
Capital Improvements Fund	General Fund	Capital Improvements Fund financing to help address potential budget shortfall	26,543
General Fund	Tax Increment Financing Fund	Tax imposed to pay debt service on economic development projects	350
General Fund	Federal & Private Resources Fund	Use of Local funds to satisfy federal grant accounts receivable	146
General Fund	Capital Improvements Fund	Funds for debt service payments on capital projects	3,125
Federal and Private Resources Fund	General Fund	Revenues generated from indirect cost recovery	1,349
Baseball Special Revenue Fund	Baseball Debt Service Fund	Funds for baseball debt service payments	30,988
Community Healthcare Fund	General Fund	Community Healthcare financing to help address potential budget shortfall	34,080
Baseball Special Revenue Fund	General Fund	Baseball Fund financing to help address potential budget shortfall	14,289
J.B. Johnson Nursing Home	General Fund	Closeout of the J.B. Johnson Nursing Home	9,136
<b>TOTAL INTERFUND TRANSFERS</b>			<b>\$ 302,059</b>

**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, 2011, are shown in **Table 12**.

**Table 12 – Summary of Due To /Due From and Interfund Balances**

Fund or Component Unit	Primary Government/ Component Units		Interfund	
	Receivables	Payables	Receivables	Payables
General	\$ 53,790	\$ 15,194	\$ 190,707	\$ 35,893
Federal & Private Resources	-	-	36,091	105,179
Housing Production Trust Fund	-	-	16,134	-
General Capital Improvements	-	12,782	1,199	68,421
Nonmajor-Highway Trust Fund	-	-	2	1,199
Nonmajor-Baseball Special Revenue	666	-	2,643	14,289
Nonmajor - Tax Increment Financing Fund	-	-	10,883	-
Unemployment Compensation	-	-	3,177	36,277
Pension Trust Funds	-	-	3,000	2,573
Ageny Funds	-	-	52	57
Water and Sewer Authority	456	2,436	-	-
Not For Profit Hospital Corporation	-	6,000	-	-
Washington Convention and Sports Authority	8,405	.791	-	-
University of the District of Columbia	19,114	45,228	-	-
<b>Total</b>	<b>\$ 82,431</b>	<b>\$ 82,431</b>	<b>\$ 263,888</b>	<b>\$ 263,888</b>

The above balances represent the impact of transactions among the funds and component units which will be settled during fiscal year 2012.

## NOTE 5. CAPITAL ASSETS

### Capital Outlays

Capital outlays reported in the General Capital Improvements and Highway Trust Fund totaled \$1,189,356 for the fiscal year ended September 30, 2011. 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.

### Asset Impairment

On December 22, 2010, the Takoma Education Center (Takoma EC) was damaged extensively by fire. Takoma EC was closed for a year to allow the District to complete the needed renovations. During the interim, Meyer Elementary School, which was closed in 2008 due to under-enrollment, re-opened to house Takoma EC's 300 students. Upon completion of the renovations in December 2011, students returned to Takoma EC in January 2012.

The school's restoration costs totaled approximately \$26.8 million and its replacement cost was determined to be \$42.8 million. Using the restoration cost approach, the District calculated the impairment loss to be \$5.3 million in fiscal year 2011.

### A. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS BY CLASS

Table 13 presents the changes in the governmental activities capital assets by class for the primary government:

**Table 13 - Changes in the Governmental Activities Capital Assets by Asset Class**

Asset Class	Balance October 1, 2010	Additions	Transfers/ Dispositions	Transfers from CIP	Balance September 30, 2011
<b>Non-depreciable:</b>					
Land	\$ 916,721	\$ 2,638	\$ (1,016)	\$ 1,215	\$ 919,558
Construction in progress	2,175,190	895,484	-	(1,156,892)	1,913,782
<b>Total non-depreciable</b>	<b>3,091,911</b>	<b>898,122</b>	<b>(1,016)</b>	<b>(1,155,677)</b>	<b>2,833,340</b>
<b>Depreciable:</b>					
Infrastructure	4,133,806	-	-	296,882	4,430,688
Buildings	4,590,490	1,110	(19,261)	791,996	5,364,335
Equipment	1,312,185	37,592	(34,055)	66,799	1,382,521
<b>Total depreciable</b>	<b>10,036,481</b>	<b>38,702</b>	<b>(53,316)</b>	<b>1,155,677</b>	<b>11,177,544</b>
<b>Less accumulated depreciation for:</b>					
Infrastructure	(1,854,216)	(110,529)	-	-	(1,964,745)
Buildings	(1,161,436)	(95,369)	4,063	-	(1,252,742)
Equipment	(884,209)	(130,314)	36,438	-	(978,085)
<b>Total accumulated depreciation</b>	<b>(3,899,861)</b>	<b>(336,212)</b>	<b>40,501</b>	<b>-</b>	<b>(4,195,572)</b>
<b>Total depreciable, net</b>	<b>6,136,620</b>	<b>(297,510)</b>	<b>(12,815)</b>	<b>1,155,677</b>	<b>6,981,972</b>
<b>Net governmental activities capital assets</b>	<b>\$ 9,228,531</b>	<b>\$ 600,612</b>	<b>\$ (13,831)</b>	<b>\$ -</b>	<b>\$ 9,815,312</b>

<b>NOTE 5. CAPITAL ASSETS</b>
-------------------------------

**B. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS**

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

**Table 14- Governmental Activities Capital Assets by Function**

Function	Balance October 1, 2010	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2011
Governmental direction and support	\$ 1,970,793	\$ 1,573	\$ (1,973)	\$ 231,319	\$ 2,201,712
Economic development and regulation	425,640	3,723	(4,948)	-	424,415
Public safety and justice	725,834	29,730	(24,839)	22,273	752,998
Public education system	2,023,118	4,219	(17,605)	558,283	2,568,015
Human support services	926,583	1,025	(832)	38,413	965,189
Public works	4,881,234	1,070	(4,135)	306,604	5,184,773
Construction in progress (CIP)	2,175,190	895,484	-	(1,156,892)	1,913,782
<b>Total</b>	<b>\$ 13,128,392</b>	<b>\$ 936,824</b>	<b>\$ (54,332)</b>	<b>\$ -</b>	<b>\$ 14,010,884</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 15**.

**Table 15 – Governmental Activities Capital Assets Accumulated Depreciation by Function**

Function	Balance October 1, 2010	Additions	Transfers/ Dispositions	Balance September 30, 2011
Governmental direction and support	\$ 555,596	\$ 96,644	\$ (1,097)	\$ 651,143
Economic development and regulation	36,022	3,258	(316)	38,964
Public safety and justice	347,575	31,291	(24,511)	354,355
Public education system	533,573	56,146	(13,377)	576,342
Human support services	313,786	17,333	14	331,133
Public works	2,113,309	131,540	(1,214)	2,243,635
<b>Total</b>	<b>\$ 3,899,861</b>	<b>\$ 336,212</b>	<b>\$ (40,501)</b>	<b>\$ 4,195,572</b>

<b>NOTE 5. CAPITAL ASSETS</b>
-------------------------------

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

Business-Type Activities Capital Assets are presented in **Table 16**.

**Table 16 - Business-Type Activities Capital Assets**

Asset Class	Balance October 1, 2010	Additions	Dispositions/ Adjustments	Balance September 30, 2011
<b>Lottery:</b>				
Depreciable:				
Equipment	\$ 3,392	\$ 69	\$ -	\$ 3,461
<b>Total</b>	<b>3,392</b>	<b>69</b>	<b>-</b>	<b>3,461</b>
<b>Nonmajor business-type</b>				
Depreciable:				
Building	11,739	-	(11,739)	-
Equipment	1,725	-	(1,725)	-
<b>Total Depreciable, nonmajor business-type</b>	<b>13,464</b>	<b>-</b>	<b>(13,464)</b>	<b>-</b>
<b>Total Business-Type</b>	<b>16,856</b>	<b>69</b>	<b>(13,464)</b>	<b>3,461</b>
Less: accumulated depreciation for:				
Building	(8,808)	-	8,808	-
Equipment	(3,221)	(170)	408	(2,983)
<b>Total accumulated depreciation</b>	<b>(12,029)</b>	<b>(170)</b>	<b>9,216</b>	<b>(2,983)</b>
<b>Net capital assets</b>	<b>\$ 4,827</b>	<b>\$ (101)</b>	<b>\$ (4,248)</b>	<b>\$ 478</b>

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

A summary of capital assets by class for the discretely presented component units is shown in **Tables 17 and 18**.

**Table 17 - Capital Assets by Class for the Discretely Presented Component Units**

Asset Class	Balance October 1, 2010	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2011
Land	\$ 20,989	\$ -	\$ -	\$ -	\$ 20,989
Utility plant	3,517,125	28,315	-	170,474	3,715,914
Buildings and improvements	1,059,424	15,814	(295)	8,489	1,083,432
Equipment	214,876	10,480	(1,079)	12,213	236,490
Artwork	2,741	-	-	-	2,741
Construction in progress	375,496	351,957	-	(191,176)	536,277
<b>Total</b>	<b>5,190,651</b>	<b>406,566</b>	<b>(1,374)</b>	<b>-</b>	<b>5,595,843</b>
Less: accumulated depreciation for					
Utility plant	(859,830)	(59,494)	-	-	(919,324)
Buildings and improvements	(341,386)	(37,449)	641	-	(378,194)
Equipment	(168,587)	(17,125)	733	-	(184,979)
<b>Total accumulated depreciation</b>	<b>(1,369,803)</b>	<b>(114,068)</b>	<b>1,374</b>	<b>-</b>	<b>(1,482,497)</b>
<b>Net Capital Assets</b>	<b>\$ 3,820,848</b>	<b>\$ 292,498</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,113,346</b>

**NOTE 5. CAPITAL ASSETS****Table 18 - Capital Assets by Component Unit**

<b>Component Units</b>	<b>Balance October 1, 2010</b>	<b>Additions</b>	<b>Transfers/ Dispositions</b>	<b>Balance September 30, 2011</b>
University of the District of Columbia	\$ 211,276	\$ 17,996	\$ (343)	\$ 228,929
Washington Convention and Sports Authority	937,653	13,710	-	951,363
Water and Sewer Authority	3,972,908	368,744	(733)	4,340,919
Housing Finance Agency	5,828	324	(298)	5,854
Not-for-Profit Hospital Corporation	62,986	5,792	-	68,778
<b>Total capital assets</b>	<b>5,190,651</b>	<b>406,566</b>	<b>(1,374)</b>	<b>5,595,843</b>
Less-accumulated depreciation for:				
University of the District of Columbia	(126,649)	(4,803)	343	(131,109)
Washington Convention and Sports Authority	(266,094)	(33,217)	-	(299,311)
Water and Sewer Authority	(972,096)	(70,210)	733	(1,041,573)
Housing Finance Agency	(3,448)	(200)	298	(3,350)
Not-for-Profit Hospital Corporation	(1,516)	(5,638)	-	(7,154)
<b>Total accumulated depreciation</b>	<b>(1,369,803)</b>	<b>(114,068)</b>	<b>1,374</b>	<b>(1,482,497)</b>
<b>Net component units capital assets</b>	<b>\$ 3,820,848</b>	<b>\$ 292,498</b>	<b>\$ -</b>	<b>\$ 4,113,346</b>

## NOTE 5. CAPITAL ASSETS

### F. CONSTRUCTION IN PROGRESS

Construction in progress by function for governmental activities capital assets is shown in **Table 19**.

**Table 19– Construction in Progress by Function**

<b>Function and Subfunction</b>	<b>Number of Projects</b>	<b>Authorized</b>	<b>Expenditures</b>						<b>Total</b>	<b>Unexpended Balance</b>
			<b>Prior Year</b>	<b>Current Year</b>	<b>Transfers from CIP/Disposition</b>		<b>Total</b>			
<b>PRIMARY GOVERNMENT</b>										
<b>Governmental Direction and Support</b>										
Finance	5	\$ 89,544	\$ 4,496	\$ 5,193	\$ -		\$ 9,689	\$ 79,855		
Executive	3	6,304	6,243	-	5,681		562	5,742		
Administrative	128	459,092	200,778	82,075	215,988		66,865	392,227		
<b>Total</b>	<b>136</b>	<b>554,940</b>	<b>211,517</b>	<b>87,268</b>	<b>221,669</b>		<b>77,116</b>	<b>477,824</b>		
<b>Public Safety and Justice</b>										
Police	14	304,344	60,153	95,275	22,116		133,312	171,032		
Fire	33	83,424	51,558	6,742	72		58,228	25,196		
Corrections	.6	18,036	3,788	12,886	16,674		-	18,036		
<b>Total</b>	<b>53</b>	<b>405,804</b>	<b>115,499</b>	<b>114,903</b>	<b>38,862</b>		<b>191,540</b>	<b>214,264</b>		
<b>Economic Development and Regulation</b>										
Community Development	33	211,148	95,881	31,578	-		127,459	83,689		
<b>Total</b>	<b>33</b>	<b>211,148</b>	<b>95,881</b>	<b>31,578</b>	<b>-</b>		<b>127,459</b>	<b>83,689</b>		
<b>Public Education System</b>										
Schools	150	534,167	567,778	252,280	516,711		303,347	230,820		
Culture	31	60,778	32,468	29,305	37,973		23,800	36,978		
<b>Total</b>	<b>181</b>	<b>594,945</b>	<b>600,246</b>	<b>281,585</b>	<b>554,684</b>		<b>327,147</b>	<b>267,798</b>		
<b>Human Support Services</b>										
Health and Welfare	51	401,850	319,550	13,978	187		333,341	68,509		
Human Relations	4	7,475	12,822	3,832	16,654		-	7,475		
Recreation	55	125,082	114,129	25,620	21,452		118,297	6,785		
<b>Total</b>	<b>110</b>	<b>534,407</b>	<b>446,501</b>	<b>43,430</b>	<b>38,293</b>		<b>451,638</b>	<b>82,769</b>		
<b>Public Works</b>										
Environmental	42	764,686	705,546	336,720	303,384		738,882	25,804		
<b>Total</b>	<b>42</b>	<b>764,686</b>	<b>705,546</b>	<b>336,720</b>	<b>303,384</b>		<b>738,882</b>	<b>25,804</b>		
<b>Totals</b>	<b>555</b>	<b>\$ 3,065,930</b>	<b>\$ 2,175,190</b>	<b>\$ 895,484</b>	<b>\$ 1,156,892</b>		<b>\$ 1,913,782</b>	<b>\$ 1,152,148</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, 2011, the aggregate outstanding principal amount for these conduit debt obligations was approximately \$5.2 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, 2011, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was \$84.3 million.

## NOTE 7. SHORT TERM LIABILITIES

### TAX REVENUE ANTICIPATION NOTES

The District issued \$700,000 in Tax Revenue Anticipation Notes (TRANs) on October 25, 2010. 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 2011. 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 2.00%, and matured on September 30, 2011. These notes were paid in their entirety by September 30, 2011.

**Table 20- Changes in Short-Term Liabilities**

Account	Balance October 1, 2010	Additions	Deductions	Balance September 30, 2011
<b>Governmental Activities</b>				
Tax Revenue Anticipation Notes	\$ -	\$ 700,000	\$ 700,000	\$ -

## NOTE 8. LONG-TERM LIABILITIES

### 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 \$7,697,549 is shown in **Table 21**.

## NOTE 8. LONG- TERM LIABILITIES

**Table 21 – Changes in Governmental Activities Long Term Debt of the Primary Government**

	<b>General Obligation Bonds</b>	<b>QZAB</b>	<b>Income Tax Secured Bonds</b>	<b>Tobacco Bonds</b>	<b>Ballpark THF Bonds</b>	<b>GARVEE Bonds</b>	<b>Housing Production Trust</b>	<b>NCRC Revenue Bonds</b>	<b>AWC PILOT Revenue Bonds</b>	<b>CAPPER PILOT Revenue Bonds</b>	<b>COPS</b>	<b>Total</b>
<b>Debt Payable at September 30, 2010</b>	\$ 2,781,053	\$ 9,518	\$ 2,570,650	\$ 699,779	\$ 91,807	\$ 517,390	\$ -	\$ 85,615	\$ 30,671	\$ 96,950	\$ 29,000	\$ 241,185
<b>Bond and Notes Issued:</b>												
G.O. 2010A	181,330	-	-	-	-	-	-	-	-	-	-	181,330
Inc. Tax 2010E	-	-	63,860	-	-	-	-	-	-	-	-	63,860
Inc. Tax 2010F	-	-	342,615	-	-	-	-	-	-	-	-	342,615
Inc. Tax 2011A	-	-	138,470	-	-	-	-	-	-	-	-	138,470
<b>GARVEE 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,610</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,610</b>
<b>Total</b>	<b>2,962,383</b>	<b>9,518</b>	<b>3,115,595</b>	<b>699,779</b>	<b>91,807</b>	<b>517,390</b>	<b>82,610</b>	<b>85,615</b>	<b>30,671</b>	<b>96,950</b>	<b>29,000</b>	<b>241,185</b>
<b>Debt Payments:</b>												
Principal Paid	132,785	945	23,160	9,490	4,323	4,540	-	1,280	7,956	6,290	-	10,850
Principal Defeased	-	-	63,335	-	-	-	-	-	-	-	-	63,335
<b>Debt Payable at September 30, 2011</b>	<b>\$ 2,829,598</b>	<b>\$ 8,573</b>	<b>\$ 3,029,100</b>	<b>\$ 690,289</b>	<b>\$ 87,484</b>	<b>\$ 512,850</b>	<b>\$ 82,610</b>	<b>\$ 84,335</b>	<b>\$ 22,715</b>	<b>\$ 90,660</b>	<b>\$ 29,000</b>	<b>\$ 230,335</b>
												<b>\$ 7,697,549</b>

## NOTE 8. LONG-TERM LIABILITIES

### A. 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.

#### **Build America Bonds**

##### **Series 2010A**

On December 22, 2010, the District issued \$181,330 in General Obligation Bonds, Series 2010A (Federally Taxable – Build America Bonds – Direct Pay to Issuer). The Series 2010A Bonds are general obligations of the District, and the full faith and credit of the District is pledged to the payment of the principal of and interest on the Bonds when due. The Bonds are further secured by a security interest in and a lien on the funds derived from a Special Real Property Tax levied annually by the District, without limitation as to rate or amount, in amounts sufficient to pay the principal of and the interest on the Bonds and any outstanding general obligation Parity Bonds when due.

The proceeds of the Series 2010A Bonds were used to: (a) finance capital project expenditures in the District's capital improvements program, and (b) pay the costs and expenses of issuing and delivering the Bonds.

The Series 2010A Bonds mature on June 1 of each year between 2012 and 2023 and bear interest ranging from 1.911% to 5.920%.

A summary of debt service requirements to maturity for the District's outstanding general obligation bonds is shown in **Table 22**.

**Table 22 - Summary of Debt Service Requirements for General Obligation Bonds**

Year Ending September 30	General Obligation Bonds		
	Principal	Interest	Total
2012	\$ 63,583	\$ 141,794	\$ 205,377
2013	62,610	141,664	204,274
2014	51,130	133,073	184,203
2015	113,500	116,271	229,771
2016	119,630	117,319	236,949
2017 - 2021	647,740	499,196	1,146,936
2022 - 2026	691,930	338,290	1,030,220
2027 - 2031	455,220	201,358	656,578
2032 - 2036	519,895	92,841	612,736
2037 - 2041	104,360	4,696	109,056
<b>Total</b>	<b>\$ 2,829,598</b>	<b>\$ 1,786,502</b>	<b>\$ 4,616,100</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 \$3,584 into a sinking fund in fourteen equal annual amounts of \$256 beginning December 1, 2002. At September 30, 2011, the District had deposited \$2,303 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 \$2,655 into a sinking fund in fifteen equal annual amounts of \$177 beginning December 1, 2006. At September 30, 2011, the District had deposited \$887 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, 2011, the District had deposited \$708 into the required sinking fund.
- On June 30, 2010, the District issued QZAB Series 2010 as a taxable general obligation bond. The District received \$4,140 and is obligated to deposit a total amount of \$4,140 into a sinking fund in fifteen equal annual amounts of \$276 beginning December 1, 2010. At September 30, 2011, the District had deposited \$276 into the required sinking fund.

## NOTE 8. LONG-TERM LIABILITIES

A summary of debt service requirements to maturity for QZAB is shown in **Table 23**.

**Table 23 - Summary of Debt Service Requirements for QZAB**

<b>Year Ending September 30</b>	<b>QZAB Principal</b>
2012	\$ 945
2013	945
2014	946
2015	946
2016	946
2017-2021	2,740
2022-2026	1,105
<b>Total</b>	<b><u>\$ 8,573</u></b>

### B. INCOME TAX SECURED REVENUE BONDS

The District's Income Tax Secured Revenue Bonds are 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 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.

#### Series 2010E

On November 22, 2010, the District issued \$63,860 in Income Tax Secured Revenue Refunding Bonds, Series 2010E (Adjusted SIFMA Rate) 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 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 were 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 are 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 rates are determined as follows: (a) SIFMA rate, plus 0.03% for bonds maturing on December 1, 2011; and (b) SIFMA rate, plus 0.35% for bonds maturing on December 1, 2013.

#### Series 2010F

On December 2, 2010, the District issued \$342,615 in Income Tax Secured Revenue Bonds, Series 2010F (Federally Taxable – Build America Bonds – Direct Pay to Issuer) 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) an Eleventh Supplemental Indenture of Trust dated December 1, 2010, executed pursuant to the Act and the "Fiscal Year 2011 Income Tax Secured Revenue Bond and General Obligation Bond Issuance Emergency Approval Act of 2010," effective November 17, 2010.

The proceeds of the Series 2010F Bonds were used to: (a) pay and/or reimburse the District for costs of capital projects; and (b) pay for costs and expenses of issuing and delivering the Series 2010F Bonds.

## NOTE 8. LONG-TERM LIABILITIES

The Series 2010F Bonds, the outstanding bonds and any additional bonds issued under the terms of the indenture are 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 2010F Bonds bear interest as follows: (a) Serial Bonds maturing on December 1 of 2022 and 2023 at rates of 4.709% and 4.909%, respectively; and (b) Term Bonds maturing on December 1 of 2026 and 2035 at rates of 5.282% and 5.582%, respectively.

### **Series 2011A**

On September 29, 2011, the District issued \$138,470 in Income Tax Secured Revenue Bonds, Series 2011A, as Senior Bonds pursuant to: (a) the Income Tax Secured Bond Authorization Act of 2008 (the Act), effective October 22, 2008, as amended by the Income Tax Secured Bond Authorization Act of 2011, effective August 9, 2011; and (b) a Master Indenture of Trust between the District of Columbia and Wells Fargo Bank, N.A., as Trustee, dated as of March 1, 2009, as amended and supplemented by a Third Supplemental Indenture of Trust between the same parties, and further supplemented by a Twelfth Supplemental Indenture of Trust between the same parties dated as of September 1, 2011, executed pursuant to the Act and the Fiscal Year 2011 Income Tax Secured Revenue Bond and General Obligation Bond Issuance Emergency Approval Resolution of 2011, effective September 20, 2011.

The proceeds were used to: (a) pay and/or reimburse the District for costs of capital projects; and (b) pay the costs and expenses of issuing and delivering the Series 2011A Bonds.

The Series 2011A Bonds bear interest as follows: (a) Serial Bonds maturing on December 1 of each year from 2012 through 2032, and on 2036, at rates ranging from 1.00% to 5.00%; and (b) Term Bond maturing on December 1, 2036, at a rate of 5.00%.

A summary of the debt service requirements to maturity for principal and interest for the District's Income Tax Secured Revenue Bonds is shown in **Table 24**.

**Table 24 – Summary of Debt Service Requirements for Income Tax Secured Revenue Bonds**

<b>Year Ending September 30</b>	<b>INCOME TAX SECURED REVENUE BONDS</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 90,830	\$ 143,394	\$ 234,224
2013	90,765	141,673	232,438
2014	115,460	137,186	252,646
2015	65,290	133,394	198,684
2016	56,400	132,411	188,811
2017 - 2021	468,980	608,420	1,077,400
2022 - 2026	716,105	468,666	1,184,771
2027 - 2031	897,295	250,929	1,148,224
2032 - 2036	519,080	60,323	579,403
2037 - 2041	8,895	222	9,117
<b>Total</b>	<b>\$ 3,029,100</b>	<b>\$ 2,076,618</b>	<b>\$ 5,105,718</b>

### **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 5.029%. The weighted average interest rate on the District's variable rate bonds for fiscal year 2011 is 0.271%.

### **C. 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, 2011, \$442,025 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

## NOTE 8. LONG-TERM LIABILITIES

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 2011, the amount outstanding as of September 30, 2011, 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, 2011, the total outstanding balance for all Tobacco Bonds as shown in **Table 25** was \$690,289.

**Table 25 - Summary of Debt Service Requirements for Tobacco Bonds**

Year Ending September 30	Tobacco Bonds			Total
	Principal	Interest		
2012	\$ 25,320	\$ 28,880		\$ 54,200
2013	17,510	27,337		44,847
2014	19,060	26,279		45,339
2015	18,980	25,119		44,099
2016	20,765	23,933		44,698
2017 - 2021	130,695	97,284		227,979
2022 - 2026	209,695	48,915		258,610
2047 - 2051	159,733	1,697,592		1,857,325
2057 - 2061	88,531	2,478,469		2,567,000
<b>Total</b>	<b>\$ 690,289</b>	<b>\$ 4,453,808</b>		<b>\$ 5,144,097</b>

### D. 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 many 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, such TIF Notes are not included in **Table 21** as long-term debt of the District.

*Downtown Retail Priority Area: Clyde's, Forever 21, H & M, Zara, West Elm, National Crime and Punishment Museum, and Madame Tussauds*

In March 2006, the Mayor executed the first of several TIF notes under the Downtown Retail Priority Area Program. The H & M TIF Note, which had an original value of \$2,996, was fully repaid in September 2011. In May 2008, the Mayor executed an additional note for Zara, which matures on June 1, 2018, or upon payment in full, of \$1,750 at a 5.50% interest rate. In September 2008, the Mayor executed the National Crime and Punishment Museum TIF Note for \$3,000, also at a 5.50% interest rate. This TIF Note matures on October 1, 2018. In December 2008, the Mayor executed the Madame Tussauds TIF Note for \$1,300 at a 4.50% interest rate. The Madame Tussauds TIF Note matures on December 1, 2018. In February 2011, the Mayor executed the Forever 21 TIF Note for \$4,985, at a 6% interest rate. The Forever 21 TIF Note matures on February 1, 2021. In May 2011, the Mayor executed the Clyde's TIF Note for \$4,472 at a 5.5% interest rate. The Clyde's TIF Note is currently held in escrow pending satisfaction of conditions to its release under a development and finance agreement. The Clyde's TIF Note matures on December 1, 2021.

These Downtown Retail Priority Area TIF Notes are pledges of incremental sales tax revenues only. If the incremental revenues are insufficient to pay the principal and interest due on the TIF Notes when due, the payment shortfall will not constitute a default. If the incremental revenues are sufficient, 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.

## NOTE 8. LONG-TERM LIABILITIES

### *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 tax revenues from 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 was fully repaid in a lump sum on July 1, 2011, from available incremental revenues from the Downtown TIF Area. The interest rate on this Note was 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 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.

In May 2011, the Mayor executed the Howard Theatre Project Note in the amount of \$4,000. The interest rate on the Note is 6.50%, and the note has a maturity date of May 26, 2021. The note is secured by incremental real property and incremental sales taxes from the Howard Theatre TIF Area. In the event such taxes are not sufficient, the note is further secured by incremental tax revenues from the Downtown TIF area (subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance Gallery Place and the Mandarin Oriental Hotel).

### *Gallery Place and Mandarin Oriental Hotel*

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

**Tables 26 and 27** show the summary of debt service requirements for *Gallery Place and Mandarin Oriental Hotel*.

**Table 26 - Summary of Debt Service Requirements for  
Gallery Place TIF Bond**

Year Ending September 30	GALLERY PLACE		
	Principal	Interest	Total
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	2,270	2,935	5,205
2017-2021	13,350	12,672	26,022
2022-2026	17,225	8,788	26,013
2027-2031	22,286	3,730	26,016
<b>Total</b>	<b>\$ 63,081</b>	<b>\$ 40,986</b>	<b>\$ 104,067</b>

## NOTE 8. LONG-TERM LIABILITIES

**Table 27 - Summary of Debt Service Requirements for Mandarin Oriental Hotel TIF Bond**

<b>Year Ending September 30</b>	<b>MANDARIN ORIENTAL HOTEL</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	1,878	2,626	4,504
2017-2021	9,357	13,174	22,531
2022	4,280	225	4,505
<b>Total</b>	<b>\$ 24,403</b>	<b>\$ 25,163</b>	<b>\$ 49,566</b>

### E. OTHER REVENUE BONDS

#### 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 28** 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 28 - Summary of Debt Service Requirements for Ballpark Revenue Bonds**

<b>Year Ending September 30</b>	<b>BALLPARK BONDS</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 4,915	\$ 26,507	\$ 31,422
2013	5,680	26,204	31,884
2014	6,835	25,899	32,734
2015	7,685	25,531	33,216
2016	8,550	25,418	33,968
2017-2021	58,340	119,088	177,428
2022-2026	90,850	99,954	190,804
2027-2031	135,165	70,481	205,646
2032-2036	194,830	27,045	221,875
<b>Total</b>	<b>\$ 512,850</b>	<b>\$ 446,127</b>	<b>\$ 958,977</b>

#### Federal Highway Bonds (GARVEE)

On February 14, 2011, the District issued \$82,610 in Federal Highway Grant Anticipation Revenue Bonds, Series 2011. The Series 2011 Bonds were issued under and secured by the Master Trust Indenture, as supplemented by the First Supplemental Trust Indenture and together with the Master Trust Indenture, each dated as of February 1, 2011 and by and between the District and U.S. Bank, N.A., as trustee. The Series 2011 Bonds is the first series issued under the Master Trust Indenture and will be secured on a parity with any additional bonds issued by the District under the Master Trust Indenture.

The issuance of the Series 2011 Bonds was authorized pursuant to the Transportation Infrastructure Improvements Grant Anticipation Revenue Vehicles (GARVEE) Bond Financing Act of 2009, effective September 23, 2009 to finance the 11<sup>th</sup> Street Bridge Project (Phase I) (the Project) which meets the eligibility requirements of the Federal Highway Administration as a Federal Project.

The proceeds of the Series 2011 Bonds were used to: (a) provide funds to finance a portion of the Project; (b) pay certain costs of issuing the Series 2011 Bonds; and (c) fund the Senior Lien Bonds Debt Service Reserve Subaccount.

The Series 2011 Bonds are special obligations of the District, payable solely from the revenues specifically pledged to the payment thereof and other amounts specifically pledged under the Trust Indenture. The Series 2011 Bonds are without recourse to the District, are not a pledge of, and do not involve, the full faith and credit, or the taxing power of the District. The Bonds do not constitute a debt of the District, and do not constitute lending of public credit for private undertakings as

## NOTE 8. LONG-TERM LIABILITIES

prohibited in the Home Rule Act. The Bonds are payable from the pledged revenues, and shall be a valid claim of the respective owners thereof only against the Trust Estate, which is pledged, assigned, and otherwise secured for the equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in the Master Indenture.

The Series 2011 Bonds were issued with interest rates ranging from 2.00% to 5.25%.

A summary of the debt service requirements to maturity for principal and interest for the Federal Highway Grant Anticipation Revenue Bonds, Series 2011, is shown in **Table 29**.

**Table 29 - Summary of Debt Service Requirements for Federal Highway Grant Anticipation Bonds**

Year Ending September 30	Federal Highway Grant Anticipation Revenue Bonds		
	Principal	Interest	Total
2012	\$ 3,835	\$ 3,762	\$ 7,597
2013	4,140	3,640	7,780
2014	4,330	3,449	7,779
2015	4,525	3,253	7,778
2016	4,710	3,068	7,778
2017-2021	26,835	12,069	38,904
2022-2026	34,235	4,663	38,898
<b>Total</b>	<b>\$ 82,610</b>	<b>\$ 33,904</b>	<b>\$ 116,514</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 3.39%.

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

**Table 30** details the annual funding requirements necessary to repay the outstanding bonds.

## NOTE 8. LONG-TERM LIABILITIES

**Table 30 - 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>
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	1,805	3,771	5,576
2017-2021	10,450	17,428	27,878
2022-2026	13,240	14,627	27,867
2027-2031	16,835	11,040	27,875
2032-2036	21,305	6,570	27,875
2037-2041	14,215	1,644	15,859
<b>Total</b>	<b>\$ 84,335</b>	<b>\$ 70,893</b>	<b>\$ 155,228</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 2011, in addition to mandatory sinking fund payments, the District paid \$6,918 of bond redemptions.

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

A summary of the debt service requirements to maturity for principal and interest for the NCRC revenue bonds is shown in **Table 31** and has been calculated, for illustration purposes, with a 2.55% interest rate through fiscal year 2015 and 3.6% thereafter.

**Table 31 - National Capital Revitalization Corporation Revenue Bonds Debt Service Requirements to Maturity**

<b>Year Ending September 30</b>	<b>National Capital Revitalization Corporation</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 1,091	\$ 440	\$ 1,531
2013	1,147	496	1,643
2014	1,205	467	1,672
2015	1,267	435	1,702
2016	1,332	568	1,900
2017-2021	7,754	2,047	9,801
2022-2026	8,919	438	9,357
<b>Total</b>	<b>\$ 22,715</b>	<b>\$ 4,891</b>	<b>\$ 27,606</b>

### PILOT Revenue Bonds and Notes

#### 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. However, 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 32**.

**Table 32 - 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>
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	7,845	2,705	10,550
2017-2021	44,775	7,882	52,657
2022-2026	9,900	221	10,121
<b>Total</b>	<b>\$ 90,660</b>	<b>\$ 24,871</b>	<b>\$ 115,531</b>

## NOTE 8. LONG-TERM LIABILITIES

### 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 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) incremental tax revenues from the Downtown TIF Area (subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance Gallery Place and the Mandarin Oriental Hotel) to the extent the pledged pilot payments are insufficient to pay principal and interest when due on the notes; 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.

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 33**.

**Table 33 - Capper PILOT Revenue Bond Anticipation Notes Debt Service Requirements to Maturity**

Year Ending September 30	Capper PILOT Revenue Bond Anticipation Notes		
	Principal	Interest	Total
2012	\$ -	\$ 1,160	\$ 1,160
2013	29,000	580	29,580
<b>Total</b>	<b>\$ 29,000</b>	<b>\$ 1,740</b>	<b>\$ 30,740</b>

### Rhode Island PILOT Note

In August 2011, the Mayor executed a revised PILOT Revenue Note for the Rhode Island Metro Plaza Project, in the amount of \$7,200. The note is currently in escrow pending completion of construction and satisfaction of certain other related requirements. Upon its release from escrow, the note will bear interest at a rate of 5.78% and will mature on September 30, 2032. The note is to be repaid from: (1) PILOT revenues from the Rhode Island PILOT Area; and (2) incremental tax revenues from the Downtown TIF Area (subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance Gallery Place and the Mandarin Oriental Hotel) to the extent such payments are insufficient to pay principal and interest due through September 30, 2013. If such revenues are insufficient to pay the principal and interest due on the note when payable, the payment shortfall will not constitute a default.

### Southeast Federal Center PILOT Program (Foundry Lofts Project)

In August 2010, the Mayor executed the first PILOT note under the Southeast Federal Center PILOT Program, for the Foundry Lofts Project. The note, in the amount of \$5,660, bears interest at 5.16% and will mature on January 1, 2038. The note is to be repaid from PILOT revenues from the project. If such PILOT revenues are insufficient to pay the principal and interest on the note when due, the payment shortfall will not constitute a default. However, if the PILOT revenues are sufficient to pay the principal and interest on the note when due, the District must pay the amount of any previous shortfall(s) to the Development Sponsor without any penalty interest or premium thereon.

## F. REFUNDINGS AND BOND DEFEASANCES

### Current Refunding

The District used the proceeds of its Series 2010E Income Tax Secured Revenue Refunding Bonds to currently refund \$63,335 of the outstanding principal amount of the District's Income Tax Secured Revenue Refunding Bonds, Series 2010C. The net proceeds from the issuance of the Series 2010E Bonds were used to redeem the Series 2010C Bonds on November 30, 2010. The District completed the refunding to maintain the amortization schedule of the Series 2010C Bonds by extending the stated maturities to December 1, 2011 and December 1, 2013. The result of the current refunding of the Series 2010C Bonds by the Series 2010E Bonds, refinancing one variable-rate issue with another to roll the maturity forward and effectively maintain the amortization

## NOTE 8. LONG-TERM LIABILITIES

schedule, produced no economic gain or loss.

### Variable Rate Demand Bond Program

As of September 30, 2011, the District had three outstanding series of General Obligation Variable Rate Demand Obligations (VRDO) with an aggregate principal amount of \$398,015. 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.

**Table 34** summarizes each of the outstanding VRDO series and certain of the terms and conditions of each supporting LOC and reimbursement agreement.

**Table 34 – Outstanding Variable Rate Demand Obligations**

Series	Par Outstanding	Final Maturity	Reset Mode/ Payment Frequency	LOC Provider	LOC Issue Date	LOC Expiration Date
2008A	\$ 59,960	6/1/2034	7-Day Reset / Monthly Pay	Bank of America	3/26/2010	3/26/2013
2008C-1	\$ 67,195	6/1/2027	7-Day Reset / Monthly Pay	TD Bank	11/19/2009	11/19/2012
2008C-2	\$ 157,105	6/1/2027	7-Day Reset / Monthly Pay	JP Morgan	11/19/2009	11/19/2012
2008D	\$ 113,755	6/1/2034	7-Day Reset / Monthly Pay	Wells Fargo	3/26/2010	3/26/2013

Note: The annual Letter of Credit fees range from 107 basis points to 145 basis points per annum based on the stated amount of each the Letter of Credit.

### 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, 2011, the total amount of defeased debt outstanding held by the escrow agent was \$466,520. This amount has been removed from the government-wide financial statements. As presented in **Table 35**, the amount of bonds defeased through fiscal year 2011 refundings was \$63,335.

**Table 35 Summary of Defeased Bonds in FY 2011**

### SUMMARY OF DEFEASED INCOME TAX SECURED REVENUE BONDS IN FY2011

**Defeased by Income Tax Secured Revenue Bonds,  
Series 2010E**

Bond Series Refunded	Interest Rate	Refunded Amount
2010C	3.00%	\$ 63,335
		<b>\$ 63,335</b>

## NOTE 8. LONG-TERM LIABILITIES

### G. HEDGING DERIVATIVE INSTRUMENT PAYMENTS AND HEDGED DEBT

**Table 36** presents aggregate debt service requirements of the District's debt and net receipts/payments on associated hedging derivative instruments as of September 30, 2011. 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 36 – Aggregate Debt Service Requirements and Net Receipts/Payments On Hedging Derivative Instruments**

Fiscal Year Ending September 30	Principal	Interest	Hedging Derivatives, Net	Total
2012	\$ 6,575	\$ 2,804	\$ 11,097	\$ 20,476
2013	6,875	2,739	10,865	20,479
2014	16,315	2,683	10,611	29,609
2015	17,100	2,227	10,323	29,650
2016	17,910	1,746	10,015	29,671
2017-2021	103,860	4,919	44,445	153,224
2022-2026	152,575	909	20,844	174,328
2027-2031	32,000	37	1,105	33,142
<b>Total</b>	<b>\$ 353,210</b>	<b>\$ 18,064</b>	<b>\$ 119,305</b>	<b>\$ 490,579</b>

### H. OTHER LONG-TERM LIABILITIES

#### 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.

As of September 30, 2011, the District financed approximately \$378 million of its capital equipment needs through the program, and had approximately \$116 million in principal outstanding. During the year, the average interest rate used to finance equipment through the Program was 2.84%. Payments on the liability are made on a quarterly basis.

**Table 37** shows the schedule of equipment financing program payments.

**Table 37– Schedule of Equipment Financing Program Payments**

Year Ending September 30	Principal	Interest	Total
2012	\$ 40,227	\$ 3,396	\$ 43,623
2013	33,536	2,016	35,552
2014	22,902	981	23,883
2015	14,115	384	14,499
2016	5,066	62	5,128
<b>Total</b>	<b>\$ 115,846</b>	<b>\$ 6,839</b>	<b>\$ 122,685</b>

#### 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 \$15,040 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).

## NOTE 8. LONG-TERM LIABILITIES

In 2003, 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 \$52,140 of outstanding COPs issued by a trust in 2003 with a final maturity of 2023, as shown in **Table 38a**. The 2003 COPs were used to provide funds to finance portions of the design and construction of a public safety and emergency preparedness communications and command center, and the design, construction and installation of a high-speed telecommunications network. In each case, the District's payment obligations are subject to and dependent upon the inclusion of sufficient funds in annual District budgets and annual appropriations being made by the United States Congress for such purpose. The weighted average interest rate on these COPs is 4.75%.

In 2006, COPs were issued under an Indenture of Trust between M&T Trust Company of Delaware (the "Lessor") and Manufacturers and Traders (the "Trustee"). The aggregate principal amount of this issuance was \$211,680 to fund the Saint Elizabeth's Hospital and DMV projects as shown in **Table 38b**. The COPs' proceeds were used to fund a portion of the cost of the design and construction of the hospital, which totaled approximately \$208 million. Of this amount, \$184,200 was financed with COP proceeds and interest earnings thereon. In addition, COP proceeds were used to fund the purchase of the DMV building from its current owner for \$15,300 and \$3,100 of improvements to include: parking enhancements, window replacement, elevators, a loading dock, and access to the adjacent inspection facility. The District has \$178,195 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 4.53%.

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

**Emergency Preparedness Communications Center & Related Technology**

**COP**

<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	3,930	1,872	5,802
2017-2021	23,215	5,785	29,000
2022-2026	11,070	532	11,602
<b>Total</b>	<b>\$ 52,140</b>	<b>\$ 17,466</b>	<b>\$ 69,606</b>

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

**St Elizabeth/DMV Building**

**COP**

<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	10,015	6,805	16,820
2017-2021	58,500	25,604	84,104
2022-2026	74,455	9,642	84,097
<b>Total</b>	<b>\$ 178,195</b>	<b>\$ 74,099</b>	<b>\$ 252,294</b>

<b>NOTE 8. LONG-TERM LIABILITIES</b>
--------------------------------------

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

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

Account	Balance October 1, 2010	Additions	Deductions	Balance September 30, 2011
<b>Governmental Activities:</b>				
Accrued disability compensation (Note 15)	\$ 160,513	\$ 17,224	\$ (26,400)	\$ 151,337
Accumulated annual leave	146,612	16,002	(9,932)	152,682
Grant disallowances	69,810	190	-	70,000
Claims & judgments (Note 15)	70,435	12,752	(34,410)	48,777
Equipment financing program	113,720	45,801	(43,675)	115,846
Accreted interest	133,041	24,633	-	157,674
Capital leases payable (Note 14)	36,108	-	(8,675)	27,433
<b>Total</b>	<b><u>\$ 730,239</u></b>	<b><u>\$ 116,602</u></b>	<b><u>\$ (123,092)</u></b>	<b><u>\$ 723,749</u></b>
<b>Business-Type Activities:</b>				
Obligation for unpaid prizes	<u>\$ 29,218</u>	<u>\$ 567</u>	<u>\$ (6,873)</u>	<u>\$ 22,912</u>

## NOTE 8. LONG-TERM LIABILITIES

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

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

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

Type of Liability	Current Portion	Long-Term Portion	Total
<b>Governmental Activities:</b>			
General obligation bonds	\$ 63,583	\$ 2,766,015	\$ 2,829,598
QZAB	945	7,628	8,573
Income tax secured revenue bonds	90,830	2,938,270	3,029,100
Tobacco bonds	25,320	664,969	690,289
TIF bonds	4,269	83,215	87,484
Ballpark bonds	4,915	507,935	512,850
GARVEE	3,835	78,775	82,610
Housing production trust fund	1,530	82,805	84,335
PILOT revenue bonds (A W C, NCRC & CAPPER)	7,666	134,709	142,375
COPs	11,400	218,935	230,335
Premium on long-term debt	18,105	222,324	240,429
Equipment financing program	40,227	75,619	115,846
Accreted interest	-	157,674	157,674
Parks and Recreation notes	3,125	6,250	9,375
Capital leases	9,189	18,244	27,433
Annual leave	110,114	42,568	152,682
Disability compensation	-	151,337	151,337
Grant disallowances	-	70,000	70,000
Claims and judgments	-	48,777	48,777
Verizon	-	4,494	4,494
Unfunded pension expenses	-	2,609	2,609
OPEB liability	-	45,606	45,606
<b>Total</b>	<b>\$ 395,053</b>	<b>\$ 8,328,758</b>	<b>\$ 8,723,811</b>
<b>Business-Type Activities:</b>			
Obligation for unpaid prizes	<b>\$ 6,878</b>	<b>\$ 16,034</b>	<b>\$ 22,912</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, 2011, MUSL purchased for the Lottery, U.S. government securities totaling \$23,653 to fund future installment payments to winners.

The market value of these securities at September 30, 2011, was \$22,912. 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 8. LONG-TERM LIABILITIES

### J. 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, the District's general obligation bonds totaling \$245 are reflected in WASA's financial statements.

WASA derives part of its funding for future capital projects from the issuance of public utility revenue bonds, District general obligation bonds, notes payable to the federal government and various other non-debt sources of financing.

In October 2010, WASA issued public utility subordinate lien revenue bonds, (Series 2010A Bonds). The Build

America Bonds federally taxable issuer subsidy in the amount of 35% yielded all-in true interest costs of 3.6%. The \$300,000 par amount consisted of \$18,550 in serial bonds maturing in 2033 and gross interest rates ranging from 4.1% to 4.6%, \$30,950 in term bonds maturing in 2028 and a gross interest rate of 5.4%, and \$250,500 in index term bonds maturing in 2044 and a gross interest rate of 5.5%. Approximately \$214,640 was issued to fund costs of certain capital improvements, including \$2,420 for the cost of issuance and underwriter's discount. In addition, approximately \$75,000 was issued to fund the Digester Project and \$10,360 for capitalized interest.

Debt outstanding at September 30, 2011, totaling \$1,548,895 included net unamortized bond premiums of \$25,928 and a remaining principal balance of \$1,522,967.

**Table 41** presents the debt service requirements to maturity for principal and interest for WASA's outstanding bonds.

**Table 41 – Water and Sewer Authority Debt Service Requirements to Maturity**

<b>Year Ending September 30</b>	<b>Water and Sewer Authority</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 18,721	\$ 73,691	\$ 92,412
2013	19,692	72,669	92,361
2014	20,749	71,571	92,320
2015	21,888	70,385	92,273
2016	23,120	69,105	92,225
2017 - 2021	140,288	324,893	465,181
2022 - 2026	200,306	280,655	480,961
2027 - 2031	254,572	223,916	478,488
2032 - 2036	322,123	152,817	474,940
2037 - 2041	410,313	60,777	471,090
2042 - 2046	91,195	3,046	94,241
<b>Subtotal</b>	<b>1,522,967</b>	<b>1,403,525</b>	<b>2,926,492</b>
Add: Unamortized Bond Premium-Net	25,928	-	25,928
<b>Total</b>	<b>\$ 1,548,895</b>	<b>\$ 1,403,525</b>	<b>\$ 2,952,420</b>

#### Commercial Paper Note Payable

In November 2001, WASA closed on its \$100 million commercial paper program. This program provided 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.

In June 2010, WASA closed on its \$225 million commercial paper program. 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

## NOTE 8. LONG-TERM LIABILITIES

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 \$35.2 million in outstanding taxable commercial paper at the end of fiscal year 2011. **Table 42** presents a schedule of commercial paper activity for the year ended September 30, 2011.

**Table 42 – FY 2011 Commercial Paper Activity**

<b>Description</b>	<b>Balance at</b>			<b>Balance at</b>	
	<b>October 1, 2010</b>	<b>Addition</b>	<b>Deduction</b>	<b>September 30, 2011</b>	
Series C, (taxable), interest ranges from .2% to .28%	\$ 29,200	\$ -	\$ -	\$ 29,200	
Series B, (tax-exempt), interest at .17%	-	6,000	-	-	6,000
<b>Total Commercial Paper</b>	<b>\$ 29,200</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ 35,200</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.

On February 1, 2007, WCSA issued \$492,500 of refunding bonds, Series 2007A Bonds, to refund the Series 1998A Bonds. The refunding bonds have maturities ranging from October 1, 2008 to October 1, 2036 and interest rates ranging from 3.75% to 5%. The net proceeds of these refunding bonds were used to: (a) advance refund all of the Series 1998A Bonds in the aggregate principal amount of \$480,600; (b) refinance a portion of the land acquisition cost of WCSA related to the headquarters hotel; and (c) pay the premium for the Reserve Account Credit Facility that will fund the Series 2007A Bonds. As a result, the refunded bonds were considered defeased and the liabilities for those were extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt was \$10,000 (NPV). In October 2008, the defeased bonds that were outstanding were paid by the Escrow Agent. In October 2010, WCSA issued senior lien dedicated tax revenue bonds (Series 2010 Bonds) with face value of

\$249,200, with maturities ranging from October 2015 to October 2040, at interest rates ranging from 3.1% to 7.0%. The proceeds are to be used to (a) make funds available to the developer to pay a portion of the costs of acquiring, developing, constructing, and equipping the Convention Center Hotel project to be constructed on the Hotel Site adjacent to the Walter E. Washington Convention Center; (b) fund capitalized interest for a portion of the Series 2010 Bonds during the construction phase of the Convention Center Hotel Project; (c) fund the Debt Service Reserve Account Requirement for each series of Series 2010 Bonds; (d) defease to the earliest optional redemption date that portion of WCSA's outstanding senior lien dedicated tax Revenue and Refunding Bonds, Series 2007 A maturing on December 1, 2036 in the aggregate principal amount of \$25,400; (e) make \$2,000 available to WCSA for the establishment of the D.C. Citizen's Job Program created pursuant to the Hotel Act; and (f) pay the Cost of Issuance for the Series 2010 Bonds.

A portion of the net proceeds from the issuance of the Series 2010 Bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the Series 2007A bonds are called or mature. As a result, the aggregate principal amount of \$25,400 from Series 2007A Bonds is considered to be defeased and therefore has been removed as a liability from WCSA's financial statements.

**NOTE 8. LONG-TERM LIABILITIES**

As of September 30, 2011, WCSA's bond liability totaled \$672,309. A summary of WCSA's debt service requirements to maturity for principal and interest is shown in **Table 43**.

**Table 43 – 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>
2012	\$ 13,265	\$ 34,752	\$ 48,017
2013	13,865	34,073	47,938
2014	15,625	33,384	49,009
2015	18,200	32,652	50,852
2016	18,970	31,769	50,739
2017 - 2021	111,360	143,459	254,819
2022 - 2026	146,360	111,649	258,009
2027 - 2031	199,540	68,472	268,012
2032 - 2036	71,970	36,214	108,184
2037 - 2040	70,635	10,741	81,376
<b>Subtotal</b>	<b>679,790</b>	<b>537,165</b>	<b>1,216,955</b>
Less: Unamortized Bond Discount - Net	(7,481)	-	(7,481)
<b>Total</b>	<b>\$ 672,309</b>	<b>\$ 537,165</b>	<b>\$1,209,474</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 investments, 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 44**.

**NOTE 8. LONG-TERM LIABILITIES****Table 44- Housing Finance Agency Debt Service Requirements to Maturity**

<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 40,459	\$ 40,503	\$ 80,962
2013	28,305	39,045	67,350
2014	14,675	38,335	53,010
2015	16,846	37,550	54,396
2016	17,022	36,733	53,755
2017-2021	92,683	170,011	262,694
2022-2026	141,405	139,869	281,274
2027-2031	102,074	105,687	207,761
2032-2036	117,693	77,911	195,604
2037-2041	140,104	46,761	186,865
2042-2046	116,056	18,941	134,997
2047-2051	35,266	4,829	40,095
2052-2056	38,677	339	39,016
<b>Subtotal</b>	<b>901,265</b>	<b>756,514</b>	<b>1,657,779</b>
Add: Unamortized Bond Premium, net	6,461	-	6,461
<b>Total</b>	<b>\$ 907,726</b>	<b>\$ 756,514</b>	<b>\$ 1,664,240</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. During fiscal year 2011, HFA and PNC Bank modified the \$50,000 line of credit by reducing it to

\$25,000, extending its term until the end of calendar year 2011. As of September 30, 2011, HFA requested and received a \$5,000 advance under the \$25,000 line of credit. The \$5,000 draw was used to provide additional funding for the acquisition of single family mortgage-backed securities pending the issuance of long-term single family mortgage revenue bonds by the end of calendar year 2011.

## **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 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 2011, there were 2,732 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, 2011, 2010, and 2009, were \$14,554, \$15,076 and \$17,513, 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 the 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 to be 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 2011. 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.

Consistent with the 2010 Tax Reform Act, the Social Security tax rate for employees was temporarily lowered to 4.20% in 2011, giving employees and self-employed workers a two-percentage-points tax holiday. The employer tax rate remained unchanged.

District contributions to the Social Security System for FICA, for the years ended September 30, 2011 and 2010, were \$70,475 and \$67,815, respectively. In addition, District contributions for Medicare for fiscal years 2011 and 2010 were \$28,991 and \$27,340, respectively.

#### *District Retirement Programs*

##### **Plan Descriptions**

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**

Police and firefighter 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.

Teachers contribute by salary deductions on the basis of a normal rate of contributions, which is assigned by the Program upon membership. Members contribute 7% (or

## NOTE 9. RETIREMENT PROGRAMS

8% for teachers hired on or after November 16, 1996) of annual pay minus any pay received for summer school. Members may also contribute up to 10% of annual pay toward an annuity in addition to any vested pension.

The District is required to contribute the remaining amounts necessary to finance the coverage of its employees through periodic contributions at actuarially determined amounts in accordance with the provisions of the Replacement Act. The Replacement Act defines the eligibility and the calculation of the amount of the benefit payment for covered District employees for service accrued after June 30, 1997. The District's contributions for fiscal years 2011, 2010 and 2009, 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 \$491,690 for the year ended September 30, 2011, and have been reported as intergovernmental revenue. Related expenditures of \$388,435 and \$103,255 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 2011. However, in that year, the District made its actuarially required contribution of \$127,200 to the Police and Firefighters Pension Plan.

The District's annual pension cost and net pension obligation to these plans for fiscal year 2011 are presented in **Table 45**.

**Table 45 - Annual Pension Cost and Net Pension Obligation**

	<b>Teachers</b>	<b>Police and Firefighters</b>
Annual required contribution (ARC)	\$0	\$127,200
Interest on net pension obligation	\$0	\$0
Adjustment to ARC	\$0	\$0
Annual pension cost	\$0	\$127,200
Contributions made	\$0	\$127,200
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 46** presents three-year trend information regarding annual pension cost, percentage of annual pension cost contributed, and net pension obligation.

**Table 46 - 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>
09/30/11	\$0	N/A	\$0	\$127.2	100%	\$0
09/30/10	\$0	N/A	\$0	\$132.3	100%	\$0
09/30/09	\$0	N/A	\$0	\$106.0	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 is presented in **Table 47:**

**Table 47 – Additional Actuarial Information (District Retirement Funds)**

<b>Fiscal Year 2011</b>	
Valuation date	October 1, 2010
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	7-year smoothed market return
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases:	
Police officers and fire fighters	5.25% - 9.75%
Teachers	4.95% - 8.75%
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, 2010, the most recent actuarial valuation date, the Teachers', Police Officers' and Firefighters' Pension Plan was 111.0% funded. The actuarial accrued liability for benefits was \$4,495,129 and the actuarial value of assets was \$4,989,764 resulting in a negative unfunded actuarial accrued liability (UAAL), or funding excess, of (\$494,635). The covered payroll (annual payroll of active employees covered by the plan) was \$761,370 and the ratio of the UAAL to the covered payroll was -65.0%. (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.

### 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 2011, there were 14,916 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 years ended September 30, 2011, 2010, and 2009, District contributions to the plan were \$46,955, \$43,167, and \$40,490, respectively.

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 of the District of Columbia, and the Not-for-Profit Hospital Corporation are covered under their own separate defined contribution plans.

## NOTE 9. RETIREMENT PROGRAMS

### 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 2011. 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 2011. District employees contributed \$17,603 to this annuity plan in fiscal year 2011. 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, were able to defer the lesser of \$16.5 (\$16.5 thousand) or 100% of includable compensation in calendar year 2011. 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, \$34 (\$34 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 income earned are taxable when paid, or made available to the participant or beneficiary, upon retirement, death, termination, or unforeseeable emergency. District employees contributed \$36,183 to this plan in fiscal year 2011. Contributions are not assets of the District, and the District has no further liability to the plan.

## NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Information on the District's Postretirement Health and Life Insurance Benefit Plan is provided below.

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 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

State Street serves as the Master Custodian for the OPEB Trust Fund and as an independent source, provides information on investment transactions, thereby confirming or disputing information provided by the Plan's investment managers.

b) Summary of Significant Accounting Policies

The Plan's financial statements are prepared using

## NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 District 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 2011, the District contributed \$94.2 million to the plan and retiree contributions totaled \$265,597 (\$265.6 thousand). Employee contributions are not required prior to retirement to fund the plan.

Annuitytants 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 72% of the cost of the selected health benefit plan. For annuitytants with 30 or more years of creditable District service or

police officer or firefighter annuitytants who are injured in the line of duty, the District pays 72% of the cost of the selected health benefit plan and the annuitytant pays 28% of the cost of the selected health benefit plan.

Covered family members of an annuitytant 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 2.5% 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 annuitytant. The District pays 60% of the cost of the selected health benefit plan for covered family members of an annuitytant with 30 or more years of creditable District service and the family member pays 40% of the cost of the selected health benefit plan. The District pays 60% of the cost of the selected health benefit plan and the family member pays 40% of the cost of the selected health benefit plan for covered family members of police officer or firefighter annuitytants who are injured or killed in the line of duty.

The participant pays \$.03575 per \$1,000 of life insurance coverage until age 65 for the 75% reduction option, with no contributions required thereafter. Participants can also elect a 50% or 0% reduction of life insurance benefits, which require additional contributions.

d) **Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the District's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 48** 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.

<b>NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)</b>
--

**Table 48 – Annual OPEB Cost, Actual Plan Contributions, and Changes in Net OPEB Obligations**

	<b>FY 2011</b>	<b>FY 2010</b>	<b>FY 2009</b>
Annual required contribution	\$94,165	\$92,193	\$130,882
Interest on net OPEB obligation	\$3,129	\$3,052	(\$488)
Adjustment to annual required contribution	(\$2,191)	(\$1,943)	\$314
Annual OPEB cost (expense)	\$95,103	\$93,302	\$130,708
Contributions made	\$94,200	\$90,700	\$81,100
Net OPEB asset/(obligation)	(\$903)	(\$2,602)	(\$49,608)
Net OPEB asset (obligation) – beginning of year	(\$44,703)	(\$42,101)	\$7,507
Net OPEB asset (obligation) – end of year	(\$45,606))	(\$44,703)	(\$42,101)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the two preceding years are shown in **Table 49**.

**Table 49 - Annual OPEB Cost, Percentage of Annual OPEB Cost Contributed, Net OPEB Obligation (Fiscal Years 2009 through 2011)**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost (millions)</b>	<b>% Of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
09/30/11	\$95.1	99%	\$45.6
09/30/10	\$93.3	97%	\$44.7
09/30/09	\$130.7	62%	\$42.1

**e) Funded Status and Funding Progress**

As of September 30, 2010, the most recent actuarial valuation date, the Plan was 54.1% funded. The actuarial accrued liability for benefits was \$784,900 and the actuarial value of assets was \$424,300, resulting in an unfunded actuarial accrued liability (UAAL) of \$360,600. The covered payroll (annual payroll of active employees covered by the plan) was \$1,544,500 and the ratio of the UAAL to the covered payroll was 23.3%.

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, 2010, actuarial valuation results, the September 30, 2011, estimated actuarial liability is \$913,300 and the actuarial value of the assets is \$511,500 resulting in an estimated unfunded actuarial accrued liability (UAAL) of \$401,800. The estimated covered payroll (annual payroll of active employees covered by the Plan) is \$1,642,300 and the estimated ratio of the UAAL to the covered payroll is 24.5%.

**f) Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

<b>NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)</b>
--

The Entry Age Normal Actuarial cost method was used to prepare the September 30, 2010 actuarial valuation. The actuarial assumptions included a 7.00% investment rate of return, a discount rate of 7.00%; a 4.25% salary increase rate (plus merit scale); and a medical inflation rate ranging between 9.5% (pre-Medicare) and 8.5% (post-Medicare) grading to 5.25% over 15 years. The

amortization method applied was the Level Percent Open Method. The remaining amortization period at September 30, 2010, was 30 years.

<b>NOTE 11. FUND BALANCE/NET ASSETS</b>
---

Fund balances at September 30, 2011, are shown in **Table 50a**.

**Table 50a - Schedule of FY 2011 Fund Balance**

	General Fund	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>						
<b>Nonspendable</b>						
Long-Term Assets	\$ 7,955	\$ -	\$ -	\$ -	\$ -	\$ 7,955
Inventory	10,510	-	-	-	-	10,510
<b>Restricted for:</b>						
Emergency and Contingency Cash Reserve	338,583	-	-	-	-	338,583
Debt Service - Bond Escrow	345,327	-	-	-	-	345,327
Budget	35,430	-	-	-	-	35,430
Purpose Restrictions	37,310	183,610	-	-	-	220,920
Payment in Lieu of Taxes (PILOT)	-	-	-	-	144,583	144,583
Tobacco Settlement	-	-	-	-	84,900	84,900
Tax Increment Financing Program	-	-	-	-	31,446	31,446
Housing Production Trust Fund	-	-	73,436	-	-	73,436
Capital Projects	-	-	-	4,970	-	4,970
Highway Projects	-	-	-	-	43,851	43,851
Baseball Special Revenue	-	-	-	-	54,944	54,944
<b>Committed to:</b>						
Fiscal Stabilization Reserve	41,775	-	-	-	-	41,775
Cash Flow Reserve	152,407	-	-	-	-	152,407
Budget Support Act	3,421	-	-	-	-	3,421
Dedicated Taxes	1,254	-	-	-	-	1,254
Other Special Purposes	57,430	-	-	-	-	57,430
<b>Assigned to:</b>						
Other Special Purposes (O-Type)	42,582	-	-	-	-	42,582
Subsequent Year's Expenditures	30,910	-	-	-	-	30,910
<b>Unassigned</b>						
<b>Total Fund Balance</b>	<b>\$ 1,104,894</b>	<b>\$ 183,610</b>	<b>\$ 73,436</b>	<b>\$ 4,970</b>	<b>\$ 359,724</b>	<b>\$ 1,726,634</b>

## NOTE 11. FUND BALANCE/NET ASSETS

Net assets at September 30, 2011, are shown in **Table 50b**.

**Table 50b - Schedule of FY 2011 Net Assets, Proprietary and Fiduciary Funds**

	Lottery & Games	Unemployment Compensation Fund	Fiduciary Funds
<b>Net Assets</b>			
Invested in capital assets	\$ 478	\$ -	\$ -
Restricted for future benefits	- -	226,229	5,146,906
Unrestricted	3,501	-	-
<b>Total Net Assets</b>	<b>\$ 3,979</b>	<b>\$ 226,229</b>	<b>\$ 5,146,906</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, 2011, is shown in **Table 51a**.

**Table 51a - Summary of Grants Provided to WMATA**

Type	Local	Capital
Operating grants	\$ 257,703	\$ -
School Transit Subsidy	4,882	-
Capital grants	- -	94,889
<b>Total</b>	<b>\$ 262,585</b>	<b>\$ 94,889</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 51b** 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 51b - Summary of Financial Statements for WMATA as of and for the year ended June 30, 2011**

Financial Position	
Total assets	\$ 10,279,014
Total liabilities	(1,901,449)
<b>Net assets</b>	<b>\$ 8,377,565</b>
Operating Results	
Operating revenues	\$ 804,504
Operating expenses	(2,079,881)
Nonoperating revenues, net	696,392
Revenue from capital contributions	886,597
<b>Change in net assets</b>	<b>\$ 307,612</b>
Change in Net Assets	
Net assets, beginning of year, restated	\$ 8,069,953
Change in net assets	307,612
<b>Net assets, end of year</b>	<b>\$ 8,377,565</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 by 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, 2011, totaled \$617,845.

### 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. 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. By the end of fiscal year 2008, the District had expended \$151,659, or 97.3%, of the \$155,900 received in fiscal year 2002. Since that time, the District has not expended any of the remaining emergency preparedness funds totaling \$4,241. The District did not receive additional federal funding for emergency preparedness in fiscal year 2011.

### 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 \$28,315 for the fiscal year ended September 30, 2011.

## NOTE 14. LEASES

### A. CAPITAL LEASES

The District leases buildings and equipment under various agreements that are accounted for as capital leases with 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 \$8,675 in fiscal year 2011.

### 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 \$126,773 in fiscal year 2011.

## NOTE 14. LEASES

### C. SCHEDULE OF FUTURE MINIMUM LEASE COMMITMENTS

**Table 52** 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, 2011.

**Table 52 - Schedule of Future Minimum Lease Payments**

<b>Year Ending September 30</b>	<b>Primary Government</b>		
	<b>Capital Leases</b>	<b>Operating Leases</b>	
		<b>Facilities</b>	<b>Equipment</b>
2012	\$ 10,710	\$ 94,150	\$ 1,325
2013	10,715	90,248	546
2014	2,792	83,995	433
2015	2,792	79,358	322
2016	2,792	77,428	129
2017-2021	1,398	253,201	-
2022-2026	-	76,367	-
2027-2031	-	503	-
2032-2036	-	513	-
2037-2041	-	523	-
2042-2046	-	533	-
2047-2051	-	345	-
<b>Minimum lease payments</b>	<b>31,199</b>	<b>\$ 757,164</b>	<b>\$ 2,755</b>
Less - imputed interest	(3,766)		
<b>Present value of payments</b>	<b>\$ 27,433</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, 2011. 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, 2011, 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, \$200 (\$200 thousand) has been included as part of the accrued liability to reflect these known grant disallowances.

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

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

All of the District's derivative instruments, except 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, 2011, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions was \$333,470. If the collateral posting requirements were triggered at September 30, 2011, 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, 2011.

### **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, 2011.

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 \$44,259.

A summary of the changes in the accrued liability for claims and judgments reported in the government-wide financial statements is shown in **Table 54**.

**Table 54 - Summary of Changes in Claims and Judgments Accrual**

Description	Fiscal Year 2011	Fiscal Year 2010
<b>Liability at October 1</b>	\$ 70,435	\$ 58,837
Incurred claims	12,752	35,310
Less:		
claims payments/adjustments	(34,410)	(23,712)
<b>Liability at September 30</b>	<b>\$ 48,777</b>	<b>\$ 70,435</b>

### **E. DISABILITY COMPENSATION**

The District, through its Office of Risk Management, administers a disability compensation program under Title XXIII of the District of Columbia Compensation Merit Personnel Act of 1978 (CMPA). This program, which covers all District employees hired under the authority of CMPA, provides compensation for lost wages, medical expenses, and other limited rehabilitation expenses to eligible employees and/or their dependents, where a work-related injury or illness results in disability or death. The benefits are funded on a pay-as-you-go basis. The present value discounted at 1.75% of projected disability compensation is accrued in the government-wide financial statements.

A summary of changes in this accrual is shown in **Table 55**.

**Table 55 – Summary of Changes in Disability Compensation Accrual**

Description	Fiscal Year 2011	Fiscal Year 2010
<b>Liability at October 1</b>	\$ 160,513	\$ 142,316
Claims incurred	17,224	45,268
Less-benefit payments/adjustments	(26,400)	(27,071)
<b>Liability at September 30</b>	<b>\$ 151,337</b>	<b>\$ 160,513</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

## NOTE 15. COMMITMENTS AND CONTINGENCIES

termination, a termination amount may be owed by the District. At September 30, 2011, unearned revenue of \$573 related to debt service deposit agreements was recorded in the government-wide financial statements.

### G. 225 VIRGINIA AVENUE LEASE

On May 14, 2010, the District entered into a 20-year lease agreement with S/C 225 Virginia Avenue, LLC (the Lessor). Under this agreement, the Lessor will redevelop the existing unoccupied building on land owned by the District at 225 Virginia Avenue, S.E. The redevelopment plan is to provide approximately 350,000 square feet of space for city agency offices, with about 175 code required parking spaces. Delivery of the building and commencement of the lease are scheduled for June 30, 2012.

**Table 53** shows the present value of future minimum lease payments under this capital lease at September 30, 2011.

**Table 53 – Schedule of Future Minimum Lease Payments (225 Virginia Avenue Lease)**

<b>Year Ending September 30</b>	<b>225 Virginia Avenue</b>
2012	\$ 2,705
2013	8,116
2014	8,116
2015	8,116
2016	8,116
2017 - 2021	40,579
2022 - 2026	40,579
2027 - 2031	40,579
2032	5,411
<b>Total</b>	<b><u>\$ 162,317</u></b>

## NOTE 16. SUBSEQUENT EVENTS

### A. TAX REVENUE ANTICIPATION NOTES

The District issued \$820,000 in General Obligation Tax Revenue Anticipation Notes (TRANs) on October 6, 2011. 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 2012.

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:

<b>Date of Deposit</b>	<b>Amount of Deposit</b>
September 2, 2012	20% of the outstanding principal amount
September 20, 2012	60% of the outstanding principal amount
September 27, 2012	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 28, 2012.

### B. INCOME TAX SECURED REVENUE BONDS

#### Series 2011B-C-D-E

In November 2011, the District issued \$95,720 in Income Tax Secured Revenue Refunding Bonds, Series 2011B (Adjusted SIFMA Rate); \$3,415 in Income Tax Secured Revenue Refunding Bonds, Series 2011C (Adjusted SIFMA Rate); \$29,550 in Income Tax Secured Revenue Refunding Bonds, Series 2011D (Adjusted SIFMA Rate); and \$113,050 in Income Tax Secured Revenue Refunding Bonds, Series 2011E (Adjusted SIFMA Rate) (together,

## NOTE 16. SUBSEQUENT EVENTS

\$241,735 in Income Tax Secured Revenue Refunding Bonds, Series 2011B-C-D-E Bonds) pursuant to the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008, as amended by the Income Tax Secured Bond Authorization Congressional Review Emergency Act of 2011, effective October 31, 2011 and a Master Indenture of Trust between the District of Columbia and Wells Fargo Bank, N.A., as trustee, dated March 1, 2009, as amended, and as supplemented by a Thirteenth Supplemental Indenture of Trust between the District and the Trustee dated as of November 1, 2011.

The proceeds of the Series 2011B Bonds were used, together with certain other funds of the District, to (i) currently refund \$63,335 of the outstanding principal amount of the District's Income Tax Secured Revenue Refunding Bonds, Series 2010C (Adjusted SIFMA Rate) and pay the costs and expenses of issuing and delivering the Series 2011B Bonds. The proceeds of the 2011C Bonds, Series 2011D Bonds and Series 2011E Bonds were used, together with certain other funds of the District, to advance refund to the earliest call date the District's General Obligation Bonds, Series 2003A, maturing on June 1 in the years 2015 and 2023 through 2027, inclusive, and the District's General Obligation Bonds, Series 2003B, maturing on June 1 in the years 2015 and 2019 and pay the costs and expenses of issuing and delivering the Series 2011C Bonds, Series 2011D Bonds and Series 2011E Bonds.

The Series 2011B-C-D-E Bonds, the Outstanding Bonds, and any Additional Bonds under the terms of the Indenture are payable from and secured by a security interest in and a statutory lien on the Trust Estate, consisting primarily of the 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.

### **Series 2011F-G Bonds**

In December 2011, the District issued \$200,000 in Income Tax Secured Revenue Bonds, Series 2011F (Negotiated) and \$210,470 in Income Tax Secured Revenue Bonds, Series 2011G (Competitive) (together, the Series 2011F-G Bonds) as senior bonds pursuant to: the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 as amended by the Income Tax Secured Bond Authorization Act of 2011, a Master Indenture of Trust between the District of Columbia and Wells Fargo Bank, N.A., as trustee, dated March 1, 2009, as amended and supplemented, and a Fourteenth Supplemental Indenture of Trust between the same parties dated as of December 1, 2011, executed pursuant to the

Act. The issuance of the Series F-G Bonds was also subject to the Council's adoption of the Fiscal Year 2012 Income Tax Secured Revenue Bond and General Obligation Bond Issuance Approval Resolution of 2011, which occurred in December 2011.

The proceeds of the Series 2011F-G Bonds were used to: (i) pay and/or reimburse the District for costs of capital projects and (ii) pay the costs and expenses of issuing and delivering the Series 2011F-G Bonds.

The Series 2011F-G Bonds, the outstanding bonds, and any additional bonds issued under the terms of the indenture are payable from and secured by a security interest in and a statutory lien on the trust estate, consisting primarily of the 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.

### **C. TAX INCREMENT FINANCING BONDS AND NOTES**

In November 2011, the District issued the City Market at O Street TIF Bonds in the amount of \$38,650. The bonds are secured by the incremental real property and incremental sales taxes to be generated from the City Market at O Street mixed-use project. In the event that such taxes are not sufficient, the bonds are further secured by incremental tax revenues from the Downtown TIF Area (subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance Gallery Place and the Mandarin Oriental Hotel.)

Also in November 2011, the District issued the Fort Lincoln Retail Project TIF Notes, in the total amount of \$10,000. The TIF Notes remain in escrow pending the completion of Phase I and Phase II of the retail project. The Notes are to be repaid from project incremental sales and property tax revenues. If such revenues are insufficient to pay the principal and interest due on the notes 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 previous shortfall(s) to the Development Sponsor without any penalty interest or premium thereon.

## NOTE 16. SUBSEQUENT EVENTS

### D. COMPONENT UNITS

#### *Housing Finance Agency Bond Activity*

Subsequent to the end of fiscal year 2011, the following events occurred at the Housing Finance Agency (HFA):

##### Single Family New Issue Bond Program Issuance:

- On December 22, 2011, \$14,150 of District of Columbia Housing Finance Agency Single Family Housing Revenue Bonds, Series 2009 A-1 were issued.

##### Multi-Family New Issue Bond Program Issuances:

- On October 24, 2011, \$8,390 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2009 A-10 (NIB Program) were issued to finance the Mayfair III project.
- On October 24, 2011, \$2,610 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2011A were issued in a draw down mode to finance the Mayfair III project.
- On October 24, 2011, \$5,730 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2011 were issued in a draw down mode to finance the Mayfair III project.
- On October 24, 2011, \$5,050 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2009 A-12 (NIB Program) were issued to finance the Alabama project.
- On October 24, 2011, \$2,389 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2011B were issued in a draw down mode to finance the Alabama project.
- On December 21, 2011, \$8,370 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2009 A-16 (NIB Program) were issued to finance the Capitol Hill Towers project.
- On December 21, 2011, \$14,610 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2011, were issued to finance the Capitol Hill Towers project.
- On December 21, 2011, \$7,900 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2009 A-14 (NIB

Program) were issued to finance the Samuel Kelsey Apartments project.

- On December 21, 2011, \$16,500 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2011 were issued to finance the Samuel Kelsey Apartments project.
- On December 21, 2011, \$3,630 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2009 A-15 (NIB Program) were issued to finance the Nannie Helen project.
- On December 21, 2011, \$4,594 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2011 were issued in a draw down mode to finance the Nannie Helen project.
- Between October 1, 2011 and December 31, 2011, the following multifamily mortgage revenue bonds were issued through draws on the draw down bonds:

Series	Project Name	Draw Date(s)	New Issue Draw Amount
2011 Series	Alabama	10/27/2011	\$51
2011 Series	Nannie Helen	12/21/2011	50
<b>Total</b>			<b>\$101</b>

##### Multifamily (Conduit Bond) Program, New Issuances:

- On December 16, 2011, \$12,377 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2011 A were issued in a draw down mode to finance the Heights project.
- Between October 1, 2011 and December 31, 2011, the following multifamily mortgage revenue bonds were issued through draws on the draw down bonds:

Series	Project Name	Draw Date(s)	New Issue Draw Amount
2010 Series B	Sheridan Station	11/9/2011–12/6/2011	\$1,635
2010 Series A	Mathews Memorial	11/14/2011	1,700
2010 Series A	Arthur Capper II	10/20/2011–12/12/2011	881
2011 Series	The Heights	12/21/2011	1,188
<b>Total</b>			<b>\$5,404</b>

## NOTE. 16. SUBSEQUENT EVENTS

On December 20, 2011, \$5,000 loan draw under the General Fund PNC Bank Credit Line was fully repaid.

Single Family New Issue Bond Program Redemptions and Maturities:

- On December 22, 2011, \$14,150 in District of Columbia Housing Finance Agency Single Family Housing Revenue Bonds Series 2009 A (Program Bonds - Taxable) were redeemed to be modified and redelivered as tax exempt bonds Series 2009 A-1.

Single Family Mortgage Revenue Bonds Redemptions and Maturities:

- On December 1, 2011, the following 1996 Single Family Mortgage Revenue Bonds were redeemed:

<b>Series</b>	<b>Maturing Principal</b>	<b>Principal Redemptions</b>	<b>Total</b>
1997 Series B	\$0	\$75	\$75
1998 Series A	35	60	95
1999 Series A	120	0	120
2000 Series A	0	25	25
2000 Series C	5	105	110
2000 Series D	0	15	15
2001 Series A	0	50	50
2005 Series A	10	135	145
2005 Series B	0	340	340
2006 Series A	10	85	95
2006 Series B	0	540	540
2006 Series D	30	0	30
2006 Series E	0	745	745
2007 Series A	0	430	430
<b>Total</b>	<b>\$210</b>	<b>\$2,605</b>	<b>\$2,815</b>

- On December 14, 2011, the Agency sent out a notice of full redemption for all 1986 Whole Loan Program Bonds in the amount of \$1,005 to be redeemed on January 3, 2012.

Multifamily New Issue Bond Program Redemptions and Maturities:

- On October 24, 2011, \$13,440 in Multifamily Housing Revenue Bonds Series 2009 A (NIB Program) (Program Bonds - Taxable) were redeemed to be modified and redelivered as tax exempt bonds in connection with funding multifamily projects.
- On December 21, 2011, \$19,900 in Multifamily Housing Revenue Bonds Series 2009A (NIB Program) (Program Bonds - Taxable) were redeemed to be modified and redelivered as tax exempt bonds in connection with funding multifamily projects.

- On October 1, 2011, \$60 in Multifamily Housing Revenue Bonds Series 2009 A-1 were redeemed through a sinking fund maturity.

Multifamily (Conduit Bond) Program, Redemptions and Maturities:

- Between October 1, 2010 and December 31, 2011, \$5,618 in multifamily mortgage revenue bonds were redeemed or matured.
- On December 18, 2011, the Agency sent out a notice of full redemption for all Multifamily Housing Revenue Bonds Series 1998, which financed Burke, Randolph, Ft. Stephens and 7th Street projects, in the amount of \$6,960 to be redeemed on January 1, 2012.



*[This page intentionally left blank]*

### **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, 2011

(\$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>
10/01/2010	\$4,989,764	\$4,495,129	(\$494,635)	111.0%	\$761,370	-65.0%
10/01/2009	\$4,493,400	\$4,332,400	(\$161,000)	103.7%	\$772,700	-20.8%
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, 2011

Valuation Date	September 30, 2011 (projected from September 30, 2010 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	7.00%
Discount Rate	7.00%
Rate of Salary Increases	4.25% (plus merit scale)
Rate of Medical Inflation	9.5% (pre-Medicare) or 8.5% (post-Medicare)
Grading over 15 years	Grading to 5.25% over 15 years

The rate of employer contributions to the Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

---

### Schedule of Funding Progress

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

As of September 30, 2011

(\$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	\$784,900	\$360,600	54.1%	\$1,544,500	23.3%
09/30/2009	\$309,100	\$625,900	\$316,800	49.4%	\$1,579,900	20.1%
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.



*[This page intentionally left blank]*

---

## **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*

---



*[This page intentionally left blank]*

### **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, 2011**  
**(With Comparative Totals at September 30, 2010)**  
**(\$000s)**

	<u>2011</u>	<u>2010 Adjusted</u>
<b>ASSETS</b>		
Cash and cash equivalents (unrestricted)	\$ 687,877	\$ 76,455
Receivables (net of allowances for uncollectibles):		
Intergovernmental	5,486	25,910
Taxes	356,993	355,860
Accounts	174,113	99,531
Due from component units	53,790	59,873
Interfund	190,707	593,501
Inventories	10,510	9,614
Other current assets	5,222	2,005
Cash and cash equivalents (restricted)	322,583	311,945
Investments (restricted)	345,327	319,945
Total current assets	<u>2,152,608</u>	<u>1,854,639</u>
Long term assets	13,646	22,030
<b>Total assets</b>	<b>\$ 2,166,254</b>	<b>\$ 1,876,669</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Payables:		
Accounts	\$ 405,922	\$ 403,254
Compensation:		
Salaries and wages	146,249	129,402
Employee benefits	596	902
Payroll taxes	1,124	384
Other deductions	4,128	2,874
Interfund	35,893	24,051
Due to component units	15,194	12,050
Deferred revenue:		
Property taxes	79,548	76,602
Other	126,995	73,632
Accrued liabilities:		
Claims and judgments	60	94
Grant disallowances	5,940	4,347
Medicaid	156,219	147,791
Tax refunds	75,867	62,426
Other current liabilities	<u>7,625</u>	<u>8,091</u>
<b>Total liabilities</b>	<b><u>1,061,360</u></b>	<b><u>945,900</u></b>
<b>Fund Balance:</b>		
Nonspendable	18,465	13,634
Restricted	756,650	781,698
Committed	256,287	135,437
Assigned	<u>73,492</u>	-
<b>Total fund balance</b>	<b><u>1,104,894</u></b>	<b><u>930,769</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 2,166,254</u></b>	<b><u>\$ 1,876,669</u></b>

*See Accompanying Independent Auditors' Report.*

## Exhibit A-2

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**For the Year Ended September 30, 2011**  
**(With Comparative Totals for the Year Ended September 30, 2010)**  
**(\$000s)**

	<b>2011</b>	<b>2010 Adjusted</b>
<b>Revenues:</b>		
Taxes	\$ 5,090,076	\$ 4,867,113
Fines and forfeits	129,448	128,473
Licenses and permits	102,769	86,946
Charges for services:		
Public	214,552	205,247
Intergovernmental	22,192	18,207
Miscellaneous:		
Public	433,015	356,122
Investment income	3,194	2,325
Total revenues	5,995,246	5,664,433
<b>Expenditures:</b>		
Governmental direction and support	620,426	579,457
Economic development and regulation	220,878	247,355
Public safety and justice	993,978	1,018,335
Public education system	1,507,747	1,400,832
Human support services	1,572,717	1,564,143
Public works	226,783	276,990
Public transportation	257,703	243,668
Debt service:		
Principal	179,097	175,019
Interest	266,272	233,536
Fiscal charges	14,296	64,532
Total expenditures	5,859,897	5,803,867
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>135,349</b>	<b>(139,434)</b>
<b>Other Financing Sources (Uses):</b>		
Debt issuance	7,915	21,269
Refunding debt issuance	63,860	835,010
Premium on sale of bonds	6,188	74,840
Payment to refunded bond escrow agent	(63,335)	(855,011)
Equipment financing program	75	-
Transfers in	147,572	125,002
Transfers out	(123,499)	(87,564)
Total other financing sources	38,776	113,546
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>174,125</b>	<b>(25,888)</b>
<b>Fund Balance at October 1, as adjusted</b>	<b>930,769</b>	<b>956,657</b>
<b>Fund Balance at September 30</b>	<b>\$ 1,104,894</b>	<b>\$ 930,769</b>

*See Accompanying Independent Auditors' Report.*

## Exhibit A-3

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND NET FINANCING (SOURCES) USES**  
**FUNCTION AND OBJECT - GAAP BASIS**  
**For the Year Ended September 30, 2011**  
**(With Comparative Totals for the Year Ended September 30, 2010)**  
**(\$000s)**

Function and Subfunction	Personnel Services	Contractual Services	Supplies	Occupancy	Miscellaneous *	2011	Totals	2010
<b>Governmental Direction and Support:</b>								
Legislative	\$ 19,697	\$ 1,478	\$ 142	\$ 450	\$ 767	\$ 22,534	\$ 23,545	
Executive	69,377	32,375	318	4,795	1,600	108,465	138,712	
Finance	76,552	29,563	450	41	150,379	256,985	293,411	
Personnel	8,598	1,516	33	9	13	10,169	29,168	
Administrative	53,935	43,019	398	111,378	7,582	216,312	87,989	
Elections	4,326	1,452	115	-	68	5,961	6,632	
Total	<u>232,485</u>	<u>109,403</u>	<u>1,456</u>	<u>116,673</u>	<u>160,409</u>	<u>620,426</u>	<u>579,457</u>	
<b>Economic Development and Regulation:</b>								
Community development	19,443	10,152	112	1,003	65,302	96,012	92,345	
Economic regulation	46,592	8,025	239	6,084	4,069	65,009	76,386	
Employment services	20,830	5,875	135	4,646	28,371	59,857	78,624	
Total	<u>86,865</u>	<u>24,052</u>	<u>486</u>	<u>11,733</u>	<u>97,742</u>	<u>220,878</u>	<u>247,355</u>	
<b>Public Safety and Justice:</b>								
Police	446,932	47,006	2,297	1,653	110,060	607,948	617,020	
Fire	173,465	8,036	4,396	151	43,045	229,093	231,625	
Corrections	68,468	57,435	5,508	2,759	9,053	143,223	151,931	
Protection	6,029	440	32	297	206	7,004	10,758	
Law	6,245	344	80	10	31	6,710	7,001	
Total	<u>701,139</u>	<u>113,261</u>	<u>12,313</u>	<u>4,870</u>	<u>162,395</u>	<u>993,978</u>	<u>1,018,335</u>	
<b>Public Education System:</b>								
Schools	463,300	93,681	8,803	38,101	462,513	1,066,398	935,538	
Culture	121,354	27,168	936	8,463	283,428	441,349	465,294	
Total	<u>584,654</u>	<u>120,849</u>	<u>9,739</u>	<u>46,564</u>	<u>745,941</u>	<u>1,507,747</u>	<u>1,400,832</u>	
<b>Human Support Services:</b>								
Health and welfare	253,646	104,074	8,367	46,794	963,387	1,376,268	1,346,903	
Human relations	4,410	2,800	183	7	13,904	21,304	22,572	
Employment benefits	-	-	-	-	139,826	139,826	146,240	
Recreation	29,435	4,241	1,343	55	245	35,319	48,428	
Total	<u>287,491</u>	<u>111,115</u>	<u>9,893</u>	<u>46,856</u>	<u>1,117,362</u>	<u>1,572,717</u>	<u>1,564,143</u>	
<b>Public Works</b>								
	<u>125,025</u>	<u>77,653</u>	<u>2,935</u>	<u>20,227</u>	<u>943</u>	<u>226,783</u>	<u>276,990</u>	
<b>Public Transportation</b>								
Debt Service	-	-	-	-	257,703	257,703	243,668	
	-	-	-	-	459,665	459,665	473,087	
<b>Net Financing Sources</b>								
Total expenditures and net sources	\$ 2,017,659	\$ 556,333	\$ 36,822	\$ 246,923	\$ 2,963,384	\$ 5,821,121	\$ 5,780,118	

See Accompanying Independent Auditors' Report.

\*Miscellaneous column includes transfers, subsidies and other payments totaling \$2,963,268.

Transfers to: Convention Center [\$97,996], Public Charter Schools [\$440,368], UDC [\$63,921], PAYGO-Capital [\$69,137], Police & Fire Retirement System [\$127,200], Teachers Retirement System [\$3,000], Mass Transit Subsidies [\$257,703], Housing Authority Subsidy [\$22,823],

Payments for: Dept. of Health [\$36,257], Dept. of Mental Health [\$18,144], Dept. of Health Care Finance [\$591,967], Dept. of Human Services [\$101,583], Child & Family Services [\$124,287], Dept. of Youth Rehabilitation [\$49,574], Disability Services [\$35,911], DC Public Schools [\$15,744], Dept. of Corrections [\$8,596], State Education [\$86,225], Non-Public Tuition [\$134,432], Dept. of Employment Services [\$80,755], Equipment Lease-Capital [\$48,210], BID [\$20,788], Economic Development [\$17,950], Dept. of Housing & Community Development [\$27,011], Repayment of Loan & Interest [\$404,828], Attorney General [\$15,318], Unified Communications [\$14,284], Dept. of the Environment [\$49,256]

## Exhibit A-4

**GENERAL FUND**  
**SCHEDULE OF LOCAL SOURCE REVENUES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended September 30, 2011**  
**(\$000s)**

Source	Budget		Variance Positive (Negative)	
	Original	Revised	Actual	
<b>Taxes:</b>				
Property:				
Real	\$ 1,596,601	\$ 1,681,000	\$ 1,700,550	\$ 19,550
Personal	57,185	52,188	52,696	508
Total	<u>1,653,786</u>	<u>1,733,188</u>	<u>1,753,246</u>	<u>20,058</u>
Sales and use:				
General	1,009,010	1,014,680	995,526	(19,154)
Alcoholic beverages	5,474	5,605	5,630	25
Cigarette	29,269	32,392	34,405	2,013
Motor vehicles	28,914	35,725	42,564	6,839
Motor fuel tax	23,949	21,500	30,001	8,501
Total	<u>1,096,616</u>	<u>1,109,902</u>	<u>1,108,126</u>	<u>(1,776)</u>
Income and franchise:				
Individual income	1,202,991	1,215,277	1,296,598	81,321
Corporation franchise	239,544	222,276	216,280	(5,996)
Unincorporated business	126,348	121,648	143,404	21,756
Total	<u>1,568,883</u>	<u>1,559,201</u>	<u>1,656,282</u>	<u>97,081</u>
Gross receipts:				
Public utility	148,326	150,184	140,848	(9,336)
Toll telecommunication	63,035	62,853	60,820	(2,033)
Insurance companies	55,611	46,951	44,637	(2,314)
Health care providers	11,000	12,000	13,439	1,439
Baseball gross receipts	21,462	22,450	18,451	(3,999)
Health care related incomes	18,079	17,144	15,262	(1,882)
Total	<u>317,513</u>	<u>311,582</u>	<u>293,457</u>	<u>(18,125)</u>
Other:				
Deed recordation	99,372	146,977	158,387	11,410
Deed transfers	86,637	130,306	131,535	1,229
Inheritance and estate	32,000	53,000	87,230	34,230
Economic interests	15,000	10,000	14,905	4,905
Total	<u>233,009</u>	<u>340,283</u>	<u>392,057</u>	<u>51,774</u>
Total taxes	<u>4,869,807</u>	<u>5,054,156</u>	<u>5,203,168</u>	<u>149,012</u>
<b>Licenses and Permits:</b>				
Business licenses	35,098	35,647	40,455	4,808
Nonbusiness permits	29,178	24,301	35,565	11,264
Total	<u>64,276</u>	<u>59,948</u>	<u>76,020</u>	<u>16,072</u>
<b>Fines and Forfeits</b>				
	<u>166,425</u>	<u>131,261</u>	<u>126,251</u>	<u>(5,010)</u>
<b>Charges for Services</b>				
	<u>43,587</u>	<u>51,505</u>	<u>75,540</u>	<u>24,035</u>
<b>Miscellaneous:</b>				
Interest	12,000	2,000	425	(1,575)
Other	161,813	140,559	144,676	4,117
Total	<u>173,813</u>	<u>142,559</u>	<u>145,101</u>	<u>2,542</u>
Total local revenues	<u>5,317,908</u>	<u>5,439,429</u>	<u>5,626,080</u>	<u>186,651</u>
<b>Transfers and Other sources:</b>				
General obligation bonds	15,000	15,000	6,320	(8,680)
Fund balance released from restrictions	34,914	35,990	42,229	6,239
Interfund transfer	258,050	246,879	141,417	(105,462)
Total transfers and other sources	<u>307,964</u>	<u>297,869</u>	<u>189,966</u>	<u>(107,903)</u>
Total Local Revenues and Sources	\$ <u>5,625,872</u>	\$ <u>5,737,298</u>	\$ <u>5,816,046</u>	\$ <u>78,748</u>

See Accompanying Independent Auditors' Report.

**GENERAL FUND**  
**SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES BY SOURCE OF FUNDS**  
Year Ended September 30, 2011  
(\$000s)

Exhibit A-5

	<b>Original Budget</b>	<b>Local Source</b>		<b>Other Source</b>		<b>Original Budget</b>	<b>Revised Budget</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Totals</b>
		<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Original Budget</b>	<b>Revised Budget</b>					
<b>Revenues and Sources:</b>											
Taxes	\$ 1,653,786	\$ 1,733,188	\$ 1,753,246	\$ 20,058	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,653,786	\$ 1,733,188
Property	1,096,616	1,109,902	1,108,125	(1,776)	-	-	-	-	-	1,096,616	1,108,126
Sales and uses	1,568,883	1,559,201	1,656,282	97,081	-	-	-	-	-	1,568,883	1,656,282
Income and franchise					685,514	33,649	149,012	16,972	-	550,522	683,514
Gross receipts and other taxes	550,522	631,865	5,084,156	5,203,168	-	-	-	-	-	4,869,807	5,054,156
Total taxes	4,866,807	5,084,156	5,203,168	149,012	16,972	-	-	-	-	5,203,168	5,203,168
Licenses and permits	166,425	131,261	126,251	(5,010)	-	-	-	-	-	166,425	126,251
Fines and forfeits	64,276	59,948	76,020	16,020	-	-	-	-	-	64,276	59,948
Charges for services	43,587	51,505	75,540	24,035	-	-	-	-	-	43,587	51,505
Miscellaneous	173,813	142,559	145,101	2,542	-	410,456	411,276	476,584	65,308	173,813	142,559
Other	-	-	-	-	63,220	(8,580)	79,790	69,540	13,576	15,000	410,456
General obligation bonds	15,000	15,000	35,990	42,229	6,239	-	-	-	-	105,530	63,200
Fund balance released from restrictions	34,914	63,257	62,175	(1,082)	-	-	-	-	-	68,500	55,805
Interfund transfer-from lottery and games	68,500	183,622	79,242	(104,380)	-	-	-	-	-	63,257	62,175
Interfund transfer-to others	188,550	5,737,298	5,816,046	78,748	-	490,246	480,816	490,160	-	183,622	(104,380)
Total Revenues and Sources	5,625,872	5,737,298	5,816,046	78,748	-	-	-	-	-	6,218,118	6,306,206
Expenditures and Uses:											88,092
Governmental direction and support	399,967	403,187	393,979	9,208	64,079	52,420	46,448	5,972	464,046	455,607	440,427
Economic development and regulation	121,594	147,774	142,901	48,73	135,289	135,735	112,498	23,237	256,883	283,509	255,399
Public safety and justice	890,748	926,885	922,834	4,051	85,449	83,266	70,952	12,314	976,197	1,010,151	903,786
Public education system	1,466,490	1,384,042	1,365,727	18,315	19,354	10,712	5,352	5,360	1,485,844	1,394,754	1,371,079
Public education A/Y12 expenditure	-	126,560	126,560	-	-	-	-	-	126,560	126,560	126,560
Human support services	1,421,151	1,462,023	1,437,862	24,161	31,980	38,511	28,777	9,734	1,453,131	1,500,534	1,466,639
Public works	403,822	405,756	403,412	2,344	136,847	141,932	135,425	6,527	540,669	547,708	538,837
Wilson building	3,398	3,598	3,566	32	-	-	-	-	3,598	3,598	3,566
Repay bonds and interest	406,705	401,863	400,564	1,299	4,204	4,204	4,204	-	410,909	406,067	404,768
Repay revenue bonds and interest	7,574	7,574	4,782	2,792	-	-	-	-	7,574	7,574	7,574
Bond fiscal charge	15,000	15,000	5,885	9,115	-	-	-	-	15,000	15,000	15,000
Interest on short term borrowing	3,000	3,000	2,841	159	-	-	-	-	3,000	3,000	2,841
Certificates of participation	33,045	32,244	32,244	801	-	-	-	-	33,045	33,045	32,244
Settlements and judgments fund	21,477	21,477	21,477	-	-	-	-	-	21,477	21,477	21,477
Baseball tax transfer	29,382	30,336	30,336	-	-	-	-	-	29,582	30,336	30,336
Convention center transfer	101,696	96,844	96,844	-	-	-	-	-	101,696	96,844	96,844
Highway trust transfer	35,678	31,273	30,001	1,272	-	-	-	-	37,678	31,273	30,001
TIF and pilot transfer	61,304	58,254	58,254	-	-	-	-	-	61,304	58,254	58,254
Equipment lease operating	49,804	48,819	48,247	572	-	-	-	-	49,804	48,819	48,247
Emergency and contingency reserve	3,000	3,000	3,000	3,000	-	-	-	-	3,000	3,000	3,000
Pay-go capital	-	18,683	18,683	18,683	-	12,071	13,043	-	12,071	31,726	31,726
Schools modernization fund	8,613	8,613	8,613	-	-	-	-	-	8,613	8,613	8,613
District retiree health contribution	98,700	94,200	4,500	161	-	-	-	-	98,700	98,700	98,700
Cash reserve	40,000	161	-	-	86,655	973	416,699	973	40,000	161	-
Non-departmental agency										973	973
Total Expenditures and Uses	<u>5,625,548</u>	<u>5,736,467</u>	<u>5,649,812</u>	<u>86,655</u>	<u>490,246</u>	<u>480,816</u>	<u>416,699</u>	<u>973</u>	<u>61,14,794</u>	<u>621,7283</u>	<u>6,066,511</u>
Excess of Revenues and Sources Over Expenditures and Uses	\$ 1,324	\$ 831	\$ 166,234	\$ 165,403	\$ -	\$ -	\$ -	\$ -	\$ 73,461	\$ 831	\$ 239,695
See Accompanying Independent Auditors' Report.											

Excess of Revenues and Sources Over Expenditures and Uses  
See Accompanying Independent Auditors' Report.

**Exhibit A-6**

**GENERAL FUND**  
**SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES**  
**Year Ended September 30, 2011**  
**( $\$000s$ )**

	Original Budget	Revisions	Revised Budget	Actual	Variance (Actual To Original Budget)
<b>Revenues and Sources:</b>					
Taxes:					
Property	\$ 1,653,786	\$ 79,402	\$ 1,733,188	\$ 1,753,246	\$ 99,460
Sales and use	1,096,616	13,286	1,109,902	1,108,126	11,510
Income and franchise	1,568,883	(9,682)	1,559,201	1,656,282	87,399
Other taxes	550,522	101,343	651,865	685,514	134,992
Total taxes	<u>4,869,807</u>	<u>184,349</u>	<u>5,054,156</u>	<u>5,203,168</u>	<u>333,361</u>
Licenses and permits	64,276	(4,328)	59,948	76,020	11,744
Fines and forfeits	166,425	(35,164)	131,261	126,251	(40,174)
Charges for services	43,587	7,918	51,505	75,540	31,953
Miscellaneous	173,813	(31,254)	142,559	145,101	(28,712)
Other	410,456	820	411,276	476,584	66,128
General obligation bonds	15,000	-	15,000	6,320	(8,680)
Fund balance released from restriction	114,704	(9,174)	105,530	55,805	(58,899)
Interfund transfer-from lottery and games	68,500	(5,243)	63,257	62,175	(6,325)
Interfund transfer-others	<u>189,550</u>	<u>(5,928)</u>	<u>183,622</u>	<u>79,242</u>	<u>(110,308)</u>
<b>Total Revenues and Sources</b>	<u><b>6,116,118</b></u>	<u><b>101,996</b></u>	<u><b>6,218,114</b></u>	<u><b>6,306,206</b></u>	<u><b>190,088</b></u>
<b>Expenditures and Uses:</b>					
Governmental direction and support	464,046	(8,439)	455,607	440,427	23,619
Economic development and regulation	256,883	26,626	283,509	255,399	1,484
Public safety and justice	976,197	33,954	1,010,151	993,786	(17,589)
Public education system	1,485,844	(91,090)	1,394,754	1,371,079	114,765
Public education AY12 expenditure	-	126,560	126,560	126,560	(126,560)
Human support services	1,453,131	47,403	1,500,534	1,466,639	(13,508)
Public works	540,669	7,039	547,708	538,837	1,832
Wilson building	3,598	-	3,598	3,566	32
Repay bonds and interest	410,909	(4,842)	406,067	404,768	6,141
Repay revenue bonds and interest	7,574	-	7,574	4,782	2,792
Bond fiscal charge	15,000	-	15,000	5,885	9,115
Interest on short term borrowing	3,000	-	3,000	2,841	159
Certificates of participation	33,045	-	33,045	32,244	801
Settlements and judgments fund	21,477	-	21,477	21,477	-
Baseball tax transfer	29,582	754	30,336	30,336	(754)
Convention center transfer	101,696	(4,852)	96,844	96,844	4,852
Highway trust transfer	37,678	(6,405)	31,273	30,001	7,677
TIF and pilot transfer	61,304	(3,050)	58,254	58,254	3,050
Equipment lease operating	49,804	(985)	48,819	48,247	1,557
Emergency and contingency reserve	3,000	-	3,000	-	3,000
Pay-go capital	12,071	19,655	31,726	31,726	(19,655)
Schools modernization fund	8,613	-	8,613	8,613	-
District retiree health contribution	98,700	-	98,700	94,200	4,500
Cash reserve	40,000	(39,839)	161	-	40,000
Non-departmental agency	973	-	973	-	973
<b>Total Expenditures and Uses</b>	<u><b>6,114,794</b></u>	<u><b>102,489</b></u>	<u><b>6,217,283</b></u>	<u><b>6,066,511</b></u>	<u><b>48,283</b></u>
<b>Excess of Revenues and Sources Over Expenditures and Uses</b>	<b>\$ 1,324</b>	<b>\$ (493)</b>	<b>\$ 831</b>	<b>\$ 239,695</b>	<b>\$ 238,371</b>

*See Accompanying Independent Auditors' Report.*



*[This page intentionally left blank]*

## **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 emergency care delivery system and to recommend investments in that system.

The **PILOT Special Revenue Fund** is used to account for the proceeds of revenue bonds to finance the development costs associated with various District development projects.

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.

### **Debt Service Fund**

The **Debt Service Fund** is used to account for 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, 2011  
(With Comparative Totals at September 30, 2010)  
(\$000s)

ASSETS	Special Revenue Funds					Capital Project Fund		Totals	
	Tobacco Settlement	Community Health Care Financing	PILOT Special Revenue	Baseball Project	Debt Service Fund	Highway Trust		2011	2010 Adjusted
	Tax Increment Financing Program	Corporation							
<b>Current Assets:</b>									
Receivables (net of allowances for uncollectibles):									
Taxes	\$ -	\$ 17	\$ 28,192	\$ -	\$ -	\$ 2,537	\$ -	\$ 2,539	\$ -
Accounts						267		1,580	30,056
Due from other District entities	-	-	-	-	-	666	-	666	30,486
Interfund	10,883	-	-	-	-	2,643	-	2	1,141
Restricted cash and cash equivalents	22,435	56,809	-	144,583	63,320	-	-	13,528	8,967
<b>Total assets</b>	<b>\$ 33,335</b>	<b>\$ 85,001</b>	<b>\$ -</b>	<b>\$ 144,583</b>	<b>\$ 69,433</b>	<b>\$ -</b>	<b>\$ 50,241</b>	<b>\$ 337,388</b>	<b>327,668</b>
<b>LIABILITIES AND FUND BALANCE</b>									
<b>Current Liabilities:</b>									
Payables:									
Accounts	\$ 1,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,926	\$ 15,097
Compensation payable	-	-	-	-	-	-	-	124	166
Deferred revenue	-	-	-	-	-	200	-	725	1,432
Due to other funds	-	-	-	-	-	14,289	-	1,199	22,827
Accrued liabilities	-	101	-	-	-	-	-	15,488	118
<b>Total liabilities</b>	<b>\$ 1,889</b>	<b>\$ 101</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>14,489</b>	<b>\$ -</b>	<b>7,974</b>	<b>24,453</b>
<b>Fund Balance:</b>									
Restricted	31,446	84,900	-	144,583	54,944	-	43,851	359,724	328,622
<b>Total fund balances</b>	<b>\$ 31,446</b>	<b>\$ 84,900</b>	<b>\$ -</b>	<b>\$ 144,583</b>	<b>\$ 54,944</b>	<b>\$ -</b>	<b>\$ 43,851</b>	<b>\$ 359,724</b>	<b>328,622</b>
<b>Total liabilities and fund balances</b>	<b>\$ 33,335</b>	<b>\$ 85,001</b>	<b>\$ -</b>	<b>\$ 144,583</b>	<b>\$ 69,433</b>	<b>\$ -</b>	<b>\$ 51,825</b>	<b>\$ 384,177</b>	<b>\$ 368,262</b>

*See Accompanying Independent Auditors' Report.*

## Exhibit B-2

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2011**  
**(With Comparative Totals for the Year Ended September 30, 2010)**  
**(\$000s)**

	Special Revenue Funds					Capital Project Fund			Totals	
	Tax Increment Financing Program	Settlement Financing Corporation	Community Health Care Financing	PILOT Special Revenue	Baseball Project	Debt Service Fund	Highway Trust	2011	2010 Adjusted	
<b>Revenues:</b>										
Property taxes	\$ 13,569	\$ -	\$ -	\$ 16,991	\$ -	\$ 9,512	\$ -	\$ 30,560	\$ 11,145	
Sales and use taxes	45,379	-	-	-	44,582	-	-	54,891	32,972	
Gross receipts taxes	-	-	-	-	113	-	-	44,582	15,522	
Interest	12	2,326	-	12	-	-	17	2,480	15,960	
Tobacco settlement revenue	-	37,211	-	-	-	-	-	37,211	37,147	
Other	1	-	-	10,462	4,500	-	17,626	32,589	14,862	
Total revenues	<u>58,961</u>	<u>39,537</u>	<u>-</u>	<u>27,465</u>	<u>58,707</u>	<u>-</u>	<u>17,643</u>	<u>202,313</u>	<u>127,608</u>	
<b>Expenditures:</b>										
Governmental direction and support	30,694	302	-	963	4,043	-	-	36,902	34,542	
Capital outlay	-	-	-	-	-	-	34,240	34,240	51,542	
Bond principal payment	4,323	9,490	-	14,246	-	4,540	-	32,599	34,727	
Interest	5,385	29,456	-	6,311	-	26,448	-	67,600	66,587	
Other	<u>40,402</u>	<u>39,248</u>	<u>-</u>	<u>8,715</u>	<u>21,520</u>	<u>4,043</u>	<u>30,988</u>	<u>34,240</u>	<u>8,715</u>	
Total expenditures	<u>40,402</u>	<u>39,248</u>	<u>-</u>	<u>8,715</u>	<u>21,520</u>	<u>4,043</u>	<u>30,988</u>	<u>34,240</u>	<u>8,715</u>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>18,559</b>	<b>289</b>	<b>(8,715)</b>	<b>5,945</b>	<b>54,664</b>	<b>(30,988)</b>	<b>(16,597)</b>	<b>23,157</b>	<b>(69,647)</b>	
<b>Other Financing Sources (Uses):</b>										
Bond issuance	-	-	-	-	-	-	-	-	29,000	
Premium on sale of bonds	-	-	-	-	-	-	-	-	1,344	
Transfers in	350	-	-	-	-	30,988	55,964	87,302	132,798	
Transfers out	-	-	(34,080)	-	(45,277)	-	-	(79,357)	(95,377)	
Total other financing sources (uses)	<u>350</u>	<u>-</u>	<u>(34,080)</u>	<u>-</u>	<u>(45,277)</u>	<u>30,988</u>	<u>55,964</u>	<u>7,945</u>	<u>67,765</u>	
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES</b>	<b>18,909</b>	<b>289</b>	<b>(42,795)</b>	<b>5,945</b>	<b>9,387</b>	<b>-</b>	<b>39,367</b>	<b>31,102</b>	<b>(1,882)</b>	
<b>OVER (UNDER) EXPENDITURES</b>	<b>12,537</b>	<b>84,611</b>	<b>42,795</b>	<b>138,638</b>	<b>45,557</b>	<b>-</b>	<b>4,484</b>	<b>338,622</b>	<b>330,504</b>	
<b>Fund Balances at October 1</b>	<b>\$ 31,446</b>	<b>\$ 84,900</b>	<b>\$ -</b>	<b>\$ 144,583</b>	<b>\$ 54,944</b>	<b>\$ -</b>	<b>\$ 43,851</b>	<b>\$ 359,724</b>	<b>\$ 328,622</b>	
<i>See Accompanying Independent Auditors' Report.</i>										



*[This page intentionally left blank]*

## 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, 2011**  
**(With Comparative Totals at September 30, 2010)**  
**(\$000s)**

	Pension Trust Funds			Other	Totals	
	Police & Fire	Teachers	Postemployment Benefits (OPEB) Trust Fund		2011	2010
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and cash equivalents - restricted	\$ 104,912	\$ 44,847	\$ 96,266	\$ 246,025	\$ 317,268	
Investments - restricted	3,146,575	1,345,088	415,220	4,906,883	4,506,084	
Collateral from securities lending transaction	291,625	124,663	-	416,288	515,203	
<b>Receivables:</b>						
Due from federal government	735	316	-	1,051	1,321	
Benefit contribution	1,737	1,575	-	3,312	8,650	
Due from other funds	-	3,000	-	3,000	-	
Other current assets	102,454	43,796	716	146,966	219,913	
Capital assets	6	3	-	9	16	
<b>Total assets</b>	<b>3,648,044</b>	<b>1,563,288</b>	<b>512,202</b>	<b>5,723,534</b>	<b>5,568,455</b>	
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts payable	2,489	1,103	716	4,308	5,043	
Securities lending	293,592	125,504	-	419,096	519,562	
Due to other funds	1,801	772	-	2,573	1,882	
Other current liabilities	222,695	95,197	-	317,892	374,502	
<b>Total liabilities</b>	<b>520,577</b>	<b>222,576</b>	<b>716</b>	<b>743,869</b>	<b>900,989</b>	
<b>NET ASSETS</b>						
<b>Net Assets</b>						
<b>Held in trust for pension and OPEB benefits</b>	<b>\$ 3,127,467</b>	<b>\$ 1,340,712</b>	<b>\$ 511,486</b>	<b>\$ 4,979,665</b>	<b>\$ 4,667,466</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, 2011**  
**(With Comparative Totals for the Year Ended September 30, 2010)**  
**(\$000s)**

	<b>Pension Trust Funds</b>		<b>Postemployment Benefit Trust Fund (OPEB)</b>	<b>Other</b>		<b>Totals</b>	
	<b>Police &amp; Fire</b>	<b>Teachers</b>		<b>2011</b>	<b>2010</b>		
						<b>2011</b>	<b>2010</b>
<b>Additions:</b>							
Benefit contributions:							
Employer	\$ 127,200	\$ -	\$ 94,200	\$ 221,400	\$ 223,000		
Plan members	30,474	27,739	265	58,478	61,755		
Investment income (loss):							
From investment activities							
Net appreciation (depreciation) in fair value of investments	28,101	20,320	(9,915)	38,506	251,413		
Other revenue	1,435	616	-	2,051	2,250		
Interest and dividends	61,249	26,916	7,152	95,317	185,687		
Less - investment expenses	(8,460)	(3,655)	-	(12,115)	(13,479)		
Net income (loss) from investing activities	<u>82,325</u>	<u>44,197</u>	<u>(2,763)</u>	<u>123,759</u>	<u>425,871</u>		
From securities lending activities							
Securities lending income	1,587	1,147	-	2,734	3,238		
Less: securities lending expenses	(504)	(364)	-	(868)	(1,193)		
Net income from securities lending activities	<u>1,083</u>	<u>783</u>	<u>-</u>	<u>1,866</u>	<u>2,045</u>		
Total net investment income (loss)	<u>83,408</u>	<u>44,980</u>	<u>(2,763)</u>	<u>125,625</u>	<u>427,916</u>		
Total additions	<u>241,082</u>	<u>72,719</u>	<u>91,702</u>	<u>405,503</u>	<u>712,671</u>		
<b>Deductions:</b>							
Benefit payments	32,679	46,592	4,148	83,419	74,212		
Administrative expenses	6,678	2,885	322	9,885	9,514		
Total deductions	<u>39,357</u>	<u>49,477</u>	<u>4,470</u>	<u>93,304</u>	<u>83,726</u>		
Change in net assets	<b>201,725</b>	<b>23,242</b>	<b>87,232</b>	<b>312,199</b>	<b>628,945</b>		
<b>Net assets held in trust for pension and OPEB benefits:</b>							
October 1	<u>2,925,742</u>	<u>1,317,470</u>	<u>424,254</u>	<u>4,667,466</u>	<u>4,038,521</u>		
September 30	<u>\$ 3,127,467</u>	<u>\$ 1,340,712</u>	<u>\$ 511,486</u>	<u>\$ 4,979,665</u>	<u>\$ 4,667,466</u>		

*See Accompanying Independent Auditors' Report.*

**Exhibit C-3**

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended September 30, 2011**  
**( $\$000s$ )**

	Balance October 1 2010	Additions	Deductions	Balance September 30 2011
<b>ASSETS</b>				
Cash and cash equivalents - restricted	\$ 77,638	\$ 780,880	\$ 772,775	\$ 85,743
Due from other funds	2,292	88	2,328	52
Other receivables	<u>18,077</u>	<u>873,469</u>	<u>869,310</u>	<u>22,236</u>
<b>Total assets</b>	<b><u>\$ 98,007</u></b>	<b><u>\$ 1,654,437</u></b>	<b><u>\$ 1,644,413</u></b>	<b><u>\$ 108,031</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 8,520	\$ 16,594	\$ 17,505	\$ 7,609
Due to other funds	-	249	192	57
Other current liabilities	<u>89,487</u>	<u>2,008,507</u>	<u>1,997,629</u>	<u>100,365</u>
<b>Total liabilities</b>	<b><u>\$ 98,007</u></b>	<b><u>\$ 2,025,350</u></b>	<b><u>\$ 2,015,326</u></b>	<b><u>\$ 108,031</u></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, 2011**  
**(\$000s)**

	Budget			
	Original	Revised	Actual	Variance
<b>Governmental direction and support:</b>				
Council of the district of columbia	\$ 19,225	\$ 18,265	\$ 18,265	-
Office of the d.c. auditor	3,841	3,840	3,436	404
Advisory neighborhood commissions	889	889	833	56
Office of the mayor	12,849	11,856	11,507	349
Office of the secretary	2,728	3,047	2,871	176
Office of the inspector general	15,646	15,024	14,096	928
Medical liability captive	3,182	3,182	196	2,986
City administrator / deputy mayor	3,436	4,189	4,075	114
DC office of personnel	8,138	8,574	8,321	253
Office of finance & resource mgmt	18,628	18,357	17,874	483
Department of property management	23,873	21,289	19,599	1,690
Office of contracting & procurement	10,003	10,103	9,483	620
Contract appeals board	774	774	765	9
Office of the chief financial officer	121,617	105,198	105,152	46
Office of the attorney general	78,505	75,899	72,106	3,793
Office of risk management	771	807	722	85
Office of disability rights	1,450	1,285	1,199	86
Office of chief technology officer	33,881	42,601	41,400	1,201
Board of elections and ethics	4,235	11,656	6,428	5,228
Office of campaign finance	1,415	1,415	1,374	41
Public employee relations board	869	829	733	96
Office of employee appeals	1,287	1,212	1,116	96
Metropolitan wash council of governments	396	495	495	-
Municipal facilities: non-capital	121,004	125,222	123,627	1,595
Access to justice	2,951	2,951	2,951	-
District of columbia office of open government	263	-	-	-
Section 103	-	783	783	-
<b>Total governmental direction and support</b>	<b>491,856</b>	<b>489,742</b>	<b>469,407</b>	<b>20,335</b>
<b>Economic development and regulation:</b>				
Business services and economic development	20,456	24,100	19,094	5,006
Office of local business development	5,009	7,934	7,794	140
Office of municipal planning	6,422	6,481	6,126	355
Office of zoning	2,553	2,553	2,466	87
Dept of housing and community development	102,511	82,867	77,548	5,319
Office of motion picture and television development	593	746	645	101
Department of employment services	120,396	119,753	94,025	25,728
Board of real property assess & appeals	1,254	1,254	1,063	191
Dept of consumer and regulatory affairs	24,715	24,115	21,698	2,417
Alcoholic beverage regulation administration	4,843	4,843	4,526	317
Office of cable tv	7,295	7,295	6,957	338
Commission on arts & humanities	5,283	5,824	5,540	284
Housing authority subsidy	22,823	22,823	22,823	-
Business improvement districts transfer	23,000	23,000	20,788	2,212
Housing production trust fund subsidy	14,384	34,018	34,018	-
Office of tenant advocate	1,816	1,876	1,755	121
Public service commission	9,856	10,365	9,748	617
Insurance regulation	15,088	15,280	13,927	1,353
Office of people's counsel	5,170	5,170	4,960	210
<b>Total economic development and regulation</b>	<b>393,467</b>	<b>400,297</b>	<b>355,501</b>	<b>44,796</b>
<b>Public safety and justice:</b>				
Metropolitan police department	444,826	452,532	447,812	4,720
Fire and emergency medical services	196,615	193,815	193,438	377
Police and firefighter retirement system	127,200	127,200	127,200	-
Office of administrative hearings	6,928	6,928	6,710	218
Criminal justice coordinating council	1,992	3,282	2,187	1,095
Corrections information council	130	130	-	130
Department of corrections	134,340	144,979	142,735	2,244
Chief medical officer	7,378	7,378	7,154	224
Forensic health & science lab	1,601	4,857	1,792	3,065
DC national guard	6,581	5,146	5,008	138
Emergency management agency	198,845	174,040	114,632	59,408
Commission on judicial disabilities and tenure	294	326	273	53
Judicial nomination commission	205	264	188	76
Citizen complaint review board	2,058	2,058	1,770	288
Office of unified communications	45,558	46,969	40,472	6,497
Motor vehicle theft prevention commission	250	250	-	250
Office of victim services	12,744	9,966	7,653	2,313
Office of justice grant administration	12,413	11,263	8,619	2,644
Section 103 judgments	-	20,445	20,445	-
Advisory commission on sentencing	768	768	630	138
Office of deputy mayor for public safety and justice	375	375	296	79
<b>Total public safety and justice</b>	<b>1,201,101</b>	<b>1,212,971</b>	<b>1,129,014</b>	<b>83,957</b>

(Continued)

## Exhibit D-1

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS EXPENDITURES**  
**Year Ended September 30, 2011**  
**(\$000s)**

	Budget			
	Original	Revised	Actual	Variance
<b>Public education system:</b>				
District of columbia public schools	603,655	673,956	655,389	18,567
AY12 public school advance appropriations	5,664	5,664	-	-
Public charter schools	427,839	319,629	319,472	157
AY12 public charter school advance appropriations	120,896	120,896	-	-
Teachers' retirement system	3,000	3,000	3,000	-
University of the district of columbia	62,920	66,420	66,420	-
State education office	378,547	378,262	361,456	16,806
DC public library	37,039	37,555	37,340	215
Office of public education facilities modernization	27,641	27,892	26,935	957
DC public charter school board	3,490	1,321	1,304	17
Section 103 judgements	-	1,380	1,380	-
Special education training	93,604	96,779	95,973	806
Non-public tuition	158,017	145,819	135,240	10,579
Department of education	1,227	1,293	1,214	79
<b>Total public education system</b>	<b>1,796,979</b>	<b>1,879,866</b>	<b>1,831,683</b>	<b>48,183</b>
<b>Human support services:</b>				
Department of human services	300,529	325,933	304,460	21,473
Department of health	236,644	226,419	214,622	11,797
Department of parks and recreation	38,972	40,303	38,742	1,561
DC office on aging	23,165	24,834	23,901	933
Unemployment compensation fund	18,512	18,512	16,325	2,187
Disability compensation fund	38,168	29,301	29,301	-
Office of human rights	2,443	2,716	2,700	16
Office on latino affairs	2,664	2,604	2,531	73
Children investment trust	4,625	5,120	5,120	-
Child and family services	253,412	244,324	239,101	5,223
Section 103	-	11,200	11,200	-
Dept of mental health	173,394	173,844	170,485	3,359
Asian and pacific islander affairs	776	785	782	3
Office of veteran affairs	379	379	366	13
Dept of youth rehab services	90,568	101,231	99,585	1,646
Department on disability services	88,595	92,598	90,052	2,546
Department of health care finance	2,105,100	2,226,191	2,215,789	10,402
<b>Total human support services</b>	<b>3,377,946</b>	<b>3,526,294</b>	<b>3,465,062</b>	<b>61,232</b>
<b>Public works:</b>				
Department of public works	101,910	103,880	103,877	3
Department of transportation	96,819	103,418	102,872	546
Taxi cab commission	1,590	1,590	1,415	175
Department of motor vehicles	35,689	38,131	35,374	2,757
Washington metro area transit commission	123	123	123	-
Mass transit subsidies	257,703	257,703	257,703	-
District depart. of environment	97,612	76,173	70,433	5,740
School transit subsidies	6,058	6,058	6,007	51
<b>Total public works</b>	<b>597,504</b>	<b>587,076</b>	<b>577,804</b>	<b>9,272</b>
<b>Other:</b>				
Repayment of loans and interest	410,909	406,067	404,768	1,299
Bond fiscal chg paid from bond proceeds	15,000	15,000	5,885	9,115
Repayment of interest on short-term borrowing	3,000	3,000	2,841	159
Settlements and judgments fund	21,477	21,477	21,477	-
Wilson building	3,598	3,598	3,566	32
Schools modernization fund	8,613	8,613	8,613	-
District retiree health contribution	98,700	98,700	94,200	4,500
Repayment of revenue bonds	7,574	7,574	4,782	2,792
Certificate of participation	33,045	33,045	32,244	801
Convention center transfer dedicated taxes	101,696	96,844	96,844	-
Highway trust fund transfer	37,678	31,273	30,001	1,272
Baseball dedicated tax transfer	29,582	30,336	30,336	-
TIF and pilot transfer	61,304	58,254	58,254	-
Emergency planning and security costs	14,970	14,970	13,507	1,463
Cash reserve	40,000	161	-	161
Equipment lease operating	49,804	48,819	48,247	572
Emergency and contingency reserve funds	3,000	3,000	-	3,000
Pay-go capital	12,071	31,726	31,726	-
Non-departmental	973	973	-	973
DC retirement board	30,338	30,338	21,441	8,897
Housing finance agency	9,339	9,339	-	9,339
<b>Total other</b>	<b>992,671</b>	<b>953,107</b>	<b>908,732</b>	<b>44,375</b>
<b>Total</b>	<b>\$ 8,851,524</b>	<b>\$ 9,049,353</b>	<b>\$ 8,737,203</b>	<b>\$ 312,150</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, 2011**

(\$000s)

	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	\$ 19,225	\$ 18,265	\$ 18,265	\$ -	\$ -	\$ -	\$ -	\$ -
Office of the d.c. auditor	3,840	3,840	3,436	404	-	-	-	-
Advisory neighborhood commissions	889	889	833	56	-	-	-	-
Office of the mayor	8,681	8,359	8,010	349	4,168	3,487	3,487	-
Office of the secretary	2,034	2,047	2,013	34	-	-	-	-
Office of the inspector general	13,329	13,329	12,401	928	2,318	1,696	1,696	-
Medical liability captive	2,500	2,500	196	2,304	-	-	-	-
City administrator / deputy mayor	3,436	4,126	4,012	114	-	-	-	-
DC office of personnel	7,865	8,301	8,135	166	-	-	-	-
Office of finance & resource mgmt	18,357	18,357	17,874	483	-	-	-	-
Department of property management	8,819	7,735	7,136	599	-	-	-	-
Office of contracting & procurement	8,753	8,753	8,294	459	-	-	-	-
Contract appeals board	774	774	765	9	-	-	-	-
Office of the chief financial officer	87,825	87,825	87,779	46	-	1,025	1,025	-
Office of the attorney general	50,220	50,220	48,936	1,284	20,053	17,459	17,452	7
Office of risk management	771	807	722	85	-	-	-	-
Office of disability rights	906	906	819	87	544	379	379	-
Office of chief technology officer	30,128	30,128	29,757	371	438	2,960	2,802	158
Board of elections and ethics	4,085	4,774	4,536	238	150	6,882	1,892	4,990
Office of campaign finance	1,325	1,325	1,325	-	-	-	-	-
Public employee relations board	869	829	733	96	-	-	-	-
Office of employee appeals	1,287	1,212	1,116	96	-	-	-	-
Metropolitan wash council of governments	396	495	495	-	-	-	-	-
Municipal facilities: non-capital	120,439	123,657	122,657	1,000	-	-	-	-
Access to justice	2,951	2,951	2,951	-	-	-	-	-
District of columbia office of open government	263	-	-	-	-	-	-	-
Section 103	-	783	783	-	-	-	-	-
<b>Total governmental direction and support</b>	<b>399,967</b>	<b>403,187</b>	<b>393,979</b>	<b>9,208</b>	<b>27,671</b>	<b>33,888</b>	<b>28,733</b>	<b>5,155</b>
<b>Economic development and regulation:</b>								
Business services and economic development	7,849	10,439	7,658	2,781	5,000	5,578	3,439	2,139
Office of local business development	4,653	7,676	7,536	140	356	258	258	-
Office of municipal planning	5,956	5,831	5,480	351	449	627	626	1
Office of zoning	2,553	2,553	2,466	87	-	-	-	-
Dept of housing and community development	10,538	10,772	10,772	-	83,635	63,647	60,087	3,560
Office of motion picture and television development	547	670	571	99	-	-	-	-
Department of employment services	38,159	38,860	38,148	712	45,911	44,567	34,114	10,453
Board of real property assess & appeals	1,254	1,254	1,063	191	-	-	-	-
Dept of consumer and regulatory affairs	7,871	7,871	7,624	247	-	-	-	-
Alcoholic beverage regulation administration	-	-	-	-	-	-	-	-
Office of cable tv	-	-	-	-	-	-	-	-
Commission on arts & humanities	4,362	4,362	4,182	180	751	816	816	-
Housing authority subsidy	22,823	22,823	22,823	-	-	-	-	-
Business improvement districts transfer	-	-	-	-	-	-	-	-
Housing production trust fund subsidy	14,384	34,018	34,018	-	-	-	-	-
Office of tenant advocate	645	645	560	85	-	-	-	-
Public service commission	-	-	-	-	402	911	509	402
Insurance regulation	-	-	-	-	-	119	115	4
Office of people's counsel	-	-	-	-	-	-	-	-
<b>Total economic development and regulation</b>	<b>121,594</b>	<b>147,774</b>	<b>142,901</b>	<b>4,873</b>	<b>136,504</b>	<b>116,523</b>	<b>99,964</b>	<b>16,559</b>
<b>Public safety and justice:</b>								
Metropolitan police department	407,416	415,116	415,020	96	5,529	5,379	5,183	196
Fire and emergency medical services	195,095	192,295	191,932	363	-	-	-	-
Police and firefighter retirement system	127,200	127,200	127,200	-	-	-	-	-
Office of administrative hearings	6,920	6,920	6,706	214	-	-	-	-
Criminal justice coordinating council	195	195	173	22	1,796	3,070	1,998	1,072
Corrections information council	130	130	-	130	-	-	-	-
Department of corrections	108,534	119,026	117,369	1,657	265	412	412	-
Chief medical officer	7,113	7,113	6,923	190	-	-	-	-
Forensic health & science lab	1,601	1,601	1,191	410	-	3,256	601	2,655
DC national guard	2,278	2,278	2,204	74	4,303	2,868	2,804	64
Emergency management agency	1,932	1,932	1,839	93	196,913	172,108	112,794	59,314
Commission on judicial disabilities and tenure	-	-	-	-	294	326	273	53
Judicial nomination commission	-	-	-	-	205	264	188	76
Citizen complaint review board	2,058	2,058	1,770	288	-	-	-	-
Office of unified communications	26,686	26,686	26,685	1	-	-	-	-
Motor vehicle theft prevention commission	-	-	-	-	-	-	-	-
Office of victim services	2,377	2,427	2,402	25	3,236	2,591	2,251	340
Office of justice grant administration	70	320	49	271	12,343	10,943	8,570	2,373
Section 103 judgments	-	20,445	20,445	-	-	-	-	-
Advisory commission on sentencing	768	768	630	138	-	-	-	-
Office of deputy mayor for public safety and justice	375	375	296	79	-	-	-	-
<b>Total public safety and justice</b>	<b>890,748</b>	<b>926,885</b>	<b>922,834</b>	<b>4,051</b>	<b>224,884</b>	<b>201,217</b>	<b>135,074</b>	<b>66,143</b>

Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
Year Ended September 30, 2011  
(\$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	-	10	10	-	-	-	-	-
Office of the secretary	-	-	-	-	694	1,000	858	142
Office of the inspector general	-	-	-	-	-	-	-	-
Medical liability captive	-	-	-	-	682	682	-	682
City administrator / deputy mayor	-	63	63	-	-	-	-	-
DC office of personnel	-	-	-	-	273	273	186	87
Office of finance & resource mgmt	-	-	-	-	271	-	-	-
Department of property management	-	-	-	-	15,054	13,554	12,463	1,091
Office of contracting & procurement	-	-	-	-	1,250	1,350	1,189	161
Contract appeals board	-	-	-	-	-	-	-	-
Office of the chief financial officer	-	19	19	-	33,792	16,329	16,329	-
Office of the attorney general	139	126	126	-	8,093	8,093	5,592	2,501
Office of risk management	-	-	-	-	-	-	-	-
Office of disability rights	-	-	-	-	-	-	-	-
Office of chief technology officer	-	29	29	-	3,315	9,484	8,813	671
Board of elections and ethics	-	-	-	-	-	-	-	-
Office of campaign finance	-	-	-	-	90	90	49	41
Public employee relations board	-	-	-	-	-	-	-	-
Office of employee appeals	-	-	-	-	-	-	-	-
Metropolitan wash council of governments	-	-	-	-	-	-	-	-
Municipal facilities: non-capital	-	-	-	-	565	1,565	969	596
Access to justice	-	-	-	-	-	-	-	-
District of columbi office of open government	-	-	-	-	-	-	-	-
Section 103	-	-	-	-	-	-	-	-
<b>Total governmental direction and support</b>	<b>139</b>	<b>247</b>	<b>247</b>	<b>-</b>	<b>64,079</b>	<b>52,420</b>	<b>46,448</b>	<b>5,972</b>
<b>Economic development and regulation:</b>								
Business services and economic development	-	-	-	-	7,608	8,083	7,998	85
Office of local business development	-	-	-	-	-	-	-	-
Office of municipal planning	-	-	-	-	18	24	19	5
Office of zoning	-	-	-	-	-	-	-	-
Dept of housing and community development	-	111	79	32	8,337	8,337	6,610	1,727
Office of motion picture and television development	-	-	-	-	46	76	74	2
Department of employment services	80	80	-	80	36,246	36,246	21,763	14,483
Board of real property assess & appeals	-	-	-	-	-	-	-	-
Dept of consumer and regulatory affairs	-	-	-	-	16,844	16,244	14,074	2,170
Alcoholic beverage regulation administration	-	-	-	-	4,843	4,843	4,526	317
Office of cable tv	-	-	-	-	7,295	7,295	6,957	338
Commission on arts & humanities	-	-	-	-	170	646	542	104
Housing authority subsidy	-	-	-	-	-	-	-	-
Business improvement districts transfer	-	-	-	-	23,000	23,000	20,788	2,212
Housing production trust fund subsidy	-	-	-	-	-	-	-	-
Office of tenant advocate	-	-	-	-	1,171	1,231	1,195	36
Public service commission	-	-	-	-	9,453	9,453	9,239	214
Insurance regulation	-	74	59	15	15,088	15,087	13,753	1,334
Office of people's counsel	-	-	-	-	5,170	5,170	4,960	210
<b>Total economic development and regulation</b>	<b>80</b>	<b>265</b>	<b>138</b>	<b>127</b>	<b>135,289</b>	<b>135,735</b>	<b>112,498</b>	<b>23,237</b>
<b>Public safety and justice:</b>								
Metropolitan police department	20	176	138	38	31,861	31,861	27,472	4,389
Fire and emergency medical services	-	-	-	-	1,520	1,520	1,506	14
Police and firefighter retirement system	-	-	-	-	-	-	-	-
Office of administrative hearings	-	-	-	-	8	8	4	4
Criminal justice coordinating council	-	16	16	-	-	-	-	-
Corrections information council	-	-	-	-	-	-	-	-
Department of corrections	-	-	-	-	25,541	25,541	24,953	588
Chief medical officer	-	-	-	-	266	266	230	36
Forensic health & science lab	-	-	-	-	-	-	-	-
DC national guard	-	-	-	-	-	-	-	-
Emergency management agency	-	-	-	-	-	-	-	-
Commission on judicial disabilities and tenure	-	-	-	-	-	-	-	-
Judicial nomination commission	-	-	-	-	-	-	-	-
Citizen complaint review board	-	-	-	-	-	-	-	-
Office of unified communications	-	1,411	-	1,411	18,872	18,872	13,787	5,085
Motor vehicle theft prevention commission	-	-	-	-	250	250	-	250
Office of victim services	-	-	-	-	7,131	4,948	3,000	1,948
Office of justice grant administration	-	-	-	-	-	-	-	-
Section 103 judgments	-	-	-	-	-	-	-	-
Advisory commission on sentencing	-	-	-	-	-	-	-	-
Office of deputy mayor for public safety and justice	-	-	-	-	-	-	-	-
<b>Total public safety and justice</b>	<b>20</b>	<b>1,603</b>	<b>154</b>	<b>1,449</b>	<b>85,449</b>	<b>83,266</b>	<b>70,952</b>	<b>12,314</b>

## Exhibit D-2

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS**  
**Year Ended September 30, 2011**  
**(\$000s)**

	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	544,819	580,176	580,176	-	50,354	51,688	50,958	730
AY12 public school advance appropriations	5,664	5,664			-	-	-	-
Public charter schools	427,839	319,629	319,472	157	-	-	-	-
AY12 public charter school advance appropriations	120,896	120,896			-	-	-	-
Teacher's retirement system	3,000	3,000	3,000	-	-	-	-	-
University of the district of columbia	62,920	66,420	66,420	-	-	-	-	-
State education office	112,374	106,605	100,916	5,689	255,849	267,808	260,243	7,565
DC public library	35,166	35,166	35,089	77	940	1,898	1,898	-
Office of public education facilities modernization	26,203	26,454	25,543	911	-	-	-	-
DC public charter school board	1,321	1,321	1,304	17	-	-	-	-
Section 103 judgements	-	1,380	1,380	-	-	-	-	-
Special education tran	93,604	96,779	95,973	806	-	-	-	-
Non-public tuition	158,017	145,819	135,240	10,579	-	-	-	-
Department of education	1,227	1,293	1,214	79	-	-	-	-
<b>Total public education system</b>	<b>1,466,490</b>	<b>1,510,602</b>	<b>1,492,287</b>	<b>18,315</b>	<b>307,143</b>	<b>321,394</b>	<b>313,099</b>	<b>8,295</b>
<b>Human support services:</b>								
Department of human services	140,175	140,175	136,000	4,175	158,204	181,181	166,293	14,888
Department of health	72,223	74,018	72,815	1,203	149,223	134,772	127,286	7,486
Department of parks and recreation	37,577	38,567	37,326	1,241	-	-	-	-
DC office on aging	16,165	16,679	16,623	56	6,999	8,115	7,238	877
Unemployment compensation fund	18,512	18,512	16,325	2,187	-	-	-	-
Disability compensation fund	38,169	29,301	29,301	-	-	-	-	-
Office of human rights	2,166	2,166	2,150	16	277	550	550	-
Office on latino affairs	2,664	2,604	2,531	73	-	-	-	-
Children investment trust	4,625	5,120	5,120	-	-	-	-	-
Child and family services	191,596	191,596	188,388	3,208	61,048	51,446	49,659	1,787
Section 103	-	11,200	11,200	-	-	-	-	-
Dept of mental health	162,687	162,687	160,971	1,716	6,002	5,435	5,210	225
Asian and pacific islander affairs	776	785	782	3	-	-	-	-
Office of veteran affairs	379	379	366	13	-	-	-	-
Dept of youth rehab services	90,311	98,711	97,064	1,647	258	2,521	2,520	1
Department on disability services	53,344	53,344	53,084	260	29,051	31,341	31,341	-
Department of health care finance	589,782	616,179	607,816	8,363	1,513,300	1,608,744	1,606,913	1,831
<b>Total human support services</b>	<b>1,421,151</b>	<b>1,462,023</b>	<b>1,437,862</b>	<b>24,161</b>	<b>1,924,362</b>	<b>2,024,105</b>	<b>1,997,010</b>	<b>27,095</b>
<b>Public works:</b>								
Department of public works	96,441	96,441	96,441	-	-	-	-	-
Department of transportation	17,940	17,940	17,937	3	3,800	5,352	5,295	57
Taxi cab commission	1,078	1,078	1,049	29	-	-	-	-
Department of motor vehicles	23,868	25,802	23,831	1,971	-	508	508	-
Washington metro area transit commission	123	123	123	-	-	-	-	-
Mass transi subsidies	245,703	245,703	245,703	-	-	-	-	-
District depart. of environment	12,611	12,611	12,321	290	52,742	33,094	32,751	343
School transit subsidies	6,058	6,058	6,007	51	-	-	-	-
<b>Total public works</b>	<b>403,822</b>	<b>405,756</b>	<b>403,412</b>	<b>2,344</b>	<b>56,542</b>	<b>38,954</b>	<b>38,554</b>	<b>400</b>
<b>Other:</b>								
Repayment of loans and interest	406,705	401,863	400,564	1,299	-	-	-	-
Bond fiscal chg paid from bond proceeds	15,000	15,000	5,885	9,115	-	-	-	-
Repayment of interest on short-term borrowing	3,000	3,000	2,841	159	-	-	-	-
Settlements and judgments fund	21,477	21,477	21,477	-	-	-	-	-
Wilson building	3,598	3,598	3,566	32	-	-	-	-
Schools modernization fund	8,613	8,613	8,613	-	-	-	-	-
District retiree health contribution	98,700	98,700	94,200	4,500	-	-	-	-
Repayment of revenue bonds	7,574	7,574	4,782	2,792	-	-	-	-
Certificate of participation	33,045	33,045	32,244	801	-	-	-	-
Convention center transfer-dedicated taxes	101,696	96,844	96,844	-	-	-	-	-
Highway trust fund transfer	37,678	31,273	30,001	1,272	-	-	-	-
Baseball dedicated tax transfer	29,582	30,336	30,336	-	-	-	-	-
TIF and pilot transfer	61,304	58,254	58,254	-	-	-	-	-
Emergency planning and security costs	-	-	-	-	14,970	14,970	13,507	1,463
Cash reserve	40,000	161	-	161	-	-	-	-
Equipment lease operating	49,804	48,819	48,247	572	-	-	-	-
Emergency and contingency reserve funds	3,000	3,000	-	3,000	-	-	-	-
Pay-go capital	-	18,683	18,683	-	-	-	-	-
Non-departmental	-	-	-	-	-	-	-	-
DC retirement board	-	-	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-	-	-
<b>Total other</b>	<b>920,776</b>	<b>880,240</b>	<b>856,537</b>	<b>23,703</b>	<b>14,970</b>	<b>14,970</b>	<b>13,507</b>	<b>1,463</b>
<b>Total</b>	<b>\$ 5,624,548</b>	<b>\$ 5,736,467</b>	<b>\$ 5,649,812</b>	<b>\$ 86,655</b>	<b>\$ 2,692,076</b>	<b>\$ 2,751,051</b>	<b>\$ 2,625,941</b>	<b>\$ 125,110</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, 2011**  
**(\$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	3,992	37,102	20,898	16,204	4,490	4,990	3,356	1,634
AY12 public school advance appropriations	-	-	-	-	-	-	-	-
Public charter schools	-	-	-	-	-	-	-	-
AY12 public charter school advance appropriations	-	-	-	-	-	-	-	-
Teacher's retirement system	-	-	-	-	-	-	-	-
University of the district of columbia	-	-	-	-	-	-	-	-
State education office	-	56	47	9	10,325	3,794	250	3,544
DC public library	-	-	-	-	932	490	354	136
Office of public education facilities modernization	-	-	-	-	1,438	1,438	1,392	46
DC public charter school board	-	-	-	-	2,169	-	-	-
Section 103 judgements	-	-	-	-	-	-	-	-
Special education tran	-	-	-	-	-	-	-	-
Non-public tuition	-	-	-	-	-	-	-	-
Department of education	-	-	-	-	-	-	-	-
<b>Total public education system</b>	<b>3,992</b>	<b>37,158</b>	<b>20,945</b>	<b>16,213</b>	<b>19,354</b>	<b>10,712</b>	<b>5,352</b>	<b>5,360</b>
<b>Human support services:</b>								
Department of human services	-	10	10	-	2,150	4,567	2,155	2,412
Department of health	319	750	735	15	14,879	16,879	13,787	3,092
Department of parks and recreation	-	341	341	-	1,395	1,395	1,075	320
DC office on aging	-	40	40	-	-	-	-	-
Unemployment compensation fund	-	-	-	-	-	-	-	-
Disability compensation fund	-	-	-	-	-	-	-	-
Office of human rights	-	-	-	-	-	-	-	-
Office on latino affairs	-	-	-	-	-	-	-	-
Children investment trust	-	-	-	-	-	-	-	-
Child and family services	17	281	54	227	750	1,000	1,000	-
Section 103	117	233	233	-	4,588	5,488	4,072	1,416
Dept of mental health	-	-	-	-	-	-	-	-
Asian and pacific islander affairs	-	-	-	-	-	-	-	-
Office of veteran affairs	-	-	-	-	-	-	-	-
Dept of youth rehab services	-	-	-	-	-	-	-	-
Department on disability services	-	-	-	-	6,200	7,914	5,628	2,286
Department of health care finance	-	-	-	-	2,018	1,268	1,060	208
<b>Total human support services</b>	<b>453</b>	<b>1,655</b>	<b>1,413</b>	<b>242</b>	<b>31,980</b>	<b>38,511</b>	<b>28,777</b>	<b>9,734</b>
<b>Public works:</b>								
Department of public works	-	-	-	-	5,470	7,440	7,436	4
Department of transportation	-	141	141	-	75,079	79,985	79,500	485
Taxi cab commission	-	-	-	-	511	511	365	146
Department of motor vehicles	-	-	-	-	11,821	11,821	11,035	786
Washington metro area transit commission	-	-	-	-	-	-	-	-
Mass transit subsidies	-	-	-	-	12,000	12,000	12,000	-
District depart. of environment	293	273	272	1	31,966	30,195	25,089	5,106
School transit subsidies	-	-	-	-	-	-	-	-
<b>Total public works</b>	<b>293</b>	<b>414</b>	<b>413</b>	<b>1</b>	<b>136,847</b>	<b>141,952</b>	<b>135,425</b>	<b>6,527</b>
<b>Other:</b>								
Repayment of loans and interest	-	-	-	-	4,204	4,204	4,204	-
Bond fiscal chg paid from bond proceeds	-	-	-	-	-	-	-	-
Repayment of interest on short-term borrowing	-	-	-	-	-	-	-	-
Settlements and judgments fund	-	-	-	-	-	-	-	-
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	-	-	-	-	12,071	13,043	13,043	-
Non-departmental	-	-	-	-	973	973	-	973
DC retirement board	-	-	-	-	30,338	30,338	21,441	8,897
Housing finance agency	-	-	-	-	9,339	9,339	-	9,339
<b>Total other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,925</b>	<b>57,897</b>	<b>38,688</b>	<b>19,209</b>
<b>Total</b>	<b>\$ 4,977</b>	<b>\$ 41,342</b>	<b>\$ 23,310</b>	<b>\$ 18,032</b>	<b>\$ 529,923</b>	<b>\$ 520,493</b>	<b>\$ 438,140</b>	<b>\$ 82,353</b>

See Accompanying Independent Auditors' Report.

## Exhibit D-3

**FINANCIAL REPORTING ENTITY**  
**SCHEDULE OF BUDGET REVISIONS**  
**Year Ended September 30, 2011**  
**(\$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	\$ 1,653,786	\$ 79,402	\$ 1,733,188	\$ -	\$ -	\$ -
Sales and use taxes	1,096,616	13,286	1,109,902	-	-	-
Income taxes	1,568,883	(9,682)	1,559,201	-	-	-
Other taxes	<u>550,522</u>	<u>101,343</u>	<u>651,865</u>	-	-	-
Total taxes	4,869,807	184,349	5,054,156	-	-	-
Licenses and permits	64,276	(4,328)	59,948	-	-	-
Fines and forfeits	166,425	(35,164)	131,261	-	-	-
Charges for services	43,587	7,918	51,505	-	-	-
Miscellaneous	173,813	(31,254)	142,559	-	-	-
Other	-	-	-	-	-	-
Federal contributions	-	-	-	124,725	35,102	159,827
Operating grant	-	-	-	2,567,351	23,873	2,591,224
General obligation bonds	15,000	-	15,000	-	-	-
Fund balance released from restrictions	34,914	1,076	35,990	-	-	-
Transfer in from Lottery Board	68,500	(5,243)	63,257	-	-	-
Transfer in-others	<u>189,550</u>	<u>(5,928)</u>	<u>183,622</u>	-	-	-
<b>Total revenues and sources</b>	<b><u>5,625,872</u></b>	<b><u>111,426</u></b>	<b><u>5,737,298</u></b>	<b><u>2,692,076</u></b>	<b><u>58,975</u></b>	<b><u>2,751,051</u></b>
<b>Expenditures and Uses:</b>						
Governmental direction and support	399,967	3,220	403,187	27,671	6,217	33,888
Economic development and regulation	121,594	26,180	147,774	136,504	(19,981)	116,523
Public safety and justice	890,748	36,137	926,885	224,884	(23,667)	201,217
Public education system	1,466,490	(82,448)	1,384,042	307,143	14,251	321,394
Public education AY12 expenditure	-	126,560	126,560	-	-	-
Human support services	1,421,151	40,872	1,462,023	1,924,362	99,743	2,024,105
Public works	403,822	1,934	405,756	56,542	(17,588)	38,954
Repayment of loans and interest	406,705	(4,842)	401,863	-	-	-
Bond fiscal chg paid from bond proceeds	15,000	-	15,000	-	-	-
Repayment of interest on short-term borrowin	3,000	-	3,000	-	-	-
Settlements and judgments fund	21,477	-	21,477	-	-	-
Wilson building	3,598	-	3,598	-	-	-
Schools modernization fund	8,613	-	8,613	-	-	-
District retiree health contribution	98,700	-	98,700	-	-	-
Repayment of revenue bonds	7,574	-	7,574	-	-	-
Certificate of participation	33,045	-	33,045	-	-	-
Convention center transfer-dedicated taxes	101,696	(4,852)	96,844	-	-	-
Highway trust fund transfer	37,678	(6,405)	31,273	-	-	-
Baseball dedicated tax transfer	29,582	754	30,336	-	-	-
TIF and pilot transfer	61,304	(3,050)	58,254	-	-	-
Emergency planning and security costs	-	-	-	14,970	-	14,970
Cash reserve	40,000	(39,839)	161	-	-	-
Equipment lease operating	49,804	(985)	48,819	-	-	-
Emergency and contingency reserve funds	3,000	-	3,000	-	-	-
Pay-go capital	-	18,683	18,683	-	-	-
Non-departmental	-	-	-	-	-	-
DC retirement board	-	-	-	-	-	-
Housing finance agency	-	-	-	-	-	-
<b>Total expenditures and uses</b>	<b><u>5,624,548</u></b>	<b><u>111,919</u></b>	<b><u>5,736,467</u></b>	<b><u>2,692,076</u></b>	<b><u>58,975</u></b>	<b><u>2,751,051</u></b>
<b>Excess of Revenues and Sources Over Expenditures and Uses</b>						
Expenditures and Uses	\$ <u>1,324</u>	\$ <u>(493)</u>	\$ <u>831</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, 2011**  
**(\$000s)**

	<b>Private Grant and Contributions</b>			<b>Other Sources</b>		
	<b>Original Budget</b>	<b>Reprog-ramming</b>	<b>Revised Budget</b>	<b>Original Budget</b>	<b>Reprog-ramming</b>	<b>Revised Budget</b>
<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	-	-	-	450,133	820	450,953
Federal contributions	-	-	-	-	-	-
Operating grant	4,977	36,365	41,342	-	-	-
General obligation bonds	-	-	-	-	-	-
Fund balance released from restrictions	-	-	-	79,790	(10,250)	69,540
Transfer in from Lottery Board	-	-	-	-	-	-
Transfer in-others	-	-	-	-	-	-
<b>Total revenues and sources</b>	<b>4,977</b>	<b>36,365</b>	<b>41,342</b>	<b>529,923</b>	<b>(9,430)</b>	<b>520,493</b>
<b>Expenditures and Uses:</b>						
Governmental direction and support	139	108	247	64,079	(11,659)	52,420
Economic development and regulation	80	185	265	135,289	446	135,735
Public safety and justice	20	1,583	1,603	85,449	(2,183)	83,266
Public education system	3,992	33,166	37,158	19,354	(8,642)	10,712
Public education FY12 expenditure	-	-	-	-	-	-
Human support services	453	1,202	1,655	31,980	6,531	38,511
Public works	293	121	414	136,847	5,105	141,952
Repayment of loans and interest	-	-	-	4,204	-	4,204
Bond fiscal chg paid from bond proceeds	-	-	-	-	-	-
Repayment of interest on short-term borrowing	-	-	-	-	-	-
Settlements and judgments fund	-	-	-	-	-	-
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	-	-	-	12,071	972	13,043
Non-departmental	-	-	-	973	-	973
DC retirement board	-	-	-	30,338	-	30,338
Housing finance agency	-	-	-	9,339	-	9,339
<b>Total expenditures and uses</b>	<b>4,977</b>	<b>36,365</b>	<b>41,342</b>	<b>529,923</b>	<b>(9,430)</b>	<b>520,493</b>
<b>Excess of Revenues and Sources Over Expenditures and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



*[This page intentionally left blank]*



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

# CAFR 2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**YEAR ENDED SEPTEMBER 30, 2011**

**VINCENT C. GRAY • MAYOR**

**NATWAR M. GANDHI • CHIEF FINANCIAL OFFICER**



**STATISTICAL SECTION**

## **Statistical Section (Unaudited)**

This section contains statistical tables that reflect information on financial trends, revenue capacity, debt capacity, demographics and the economy, and other data regarding the District's operations. 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>161</b>
<b>2. Revenue Capacity.....</b>		<b>169</b>
<b>3. Debt Capacity .....</b>		<b>175</b>
<b>4. Demographic and Economic Information .....</b>		<b>181</b>
<b>5. Operating Information .....</b>		<b>183</b>



*[This page intentionally left blank]*

---

## **1. Financial Trends**

These schedules contain trend information, which may be used to better understand how the District's financial performance and well-being have changed over time.

---

**Net Assets By Component**  
**Last Ten 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>2011</b>
<b>Governmental activities</b>											
Invested in capital assets, net of related debt											
Restricted	\$ 656,901	\$ 518,223	\$ 774,533	\$ 1,069,731	\$ 958,597	\$ 1,197,275	\$ 1,794,279	\$ 2,155,206	\$ 2,437,385	\$ 2,534,538	
Unrestricted	834,006	870,284	807,839	930,021	987,550	1,269,708	1,156,213	852,061	1,117,560	963,694	
Total governmental activities net assets	<u>(625,908)</u>	<u>(593,786)</u>	<u>(370,474)</u>	<u>(249,088)</u>	<u>167,779</u>	<u>92,345</u>	<u>(404,959)</u>	<u>(505,804)</u>	<u>(739,720)</u>	<u>(527,647)</u>	
	<u>864,999</u>	<u>794,721</u>	<u>1,211,898</u>	<u>1,750,664</u>	<u>2,114,026</u>	<u>2,559,328</u>	<u>2,545,533</u>	<u>2,501,463</u>	<u>2,815,225</u>	<u>2,970,585</u>	
<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	478	
Restricted	271,361	262,148	288,224	322,893	347,938	375,148	374,282	304,773	233,296	226,229	
Unrestricted	1,990	37,442	34,829	34,968	29,000	25,980	24,773	25,864	8,628	3,501	
Total business-type activities net assets	<u>274,846</u>	<u>300,944</u>	<u>340,980</u>	<u>374,044</u>	<u>394,443</u>	<u>418,339</u>	<u>415,802</u>	<u>346,649</u>	<u>246,751</u>	<u>230,208</u>	
<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	2,535,016	
Restricted	1,105,367	1,132,432	1,096,063	1,252,914	1,335,588	1,644,856	1,530,495	1,156,334	1,350,856	1,189,923	
Unrestricted	<u>(623,918)</u>	<u>(556,344)</u>	<u>(335,645)</u>	<u>(214,120)</u>	<u>196,779</u>	<u>118,325</u>	<u>(380,186)</u>	<u>(479,940)</u>	<u>(731,092)</u>	<u>(524,146)</u>	
<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>\$ 3,061,976</b>	<b>\$ 3,200,793</b>	

\* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 information has been adjusted (see note I.Y, page 73)  
Source: Information was extracted from Exhibit I-a, Statement of Net Assets, Page 42.

Exhibit S-1A

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	* 2011
<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	\$ 783,557
Economic development and regulation	323,804	252,716	253,311	283,186	391,203	509,874	499,644	470,567	374,149	370,592
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	1,521,863
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	2,086,722
Human support services	2,267,597	2,572,881	2,537,195	2,663,556	2,967,572	2,992,805	3,285,325	3,598,570	3,677,405	3,889,182
Public works	279,506	312,704	313,580	307,247	351,917	481,702	586,649	553,233	497,027	489,304
Public transportation	184,883	272,726	162,602	167,783	187,615	198,484	214,905	230,499	243,668	257,703
Interest on long-term debt	175,241	178,301	189,697	201,882	269,725	281,918	293,339	336,536	324,319	356,164
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>	<u>9,755,717</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	126,407
Public works	129,441	129,251	134,875	132,533	146,628	151,957	206,771	196,119	219,005	228,287
Others	95,967	118,370	81,369	102,431	84,298	80,790	61,273	98,211	118,943	135,407
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	3,343,747
Capital grants & contributions	161,450	176,449	151,334	112,704	119,715	130,557	175,841	180,602	259,277	172,964
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>	<u>4,006,812</u>
<b>Net expenses</b>	<u>(3,458,920)</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>	<u>(5,748,905)</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	1,881,733	1,803,691
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	1,121,257
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	1,656,283
Gross receipts taxes	231,786	211,643	271,897	295,819	278,453	302,768	302,873	315,976	295,531	279,002
Other taxes	283,146	273,191	379,521	377,213	390,542	498,198	413,401	261,909	264,959	403,199
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	6,122
Miscellaneous	333,943	325,529	314,596	311,662	431,182	456,425	458,469	530,847	447,368	563,400
Special items	(171,994)	-	-	-	(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	71,311
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>5,787,449</u>	<u>5,904,265</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>\$ 277,588</u>	<u>\$ 155,360</u>

\* Due to the District's policy change on the recognition of personal property tax revenues. FY2010 information has been adjusted (see note 1X, page 73).

Source: Information was extracted from Exhibit 1-b, Statement of Activities, Page 43.

**Statistical Section**

<b>Changes in Net Assets Last Ten Fiscal Years (accrual basis of accounting, dollars in thousands)</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>2011</b>
<b>Business activities</b>											
<b>Program revenues</b>											
Charges for services, fees, fines & forfeitures:											
Lottery and games	\$ 148,670	\$ 166,185	\$ 167,938	\$ 164,066	\$ 193,907	\$ 192,336	\$ 182,981	\$ 176,625	\$ 163,393	\$ 169,526	
Unemployment compensation	191,043	165,045	113,888	92,728	102,749	99,920	150,237	370,775	480,976	408,997	
Nursing home services	-	34,687	33,023	35,066	35,434	37,556	40,837	44,601	18,817	4,555	
Total business-type activities expenses	<u>339,713</u>	<u>365,917</u>	<u>314,849</u>	<u>291,860</u>	<u>322,090</u>	<u>329,812</u>	<u>374,055</u>	<u>592,001</u>	<u>663,186</u>	<u>583,078</u>	
General revenues											
Taxes:											
Other taxes	104,945	82,626	97,196	92,985	95,888	90,117	92,733	94,622	129,471	128,875	
Investment earnings	18,978	19,332	16,847	18,887	19,321	20,841	21,317	19,061	13,584	11,764	
Miscellaneous	-	261,00	250	680	710	1,095	16,355	152,161	229,709	226,355	
Transfers	(63,000)	(37,574)	(73,500)	(71,450)	(73,800)	(65,376)	(70,300)	(68,775)	(96,624)	(71,311)	
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>	<u>295,683</u>	
Change in net assets --- business-type activities	\$ <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>	\$ <u>(16,541)</u>	
Total primary government	\$ 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	\$ 10,338,795	
Expenses	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	4,277,664	
Program revenues	(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)	(6,061,131)	
Net (expenses)/revenues	3,540,539	3,848,030	4,272,366	4,717,555	5,158,255	5,823,492	6,199,753	6,171,379	6,063,589	6,199,948	
Change in net assets --- primary government	\$ <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>177,690</u>	\$ <u>138,817</u>	

\* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 information has been adjusted see note 1X, page 73.  
 Source: Information was extracted from Exhibit 1-b, Statement of Activities, Page 43.

**Exhibit S-1B**  
(Continued)

**Fund Balances, Governmental Funds**  
**Last Ten 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	94,588
<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>\$ 930,769</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	<u>(472,305)</u>	<u>(169,287)</u>	<u>(273,432)</u>	<u>(312,161)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<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>

**2011****General Fund**

Nonspendable	\$ 18,465
Restricted	756,650
Committed	256,287
Assigned	73,492
<b>Total general fund</b>	<b>\$ 1,104,894</b>

**All other governmental funds**

Nonspendable	\$ -
Restricted	621,740
Committed	-
Assigned	-
<b>Total all other governmental funds</b>	<b>\$ 621,740</b>

\* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 information has been adjusted.

In FY2011, the District implemented GASB Statement #54; presentation is not comparable to prior years.

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

**Exhibit S-1C**

**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting, dollars in thousands)*

Exhibit S-1D

							*			
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<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	\$ 4,956,910	\$ 5,260,486
Fines and forfeits	88,495	90,238	102,828	111,146	112,919	101,971	99,452	106,169	128,473	129,448
Licenses and permits	52,003	62,189	62,968	82,093	81,222	89,072	94,988	91,230	86,251	102,769
Charges for services	145,546	170,736	134,314	133,923	131,273	143,934	184,709	202,079	234,598	257,884
Investment earnings	19,283	13,341	16,211	39,811	73,206	124,420	95,847	28,242	19,156	5,789
Miscellaneous	352,861	320,460	305,039	311,573	489,067	444,262	457,747	524,046	447,365	549,006
Federal contributions	490,373	380,100	393,928	382,966	362,075	440,962	433,206	573,446	670,186	617,845
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	2,898,866
Total revenues	<u>5,919,991</u>	<u>5,976,561</u>	<u>6,665,116</u>	<u>7,141,164</u>	<u>7,635,282</u>	<u>8,489,718</u>	<u>8,619,977</u>	<u>8,988,423</u>	<u>9,454,401</u>	<u>9,822,093</u>
<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	698,117
Economic development and regulation	223,760	224,811	236,220	267,335	348,091	444,508	461,707	405,140	388,324	351,814
Public safety and justice	899,116	907,670	984,062	1,034,456	1,133,860	1,241,684	1,369,907	1,381,873	1,546,473	1,517,640
Public education system	1,143,281	1,155,297	1,284,448	1,340,767	1,439,510	1,541,794	1,716,701	1,850,200	1,904,023	1,943,438
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	3,823,317
Public works	149,302	164,753	164,231	175,300	184,200	329,942	416,982	388,713	318,590	265,750
Public transportation	184,883	272,726	162,602	167,783	187,615	198,484	214,905	230,499	245,668	257,703
Debt service:										
Principal	138,575	149,792	152,086	183,845	205,654	232,389	251,998	277,523	209,746	211,696
Interest and other charges	189,006	178,301	189,697	202,387	225,195	258,769	287,354	292,484	300,123	33,872
Fiscal charges	-	15,338	13,721	9,277	31,958	15,095	25,330	19,659	64,332	14,296
Total debt service	<u>327,581</u>	<u>343,431</u>	<u>355,504</u>	<u>395,509</u>	<u>462,807</u>	<u>506,253</u>	<u>564,682</u>	<u>589,666</u>	<u>574,401</u>	<u>559,864</u>
<b>Subtotal expenditures</b>	<u>5,544,207</u>	<u>5,929,615</u>	<u>6,233,898</u>	<u>6,629,342</u>	<u>7,320,280</u>	<u>7,889,860</u>	<u>8,663,038</u>	<u>9,003,821</u>	<u>9,302,881</u>	<u>9,417,643</u>
Capital outlay	905,418	762,145	666,649	615,089	901,204	1,024,541	1,390,415	1,130,971	1,359,488	1,189,356
Total expenditures	<u>6,449,625</u>	<u>6,691,760</u>	<u>6,900,547</u>	<u>7,244,431</u>	<u>8,221,484</u>	<u>8,914,401</u>	<u>10,053,453</u>	<u>10,134,792</u>	<u>10,662,369</u>	<u>10,606,999</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(529,634)</u>	<u>(715,199)</u>	<u>(235,431)</u>	<u>(103,267)</u>	<u>(586,202)</u>	<u>(424,683)</u>	<u>(1,433,476)</u>	<u>(1,146,569)</u>	<u>(1,207,568)</u>	<u>(784,906)</u>
<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	745,025
Refunding debt issuance	69,715	163,170	-	-	116,475	251,155	675,895	580,140	835,010	63,860
Premium on sale of bonds	-	-	-	14,478	39,944	16,063	36,282	50,198	89,505	24,711
Payment to escrow agent	(69,487)	(234,179)	-	-	(136,137)	(264,334)	(675,385)	(607,640)	(855,011)	(63,335)
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	45,801
Transfers in	63,000	77,119	109,717	193,439	685,206	694,229	477,829	447,639	429,033	302,059
Transfers out	(34,476)	(36,217)	(121,989)	(611,406)	(628,853)	(407,529)	(378,864)	(332,409)	(230,748)	(230,748)
Sale of capital assets	-	-	-	-	12,168	726	6,800	-	-	-
<b>Total other financing sources</b>	<u>453,637</u>	<u>845,131</u>	<u>430,108</u>	<u>487,442</u>	<u>1,466,861</u>	<u>733,479</u>	<u>808,402</u>	<u>651,986</u>	<u>950,588</u>	<u>887,373</u>
Special items	-	-	-	-	(8,838)	-	-	-	-	-
Net change in fund balances	<u>\$ (75,997)</u>	<u>\$ 130,232</u>	<u>\$ 194,677</u>	<u>\$ 384,175</u>	<u>\$ 880,659</u>	<u>\$ 289,958</u>	<u>\$ (449,824)</u>	<u>\$ (494,383)</u>	<u>\$ (257,380)</u>	<u>\$ 102,467</u>
Total capital expenditures	<u>\$ 936,680</u>	<u>\$ 811,674</u>	<u>\$ 690,609</u>	<u>\$ 648,795</u>	<u>\$ 771,069</u>	<u>\$ 857,739</u>	<u>\$ 1,402,291</u>	<u>\$ 1,222,453</u>	<u>\$ 1,455,655</u>	<u>\$ 936,823</u>
Debt service as a percentage of noncapital expenditures	<u>5.94%</u>	<u>5.58%</u>	<u>5.50%</u>	<u>5.86%</u>	<u>5.78%</u>	<u>6.10%</u>	<u>6.23%</u>	<u>6.40%</u>	<u>5.54%</u>	<u>5.64%</u>

\* Due to the District's policy change on the recognition of personal property tax revenues, FY2010 information has been adjusted.

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 Ten Fiscal Years**  
*(modified accrual basis of accounting. dollars in thousands)*

Fiscal Year	Property Tax			Sales and Use	Income and Franchise	Gross Receipts	Other Taxes	Total
	Real	Personal	Rental					
2002	\$ 726,014	\$ 65,208	\$ 13,172	\$ 750,060	\$ 1,160,423	\$ 231,786	\$ 283,146	\$ 3,229,809
2003	822,845	67,294	11,749	779,920	1,167,452	261,643	273,191	3,384,094
2004	947,690	63,558	16,840	828,391	1,299,009	271,897	379,521	3,806,906
2005	1,058,100	72,068	18,165	957,394	1,472,432	295,819	377,213	4,251,191
2006	1,163,598	55,548	22,336	970,885	1,591,483	278,453	390,542	4,472,845
2007	1,452,267	67,394	32,239	1,056,780	1,736,361	302,768	498,198	5,146,007
2008	1,666,315	59,690	33,086	1,101,859	1,755,894	302,873	413,401	5,333,118
2009	1,832,748	69,163	32,612	1,052,011	1,478,068	315,976	261,909	5,042,487
2010	1,790,519	56,501 *	34,264 **	1,081,005	1,434,131	295,531	264,959	4,956,910
<b>2011</b>	<b>1,715,069</b>	<b>52,696</b>	<b>32,980</b>	<b>1,121,257</b>	<b>1,656,283</b>	<b>279,002</b>	<b>403,199</b>	<b>5,260,486</b>

\* Due to the District's Policy change on the recognition of personal property tax revenues, FY2010 Information has been adjusted (see note 1Y, page 73)

\*\* Corrected to reflect proper classification

Source: Information was extracted from Exhibit 2-b, Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 45.

**Exhibit S-1E**



*[This page intentionally left blank]*

---

## **2. Revenue Capacity**

These schedules contain information regarding the District's most significant local revenue sources: property, income, and sales and use taxes.

---

## Statistical Section

---

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

Exhibit S-2A

Fiscal Year	Estimated Actual Value		Total Taxable	Tax Exempt	Total Value	Total Direct Tax Rate**	Tax Exempt as a % of Total Value
	Commercial Property	Residential Property *					
2002	\$ 27,619,604	\$ 24,902,543	\$ 52,522,147	\$ 33,812,037	\$ 86,334,184	1.39	39.2%
2003	29,684,430	28,379,237	58,063,667	35,728,289	93,791,956	1.38	38.1%
2004	33,752,889	32,701,220	66,454,109	43,234,068	109,688,177	1.35	39.4%
2005	36,905,213	49,982,554	86,887,767	43,219,725	130,107,492	1.37	33.2%
2006	40,400,447	58,090,888	98,491,335	59,664,865	158,156,200	1.34	37.7%
2007	51,748,487	73,126,786	124,875,273	57,690,545	182,565,818	1.31	31.6%
2008	61,557,827	81,400,361	142,958,188	67,869,520	210,827,708	1.30	32.2%
2009	68,495,502	84,544,053	153,039,555	81,211,121	234,250,676	1.29	34.7%
2010	68,254,862	81,862,427	150,117,289	82,113,504	232,230,793	1.30	35.4%
2011	59,224,100	80,063,402	139,287,502	81,528,158	220,815,660	1.25	36.9%

\* After deduction of homestead exemption and credits against tax for 2002-2007

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.

Note: Assessed value is 100 percent of estimated actual value

Source: Office of Tax and Revenue

### Direct Property Tax Rates Last Ten Fiscal Years

Exhibit S-2B

Fiscal Year	Direct Property Tax Rate			Total Direct
	Basic Rate	General Obligation Debt Service	Redevelopment Program	
2002	0.79	0.60	-	1.39
2003	0.78	0.60	-	1.38
2004	0.90	0.45	-	1.35
2005	0.92	0.45	-	1.37
2006	0.94	0.40	-	1.34
2007	0.86	0.45	-	1.31
2008	0.98	0.32	-	1.30
2009	1.01	0.28	-	1.29
2010	1.02	0.28	-	1.30
2011	0.97	0.28	-	1.25

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				General (1)	Cigarette (2)	Motor Fuel (3)	Individual (4)	Business (5)	Commercial	Residential
	Owner occupied	Tenant occupied	Hotels	Improved	Unimproved	Personal							
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
2011	0.85	0.85	1.85	1.85	0.85/1.65/1.85	3.40	0.0600	2.5/3.13	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)**

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
JBG/FEDERAL CENTER LLC	\$ 589,319	1	0.423%	\$ ***	***	***
MANUFACTURERS LIFE INSURANCE	440,137	2	0.316%	230,800	3	0.439%
CARR CRHP PROPERTIES LLC	367,825	3	0.264%	246,402	2	0.469%
WARNER INVESTMENTS LP	352,100	4	0.253%	176,831	5	0.337%
DAVID NASSIF ASSOCIATES	338,000	5	0.243%	137,633	11	0.262%
SECOND ST HOLDING LLC	330,369	6	0.237%	***	***	***
WASHINGTON SQUARE LIMITED PARTNERSHIP	318,484	7	0.229%	270,454	1	0.515%
UNITED BROTHERHOOD CRPT JNR AM NATL H S FD	307,635	8	0.221%	111,171	25	0.212%
BP/CRF 901 NEW YORK AVENUE LLC	296,747	9	0.213%	17,793	109	0.034%
1301 K STREET LP	296,688	10	0.213%	164,184	6	0.313%

\*\*\* 2002 exact rank cannot 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	\$ 505,652
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	459,053
INTER-AMERICAN DEVELOPMENT BANK	429,786
CATHOLIC UNIVERSITY OF AMERICA	386,066
PRESIDENT & DIRECTORS OF GEORGETOWN UNIVERSITY	339,631
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

Note: Duplicate property listings result from owners with multiple properties.

Source: Office of Tax and Revenue

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

**Exhibit S-2F**

<b>Fiscal Year Ended Sept 30</b>	<b>Current Levy</b>			<b>Prior Years</b>			<b>Total</b>		
	<b>Levy</b>	<b>Collections</b>	<b>Percent Collected</b>	<b>Outstanding Balances Billed</b>	<b>Collections</b>	<b>Percent Collected</b>	<b>Billed</b>	<b>Collected</b>	<b>Total</b>
2007	\$ 1,405,056	\$ 1,361,132	96.9%	\$ 75,081	\$ 66,500	88.6%	\$ 1,480,137	\$ 1,427,632	96.5%
2008	1,662,835	1,615,583 (1)	97.2%	70,895	59,885 (1)	84.5%	1,733,730	1,675,468	96.6%
2009	1,861,953	1,752,290 (2)	94.1%	100,910	65,868 (2)	65.3%	1,962,863	1,818,158	92.6%
2010	1,792,100	1,735,602 (3)	96.8%	144,883	94,683 (3)	65.4%	1,936,983	1,830,285	94.5%
2011	1,639,902	1,610,533	98.2%	226,333	111,465	49.2%	1,866,235	1,721,998	92.3%

(1) Previously reported collections for 2008 include tax overpayments for both the current levy and prior years balances of \$7,490 and \$7,500 respectively.

(2) Previously reported collections for 2009 include tax overpayments for both the current levy and prior years balances of \$8,648 and \$3,615 respectively.

(3) Previously reported collections for 2010 include tax overpayments for both the current levy and prior years balances of \$10,940 and \$2,361 respectively.

Note: Table reflects a modification to the tax levy data previously reported, which included new billings of prior year tax, penalty and interest amounts due. Data has been reformatted to specifically identify prior year amounts included in the annual amounts billed. The table reflects five years of data, as the detailed information on delinquent amounts included in the tax levy for years 2002 - 2006 is not available in the format required.

**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				
2002	9.30%	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	6.55%	
2003	9.30%	30,000	30,000	30,000	30,000	6.66%	
2004	9.30%	30,000	30,000	30,000	30,000	6.65%	
2005	9.00%	30,000	30,000	30,000	30,000	6.68%	
2006	8.70%	40,000	40,000	40,000	40,000	6.45%	
2007	8.50%	40,000	40,000	40,000	40,000	6.20%	
2008	8.50%	40,000	40,000	40,000	40,000	5.93%	
2009	8.50%	40,000	40,000	40,000	40,000	5.64%	
2010	8.50%	40,000	40,000	40,000	40,000	5.36%	
2011	8.50%	40,000	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	2011				2002			
	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	51,407	15.48%	\$ 912,993,646	71.10%	27,209	9.26%	\$ 532,346,481	56.80%
\$75,001 -- \$100,000	24,515	7.38%	112,025,637	8.72%	15,056	5.13%	85,558,079	9.13%
\$50,001 -- \$75,000	43,709	13.17%	123,664,233	9.63%	32,079	10.92%	119,679,177	12.77%
\$25,001 -- \$50,000	79,131	23.84%	106,442,104	8.29%	79,194	26.97%	146,682,161	15.65%
\$10,001 -- \$25,000	67,304	20.27%	26,883,360	2.09%	73,438	25.01%	48,152,683	5.14%
\$10,000 -- and lower	65,921	19.86%	2,164,701	0.17%	66,712	22.72%	4,770,807	0.51%
Total	331,987	100.00%	\$ 1,284,173,681	100.00%	293,688	100.00%	\$ 937,189,388	100.00%

Note: Amounts not expressed in thousands.

Source: Office of Tax and Revenue



*[This page intentionally left blank]*

---

### **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.

---

**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 *
2002	\$ 2,670,573	\$ 52,522,147	5.08%	\$ 4,611
2003	3,251,118	58,063,667	5.60%	5,631
2004	3,418,933	66,454,109	5.14%	5,900
2005	3,632,198	86,887,767	4.18%	6,240
2006	3,773,863	98,491,335	3.83%	6,446
2007	4,140,133	124,875,273	3.32%	7,043
2008	4,592,518	142,958,188	3.21%	7,760
2009	3,766,628	153,039,555	2.46%	6,281
2010	2,781,053	150,117,289	1.85%	4,598
2011	2,829,598	139,287,502	2.03%	4,579

\* The prior year per capita amounts were updated to reflect the revised census population estimates.

**Pledged-Revenue Coverage  
Last Nine Fiscal Years**  
(dollars in thousands)

Exhibit S-3B

Fiscal Year	Tax Increment Financing Debts					
	Sales Tax Increment	Real Property Tax Increment	Debt Service		Interest	Coverage
			Principal			
2003	\$ -	\$ -	\$ -	\$ -	4,236	0.00%
2004	790	-	-	-	4,236	18.65%
2005	4,507	2,397	4,942	4,764	71.13%	
2006	8,299	974	4,809	4,899	95.52%	
2007	8,948	3,516	4,666	5,042	128.39%	
2008	9,090	1,563	4,565	5,147	109.69%	
2009	10,032	4,918	4,467	5,245	153.93%	
2010	7,529	4,431	4,390	5,320	123.17%	
2011	10,904	3,750	4,323	5,385	150.95%	

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

Beginning FY 2010, the District revised the presentation of the Exhibit by removing sales tax increment and real property tax increment that were 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.

**Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years**  
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities										Total				
	General Obligation Bonds	Income Tax Secured Bonds	TIF Bonds	Qualified Zone Academy Bonds	Certificates of Leases	Capital Participation	Balpark Bonds	HPTF Bonds(3)	PILOT Revenue Bonds(4)	GARVEE Bonds(5)	Tobacco Bonds(1)	Total Debt	Total Debt as a Percentage of Personal Income	"Tax Supported Debt" Per Capita	Total Debt Per Capita
2002	\$ 2,670,573	\$ -	\$ 126,545	\$ 3,582	\$ -	\$ 157,057	\$ -	\$ -	\$ -	\$ 514,280	\$ 3,472,037	\$ 25,786,286	13.5%	\$ 5,995	
2003	3,251,118	-	125,524	3,327	129,530	90,458	-	-	-	506,550	4,106,507	26,913,785	15.3%	7,112	
2004	3,418,333	-	124,009	3,071	128,345	84,456	-	-	-	502,740	4,261,554	29,203,213	14.6%	7,354	
2005	3,632,198	-	117,525	2,815	120,760	76,390	-	-	-	498,740	4,448,428	31,874,543	14.0%	7,643	
2006	3,773,363	-	109,895	5,221	278,100	67,942	534,800	-	-	742,284	5,512,105	33,895,852	16.3%	8,448	
2007	4,140,133	-	105,229	4,787	270,780	59,868	528,490	34,105	-	737,069	5,880,461	36,119,426	16.3%	10,003	
2008	4,592,518	-	100,664	6,713	261,375	52,403	526,415	33,570	155,630	724,484	6,453,772	39,131,118	16.5%	10,905	
2009	3,766,628	1,071,783	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
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	42,338,254	17.0%	11,886	
2011	2,829,598	3,029,100	87,484	8,573	230,335	27,433	512,850	84,335	142,375	82,610	690,289	7,724,982	N/A	12,500	
														11,383	

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

(5) GARVEE - Federal Highway Grant Anticipation Revenue Bonds

N/A - Not Available

## Statistical Section

**Exhibit S-3D**

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

**Debt Service Cost Margin Calculation for Fiscal Year 2011:**

General fund revenue \$ 5,995,246

Debt service cost limitation (17% of general fund revenue) \$ 1,019,192

Debt expenditure applicable to limit:

Principal \$ 179,097

Interest 266,272

Subtotal for current year 445,369

Highest debt service cost \$ 456,152

Total debt service cost subject to the limitation \$ 456,152

Debt service cost margin \$ 563,040

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt service cost limitation	\$ 622,331	\$ 627,516	\$ 735,472	\$ 823,558	\$ 875,852	\$ 1,000,584	\$ 1,039,711	\$ 1,002,774	\$ 977,459	\$ 1,019,192
Highest future year debt service cost	\$ 284,114	\$ 319,160	\$ 339,003	\$ 359,735	\$ 383,659	\$ 406,161	\$ 456,152	\$ 408,506	\$ 408,555	\$ 456,152
Debt service cost margin	\$ 338,217	\$ 308,356	\$ 396,469	\$ 463,823	\$ 492,193	\$ 594,523	\$ 583,559	\$ 594,268	\$ 568,904	\$ 563,040
Total debt service cost subject to the limit as a percentage of debt service cost limit	45.7 %	50.9 %	46.1 %	43.7 %	43.8 %	40.6 %	43.9 %	40.7 %	41.8 %	44.8 %
Debt limit ratio	7.8 %	8.6 %	7.8 %	7.4 %	7.4 %	6.9 %	7.5 %	6.9 %	7.1 %	7.6 %

Note: Under the District of Columbia Self-Government and Governmental Reorganization Act, no long term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long term debt to exceed 17 percent of the revenues of the fiscal year in which the debt is issued. The debt service percent is calculated using the highest fiscal year debt service divided by the total revenues.

**Limitation On Borrowing**  
*(dollars in thousands)*

General Fund Expenditures:	\$ 5,859.897
General Fund Transfers out:	123,499
<b>Total:</b>	<b>\$ 5,983,396</b>
Limitation on borrowing (12%):	718,008
FY 2011 debt service cost:	608,482
<b>Margin on Limitation:</b>	<b>\$ 109,526</b>
<b>FY 2011 Debt service percentage:</b>	<b>10.17%</b>

## Exhibit S-3E

<b>Debt Service Expenditures by Fiscal Year</b>						
<b>Long Term Debt</b>	<b>2011</b>			<b>2012</b>		
	Principal	Interest	Total	Principal	Interest	Total
General Obligation Bonds <sup>1</sup>	\$ 132,785	121,181	253,966	63,583	141,794	205,377
Income Tax Secured Revenue Bonds <sup>1</sup>	23,160	136,175	159,335	90,830	143,394	234,224
TIF Bonds <sup>2</sup>	4,323	5,385	9,708	4,269	5,440	9,709
TIF Notes <sup>3</sup>	11,813	7,528	19,341	1,783	4,699	6,482
QZAB	945	-	945	945	-	945
Capital Leases	8,675	2,040	10,715	9,189	1,521	10,710
Balpark Revenue Bonds <sup>4</sup>	4,540	26,488	31,028	4,915	26,507	31,422
Equipment Financing Program	43,674	4,372	48,046	40,227	3,396	43,623
HPTF Revenue Bonds	1,280	3,502	4,782	1,530	4,044	5,574
PILOT Bonds <sup>4</sup>	6,290	5,615	11,905	6,575	5,134	11,709
PILOT Notes <sup>5</sup>	-	229	229	151	500	651
NCRC Revenue Bonds <sup>7</sup>	1,038	467	1,505	1,091	440	1,531
COPs	10,850	11,772	22,622	11,400	11,216	22,616
Washington Convention and Sports Authority	12,700	21,655	34,355	13,265	34,752	48,017
<b>Total:</b>	<b>\$ 262,073</b>	<b>\$ 146,409</b>	<b>\$ 408,482</b>	<b>\$ 29,751</b>	<b>\$ 182,817</b>	<b>\$ 613,591</b>
				<b>\$ 274,815</b>	<b>\$ 177,318</b>	<b>\$ 452,121</b>
				<b>\$ 255,128</b>	<b>\$ 167,701</b>	<b>\$ 617,829</b>

Notes:

1. Interest on Floating Rate General Obligation, Income Tax Secured Revenue and ballpark Revenue Bonds assumed at 1.5% through FY 2015.

2. TIF Bonds include the Gallery Place and Mandarin Oriental Hotel projects.

3. TIF Notes include the Capitol Hill Towers, Forever 21, Georgia Avenue CVS, Howard Theatre, Madame Tussaud's, the National Crime & Punishment Museum, Verizon Center, Waterfront Center, Waterfront Arts, H&M, Shakespeare Theatre and the Zara projects.

4. PILOT Bonds include Anacostia Waterfront Corp. and Capper/Carrollburg (PILOT) Bonds will be paid from proceeds of refunding bonds issued on or before the maturity of December 1, 2012.

6. PILOT Notes include Rhode Island Place and Foundry Lofts projects.

7. Interest on the NCRC Revenue Bonds is priced at 70% of 1M LIBOR plus 1.50%. (1M LIBOR is assumed at 1.50%).

Source: Office of Finance and Treasury



*[This page intentionally left blank]*

---

#### **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.

---

## Statistical Section

---

### 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)
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	604,912	42,338,254	70,044	37.2	718,000	9.8%	34,481	10,761
2011	617,996	N/A	N/A	33.8	720,100	10.3%	40,113	11,578

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	2010**			2001		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Georgetown University	*	1	*	*	4	*
The George Washington University	*	2	*	*	1	*
Washington Hospital Center	*	3	*	*	3	*
Children's National Medical Center	*	4	*	*	6	*
Georgetown University Hospital	*	5	*	*	5	*
American University	*	6	*	*	9	*
Howard University	*	7	*	*	2	*
Fannie Mae	*	8	*	*	7	*
The Catholic University of America	*	9	*	*	11	*
Providence Hospital	*	10	*	*	12	*
Howard University Hospital	*	11	*	*	8	*
Admiral Security Services	*	12	*	*	106	*
George Washington University Hospital	*	13	*	*	22	*
Total	<u>48,228</u>		<u>7.0%</u>	<u>43,331</u>		<u>6.8%</u>

\* 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.

\*\* 2011 data will not be available until fiscal year 2012

Source: Department of Employment Services, Labor Market Research and Information Office

---

## **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.

---

## Statistical Section

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>GOVERNMENTAL DIRECTION AND SUPPORT</b>										
<i>General Obligation Bonds</i>										
Bond rating by S&P	BBB+	A-	A	A+	A+	A+	A+	A+	A+	A+
Bond rating by Moody's	Baa1	Baa1	A2	A2	A2	A1	A1	A1	A2	Aa2
Bond rating by Fitch	BBB+	A-	A-	A-	A	A+	A+	A+	AA-	AA-
<i>Income Tax Secured Revenue Bond *</i>										
Bond rating by S&P	-	-	-	-	-	-	-	-	AAA	AAA
Bond rating by Moody's	-	-	-	-	-	-	-	-	Aa1	Aa1
Bond rating by Fitch	-	-	-	-	-	-	-	-	AA+	AA+
*First issued in FY 2009										
<b>ECONOMIC DEVELOPMENT AND REGULATION</b>										
Taxable retail sales (\$ millions)	\$ 7,485	\$ 7,683	\$ 8,343	\$ 10,487	\$ 10,051	\$ 9,971	\$ 11,048	\$ 10,198	\$ 11,191	\$ 11,697
Commercial construction units	59	59	115	125	121	173	156	107	138	124
Value	\$ 919,252	\$ 418,049	\$ 1,720,869	\$ 1,466,387	\$ 1,366,931	\$ 1,300,454	\$ 1,938,197	\$ 2,321,216	\$ 1,518,394	\$ 941,963
Residential construction units	448	499	506	861	815	664	1,237	1,003	850	899
Value	\$ 102,861	\$ 68,931	\$ 117,803	\$ 192,609	\$ 186,685	\$ 182,298	\$ 276,722	\$ 269,812	\$ 214,187	\$ 235,996
<b>Housing Finance Agency</b>										
Number of Single-Family Units Financed	161	5	0	0	67	273	218	109	15	53
Amount of Single-Family Financing Provided (\$ 000s)	\$ 19,600	\$ 612	\$ 0	\$ 0	\$ 16,820	\$ 59,070	\$ 43,795	\$ 24,750	\$ 2,704	\$ 9,897
Number of Multi-Family Units Financed	1,893	1,237	525	7,623	1,165	1,198	917	297	1,307	729
Amount of Multi-Family Financing Provided (\$ 000s)	\$ 101,205	\$ 76,358	\$ 36,051	\$ 133,510	\$ 71,543	\$ 118,978	\$ 91,014	\$ 28,255	\$ 137,000	\$ 78,512
Total Number of Housing Units Financed	2,054	1,242	525	7,623	1,232	1,471	1,135	406	1,322	782
Total Amount of Housing Financing Provided (\$ 000s)	\$ 120,805	\$ 76,970	\$ 36,051	\$ 133,310	\$ 88,363	\$ 178,048	\$ 134,809	\$ 33,005	\$ 139,704	\$ 88,409
<b>PUBLIC SAFETY AND JUSTICE</b>										
<b>Police</b>										
Crime Index Offenses	40,213	39,797	36,246	32,678	32,311	33,043	35,351	34,977	30,872	31,772
Number of Police Officers	3,666	3,711	3,800	3,800	3,800	3,907	4,050	4,047	3,960	3,801
<b>Fire &amp; EMS</b>										
Number of Operational Personnel **	1,648	1,765	1,768	1,831	1,800	1,818	1,958	165,725	1,946	1,941
Total Number of Incidents	138,277	142,154	140,585	145,812	149,395	153,778	158,919	162,440	161,795	161,795
Total Number of Fire/Rescue Incidents	30,672	30,559	30,029	30,989	32,015	32,363	32,396	30,728	31,562	31,527
Number of Medical Incidents	107,605	11,595	110,556	114,823	117,380	121,415	126,523	134,997	130,878	130,268
Total number of Transports	75,785	79,245	77,289	73,314	75,186	76,841	81,981	86,824	94,039	97,689
Inspections	20,303	13,055	26,703	29,072	28,636	19,282	13,175	22,716	24,862	14,231

\*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.

### PUBLIC LIBRARY

Number of Volumes

2,721,119	2,600,062	2,559,601	2,333,957	2,873,518	3,037,696	2,897,099	2,525,848	2,242,514	1,601,581
-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

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

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>PUBLIC EDUCATION SYSTEM</b>										
<b>D.C. Public School System</b>										
Number of School Teachers	4,938	4,365	5,206	4,938	4,614	4,509	4,328	3,722	3,758	3,850
Number of School Students	67,522	65,093	62,306	62,306	56,943	52,945	46,208	46,132	45,772	48,737
Number of High School Graduates	2,894	2,723	2,740	2,680	2,450	2,489	2,555	2,679	2,790	2,954
<b>University of the District of Columbia</b>										
Number of Teachers	260	260	208	219	215	242	247	241	231	222
Number of Students	5,468	5,241	5,424	5,364	5,772	5,612	5,595	5,260	5,855	5,286
Number of Graduates	466	483	508	503	573	475	599	711	602	641
<b>PUBLIC WORKS/PUBLIC TRANSPORTATION</b>										
Street Resurfaced (includes reconstruction); regular cover; pavement restoration (miles)	103.1	27.8	36.5	90.0	65.2	52.3	32.1	18.0	13.0	67.0
Potholes Repaired	7,005	7,679	9,177	5,272	3,649	6,262	2,800	2,400	5,580	6,863
Refuse collected (tons per day)	491	511	506	485	425	406	404	378	390	393
Recyclables collected (tons per day)	78	83	84	85	86	95	98	105	110	107
Tons of Bulk Trash Removed	4,898	4,994	5,362	4,956	4,610	4,831	4,025	4,136	3,611	3,536
Tons of Leaves Removed	8,983	8,014	6,651	9,569	9,588	7,834	10,072	8,289	8,050	6,914
Tons of Snow Removed	638,106	8,056,083	2,472,659	880,000	853,712	661,050	674,225	808,732	5,298,905	850,000
<b>Department of Motor Vehicles</b>										
Number of motor vehicle registrations (1/1 - 12/31)	231,848	235,907	243,874	250,602	260,662	271,243	269,549	259,367	276,585	278,915
Number of operator licenses issued (1/1 - 12/31)	70,491	78,022	96,760	80,765	90,456	117,902	112,072	110,846	109,630	111,354
Number of operator licenses outstanding (1/1 - 12/31)	N/A	241,304	237,526	314,650	357,569	396,193	342,816	340,316	348,036	357,228
<b>D.C. WATER AND SEWER AUTHORITY</b>										
Number of Customer locations	130,000	122,502	122,802	123,062	123,465	124,109	124,582	125,130	124,993	125,653
Average daily water consumption (MGD)	135	86	87	86	87	87	84	80	79	80
Daily maximum sewer capacity (MGD)	1,076	370	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	169	163	201	189	106	151	183	204	214	231
Attendees	915,988	891,008	1,023,072	1,153,250	935,485	1,028,953	1,091,406	1,053,266	1,015,324	1,017,638
N/A: Not Available										

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

**Exhibit S-5B**

Function/Program	Fiscal Years									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Police</b>										
Police Stations Including Satellites	14	14	16	16	16	16	17	11	11	11
Number of Patrol Cars	N/A	N/A	1,207	1,199	1,234	1,222	1,242	1,200	1,183	1,195
<b>Fire</b>										
Number of Fire and EMS stations	34	34	34	34	33	34	34	34	34	34
Number of Front-line Emergency Vehicles	78	91	92	92	107	130	111	126	126	123
<b>EMS</b>										
Number of Ambulances	53	65	62	62	91	78	79	77	78	89
<b>D.C. Public School System</b>										
Schools	146	147	147	165	144	144	144	131	122	123
Number of School Buses	N/A	N/A	650	669	712	727	727	790	753	802
<b>Public Library</b>										
Number of Main and Branch Buildings	22	22	22	22	22	22	22	24	25	25
Number of Community and Kiosk Facilities	5	5	5	5	5	5	5	0	0	0
<b>Parks and Recreation</b>										
Acreage	800	800	800	800	832	836	836	836	836	883
Number of Recreation & Community Centers	78	75	75	72	70	73	75	75	79	78
Number of Day Camps	78	57	70	51	86	86	71	68	76	91
Number of Outdoor Swimming Pools	22	32	27	26	24	26	24	24	23	23
Number of Indoor Swimming Pools	7	6	6	8	6	8	7	7	10	8
<b>Public Works/Public Transportation</b>										
Number of Refuse Collection Trucks	52	52	52	71	71	77	77	84	71	70
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	66,089	66,570	66,562	66,650	66,630	68,000	68,000	68,000	68,000	68,000
Number of Signalized Intersections	1,529	1,533	1,534	1,538	1,563	1,570	1,575	1,600	1,700	1,603
Number of Trees	106,000	110,000	114,000	118,000	120,934	128,540	144,000	145,312	146,920	144,000
<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

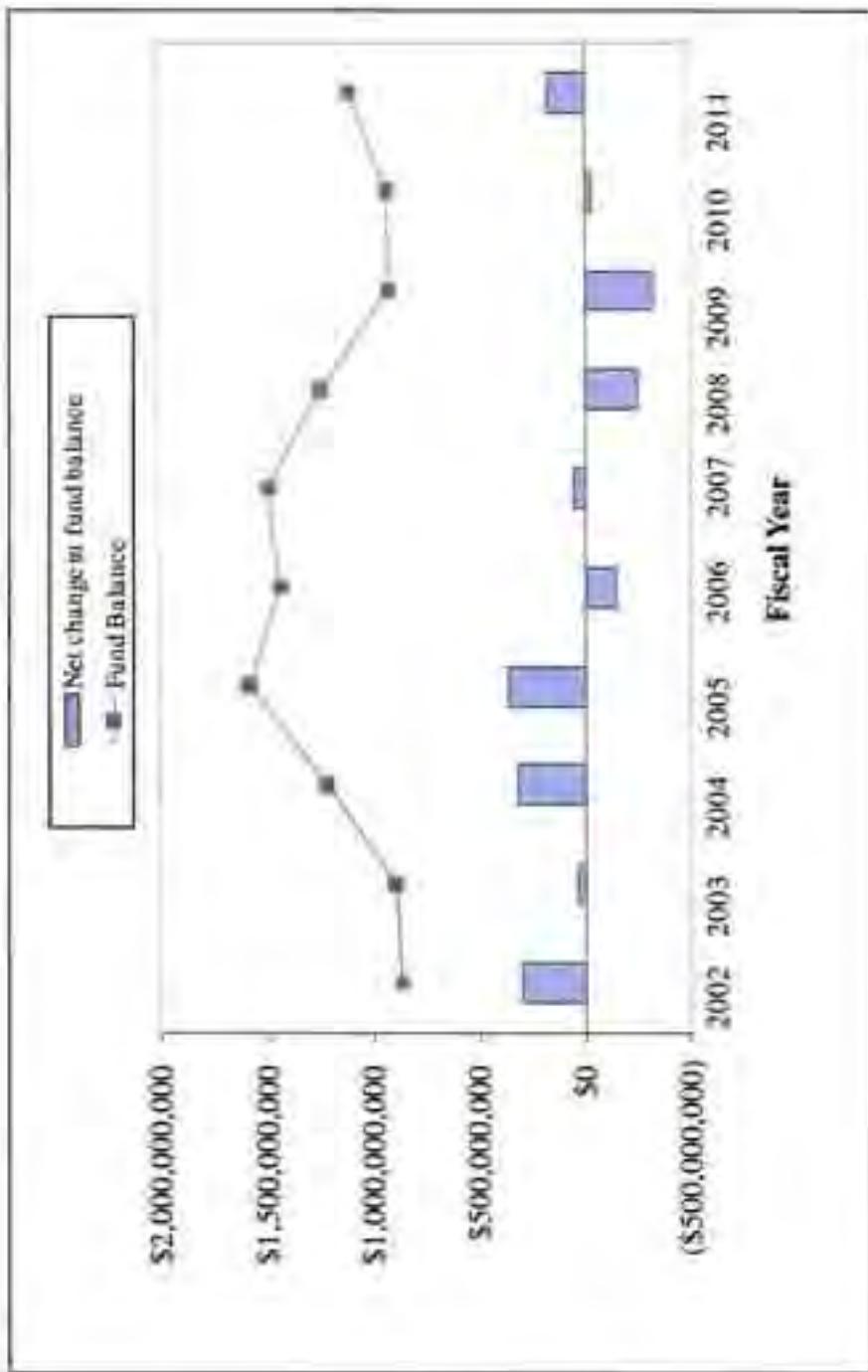
Budgeted Full-Time Equivalent District Government Employees, by Function, General Operating Funds  
 Last Ten Fiscal Years  
*(Year ended Sept 30)*

Function	Full-time Equivalent District Government Employees						2010	2011
	2002	2003	2004	2005	2006	2007		
Governmental direction and support	2,647	2,417	2,358	2,419	2,475	2,613	2,725	2,440
Economic development and regulation	556	538	1,000	986	1,104	1,157	1,220	1,230
Public safety and justice	7,169	7,379	7,547	7,963	7,919	8,234	8,720	8,728
Public education system	11,344	10,818	10,770	9,211	9,714	9,367	8,618	8,323
Human support services	4,095	4,280	4,211	4,555	4,611	4,571	4,816	7,651
Public works	1,585	1,454	1,624	1,752	1,789	1,889	2,073	4,559
<b>Total</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>27,235</b>

Source: Office of Budget and Planning

**Exhibit S-5D**

**General Fund  
Fund Balance Trend Chart**





GOVERNMENT OF THE DISTRICT OF COLUMBIA

**OFFICE OF THE CHIEF FINANCIAL OFFICER**

Room 203, John A. Wilson Building  
1350 Pennsylvania Avenue, NW  
Washington, DC 20004

TEL 202.727.2476

FAX 202.727.1643

**cfo.dc.gov**

**PHOTOS**

Ernest Grant  
OCFO Office of Communication

YEAR ENDED SEPTEMBER 30, 2011