

Introductory Section



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Government of the District of Columbia
Office of the Chief Financial Officer

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 1999

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OFFICE OF FINANCIAL OPERATIONS AND SYSTEMS

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April 28, 2000

Ms. Valerie Holt
Chief Financial Officer

Management Responsibility

The comprehensive annual financial report of the District of Columbia for the fiscal year ended September 30, 1999, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of my knowledge and belief, the enclosed data 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 account groups of the District. This report includes all disclosures necessary to enable the reader to gain an understanding of the District's financial activities.

Report Sections

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the District's organizational chart, a list of principal officials and the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the general purpose financial statements, the combining and individual fund statements and schedules, and the independent auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

Financial Reporting Entity

A financial reporting entity consists of a primary government and its component units. The primary government is the District, which consists of all the organizations that make up its legal entity. The District of Columbia Financial Responsibility and Management Assistance Authority (Financial Responsibility Authority) is presented as a blended component unit, as required by generally accepted accounting principles (GAAP).

The Public Benefit Corporation, Water and Sewer Authority, Convention Center, Sports Commission, Housing Finance Authority and University are legally separate organizations for which the elected officials of the District are financially accountable. The financial data of these component units are reported separately from the financial data of the primary government.

The District of Columbia Housing Authority is a legally separate organization for which the District is not accountable until it begins to appoint a voting majority of the board after receivership terminates. The Housing Authority was placed into receivership by order of the Superior Court of the District of Columbia on May 19, 1995. Transactions between the Housing Authority and the District are presented in the notes to the financial statements.

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The Washington Metropolitan Area Transit Authority is a legally separate organization that is owned, operated and governed by Maryland, Virginia and the District as a joint venture in which the participants retain an ongoing financial responsibility. Transactions between the Transit Authority and the District are presented in the notes to the financial statements.

Economic Condition and Outlook

As the nation's capital, the District of Columbia is the seat of the three branches of the federal government and headquarters for most federal departments and agencies. The federal work force in the District averaged 181,000 employees in 1998 while an additional 142,000 federal employees worked elsewhere in the metropolitan area. This represents a 2% decrease in the federal work force in the District since 1996. Although both the District and the federal governments employed fewer people this year, the economy of the District has expanded.

In addition to its role as the nation's capital, the District is host to foreign embassies and recognized diplomatic missions from 166 nations. A number of international organizations have their headquarters in the District, including the International Monetary Fund, the World Bank, the World Health Organizations, the Inter-American Development Bank, and the Organization of American States.

More than 400 museums and historical landmarks attract millions of visitors to Washington, D.C. each year. Among the more popular attractions are the White House, the U.S. Capitol, the Smithsonian Institution, and the monuments and memorials to presidents Washington, Lincoln, Jefferson, and Franklin Delano Roosevelt. The African-American Civil War Memorial is the most recent addition to the war memorials, joining those dedicated to veterans of Vietnam and Korea. Our visitors also toured the National Archives, the Frederick Douglas National Historic Site, the U.S. Holocaust Museum, the John F. Kennedy Center for the Performing Arts, and the National Gallery of Art.

In 1998, approximately 21.2 million people visited the Washington, D.C. area and spent a total of \$5.91 billion for lodging, meals, retail purchases and services. This direct visitor spending generated an additional \$3.78 billion in indirect local economic growth in the form of jobs in related industries, wages and tax revenues. The total economic impact of the tourism/hospitality industry in 1997 was \$9.69 billion, supporting 260,800 jobs for the region and 122,695 for the District of Columbia. The District's share of the total visitor spending was \$4.23 billion.

The Washington metropolitan area has developed into a diverse economic entity with the technology industry overtaking the federal government employment as the base. Significant expansion in services, aerospace, high-speed Internet technology and communications provide many employment opportunities and the region has developed into a site for many corporate headquarters. The District is home to several major institutions of higher learning, including Catholic, Gallaudet, Georgetown, George Washington, Howard, and the American Universities. The District has 18 acute and long-term care facilities, including the Children's Hospital National Medical Center, District of Columbia Health and Hospitals Public Benefit Corporation, St. Elizabeth Hospital, the Walter Reed Army Medical Center, and several university hospitals. The Washington Hospital Center operates a regional shock and trauma center. The headquarters of more than 2,500 national trade associations, voluntary societies and labor organizations are also located in the District.

Total employment in the District increased to 616,400 in 1999 from 611,000 in 1998. The government portion of District jobs decreased during the same period, suggesting that the majority of new jobs occurred in the private sector. Private sector employment in 1998 increased slightly in the areas of services (44.5%) and finance, insurance, and real estate (4.7%). Compared to 1997, the proportion of private sector jobs in wholesale/ retail (7.8%) and in transportation and public utilities (2.6%) decreased in 1998. The proportion of construction and manufacturing jobs remained the same (3.6%).

Total employment in the metropolitan area was 2,559,000 in 1998 and 2,519,000 in 1997. Because this number excludes self-employed, domestic workers, military, and foreign government personnel, it excludes significant portions of the actual work force employed in the region. District employment stayed at approximately 24% of the area total. The September 1999 unemployment rate in the District was 6.1% compared to 8.5% in September 1998. The national unemployment rate was 4.2% in September 1999 and 4.4% in September 1998.

Per capita personal income in the District was \$38,721 in 1999 and \$36,248 in 1998, compared to \$26,412 and \$25,598, respectively, for the United States. The relatively high per capita and household incomes in the District result from a combination of factors, including multiple-earner households, small household size (holding steady at 2.2 in

1998), and a large percentage of college graduates concentrated in highly skilled occupations. The District has a significant number of lower income residents with 24% of the population in poverty according to a 1996 census report and 26% of the population receiving Medicaid benefits in 1997. Food stamp program participation covered 85,000 persons in 1998, or 16.2% of the population, and approximately 39,000 households. The National School Lunch program covered 51,000 students in 1997.

The District population continued to decline in 1999 to 519,000; however, there is optimism that the city's long decline in population will level off. The rate of decline is expected to reverse and begin increasing again in 2001. Census data indicated a 16% population decrease between 1970 and 1980, and an additional 5% between 1980 and 1990. The population less than 20 years of age represented 76% of the decline between 1970 and 1990. Adults over 64 years of age increased by 5% over that same 20-year period. Population estimates since 1990 indicate a continuing decline in total population about 1.7% per year, although the decline in 1999 was only 1.3%.

The anticipated increase in total employment marks an important milestone in the District's shift to an economy that is stable and less dependent on the federal government. It appears that the trend for federal operations to move into suburban areas is slowing, and the District's economic base is continuing its shift from government employment towards private sector services. Private sector jobs have increased both in the city and in the region. The District's private sector base includes fewer of the volatile technology industries that are found elsewhere in the region, and includes more stable industries such as law. Current development projects in retail, entertainment, tourism, and housing suggest additional growth in private sector employment over the next several years.

Major Initiatives

The District has experienced a considerable decline in the assessed value of taxable real property, from \$48.7 billion in 1992 to \$42.4 billion in 1999. This decline results chiefly from a 33% decline in commercial property assessments during the same period, from \$27.9 billion in 1992 to \$18.7 billion in 1999.

In December 1997, a privately financed sports arena, the MCI Center, opened in downtown Washington. The arena has 20,000 seats and 50,000 square feet of retail space. The Redevelopment Land Agency acquired land and financed related infrastructure improvements from dedicated District taxes. In 1995, the District established the Washington Convention Center Authority to operate the existing convention center and to construct a new convention center using dedicated tax revenues. The convention center project, now in its second year of construction, is already providing direct employment opportunities. Like the MCI Center, this project will also provide opportunities for direct employment in its operations beginning in 2003, and indirect opportunities for the hospitality and tourism segments of the District job market.

The Taxpayer Relief Act of 1997 (PL 105-34) established the District of Columbia Enterprise Zone through December 31, 2002. The new zone consists of the previously existing enterprise community plus all other census tracts for which the poverty rate is at least 20%. The law also increased the limitation on tax-exempt economic development bonds to \$15 million; eliminated the federal capital gains tax through December 31, 2007 on business stock, partnership interest, and business property held for more than five years in all census tracts for which the poverty rate is at least 10%; and provided a maximum \$5,000 federal income tax credit for qualified first time home buyers through December 31, 2000.

The National Capital Revitalization and Self-Government Improvement Act of 1997 (Revitalization Act) became effective on October 1, 1997. The Revitalization Act created many financial and structural changes between the District and the federal government. The federal Medicaid reimbursement rate was increased to 70% from 50%. The debt service limitation was increased to 17% of general fund revenues from 14%. The federal government assumed pension costs for services rendered prior to July 1, 1997. The federal payment in lieu of taxes was eliminated and a federal contribution of \$190 million was authorized to reflect restrictions and unusual costs imposed on the District. The District's court and felony offender systems were transferred to the federal government.

Year 2000 Issues

For most of the last thirty years, many computer applications were written with the year represented by the last two digits of the year and the first two digits were implied, in order to minimize data storage needs. When developed, these applications were not expected to be in operation at the end of the century; however, many of these applications continued to be used by both the District and organizations with which the District conducts business. Because the

Year 2000 (Y2K) had a potentially adverse affect on operations, the District established a Year 2000 program office to manage and coordinate Y2K compliance activities throughout the city. This Y2K office identified more than 300 different applications in 68 District agencies; 232 of these applications in 18 agencies were identified as mission critical. They assessed information technology (IT) systems, provided hardware and software support, remediated and tested IT systems, identified non-IT assets with Y2K risks, and coordinated contingency planning and vendor management. As of the opinion date, the District has experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue.

Accounting System

The District's accounting system is organized and operated on a fund basis. A fund is a group of functions combined into a separate accounting entity (corresponding to a corporation in the private sector) having its own assets, liabilities, equity, revenues, and expenditures/expenses. The types of funds used are determined by generally accepted accounting principles. The number of funds established within each type is determined by sound financial administration. Specialized accounting and reporting principles and practices apply to governmental and expendable trust funds. Proprietary and pension trust funds are accounted for in the same manner as similar business enterprises or nonbusiness organizations.

Internal Control

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District maintains budgetary controls designed to monitor compliance with expenditure limitations contained in the annual appropriated budget approved by the United States Congress. A project-length financial plan is adopted for the Capital Projects Fund. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within the General Fund. The District also maintains an encumbrance recording system as one technique of accomplishing budgetary control. Generally, encumbered amounts lapse at year-end in the General Fund but not in the Capital Projects Fund.

The annual appropriated budget is enacted on a basis that is not consistent with generally accepted accounting principles (GAAP) because of differences that result from budgeting inventory, Medicaid (through 1996), and certain pension and other employee benefits, and other expenditures on a cash basis, and budgeting dedicated tax revenues to the benefiting fund rather than to the fund with the authority to levy and collect the tax. The budgetary general fund differs from GAAP by including the Financial Responsibility Authority special revenue fund and the University discretely presented component unit and by excluding the Office of Cable Television, the Public Service Commission, the Office of the People's Counsel, Insurance and Securities, Banking, and Correctional Industries. The Financial Responsibility Authority recognizes budgetary expenditures when orders and contracts are issued rather than when goods and services are received.

As with the financial section, all amounts presented in the remainder of this letter are expressed in thousands. Certain 1998 amounts have been restated for comparability.

Financial Summary

The combined fund balances/retained earnings of the financial reporting entity (excluding pension trust funds) increased by \$405,436 in 1999 as compared with an increase of \$702,392 in 1998, a decrease of 296,956 or 42.3%. A one-page comparative schedule combining operating results and financial flow performance is shown in Exhibit G-5 of this report.

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus. The General Fund operations are summarized below.

	1999	1998	Increase (Decrease)	Percent
Revenues	\$ 4,684,055	4,409,095	274,960	6.2 %
Expenditures and net uses	4,597,628	3,964,246	633,382	16.0
Excess (Deficiency)	\$ 86,427	444,849	(358,422)	80.6 %

The General Fund changes in cash and investments are summarized below.

	1999	1998	Increase	Percent
Cash receipts	\$ 5,377,845	5,006,021	371,824	7.4 %
Cash payments	5,352,282	4,858,776	493,506	10.2
Increase	\$ 25,563	147,245	(121,682)	82.6 %

The General Fund had a positive total fund balance of \$198,919 at September 30, 1999, represented by assets of \$1,517,566 less liabilities of \$1,318,647. The fund balance is reserved in the amount of \$19,369 to indicate the portion that is not available for expenditure within one year.

The following summary presents revenues by source class for the current year and the amount and percentage of increases and decreases in relation to prior year revenues.

Source Class	1999		Increase (Decrease) From 1998	
	Amount	Percent	Amount	Percent
Property taxes	\$ 679,550	14.5 %	\$ (15,890)	(2.3) %
Sales and use taxes	677,023	14.5	27,127	4.2
Income and franchise taxes	1,169,751	25.0	86,649	8.0
Gross receipts taxes	218,905	4.7	(28,675)	(11.6)
Other taxes	147,333	3.1	7,451	5.3
Total taxes	2,892,562	61.8	76,662	2.7
Licenses and permits	48,247	1.0	124	0.3
Fines and forfeits	47,794	1.0	(5,383)	(10.1)
Charges for services	263,565	5.6	183,437	228.9
Miscellaneous	171,638	3.7	(8,966)	(5.0)
Total District sources	3,423,806	73.1	245,874	7.7
Payment in lieu of taxes	157,968	3.4	(40,032)	(20.2)
Operating grants	1,102,281	23.5	69,118	6.7
Total Federal sources	1,260,249	26.9	29,086	2.4
Total revenues	\$ 4,684,055	100.0 %	\$ 274,960	6.2 %

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The following summary presents expenditures and uses by function for the current year and the amount and percentage of increases and decreases in relation to prior year expenditures and uses.

Function	1999		Increase (Decrease) From 1998	
	Amount	Percent	Amount	Percent
Current expenditures:				
Governmental direction	\$ 329,788	7.3 %	\$ 161,496	96.0 %
Economic development	161,824	3.6	(20,015)	(11.0)
Public safety and justice	759,526	16.5	208,650	37.9
Public education system	737,781	16.0	67,576	10.1
Human support services	1,283,979	27.9	(130,399)	(9.2)
Public works	264,334	5.7	2,189	0.8
Receiverships	397,435	8.6	83,061	26.4
Future employee benefits	102,097	2.2	244,321	(171.8)
Total	4,036,764	87.8	616,879	18.0
Debt service:				
Principal	261,534	5.7	42,099	19.2
Interest and fiscal charges	198,500	4.3	18,073	10.0
Other financing uses:				
Net refunding proceeds	(34,299)	(0.7)	(23,850)	228.3
Sale/Capital lease	-	-	197	(100.0)
Transfers	135,129	2.9	(20,016)	(12.9)
Total expenditures and uses	\$ 4,597,628	100.0 %	\$ 633,382	16.0 %

The following summary presents current expenditures by object class for the current year and the amount and percentage of increases and decreases in relation to prior year current expenditures.

Object Class	1999		Increase (Decrease) From 1998	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 1,296,451	32.1 %	\$ 115,487	9.8 %
Total employee benefits	142,784	3.6	(238,853)	(62.6)
Future employee benefits	102,097	2.5	244,321	(171.8)
Contractual services	620,276	15.4	187,168	43.2
Supplies	61,133	1.5	11,128	22.3
Occupancy	145,785	3.6	22,111	17.9
Public assistance	959,932	23.8	130,522	15.7
Other	708,306	17.5	144,995	25.7
Total current expenditures	\$ 4,036,764	100.0 %	\$ 616,879	18.0 %

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Financial Responsibility Authority Fund is used to account for the operating activity of the District of Columbia Financial Responsibility and Management Assistance Authority. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus. The Financial Responsibility Authority operations are summarized below:

	1999	1998	Decrease	Percent
Revenues	\$ 209	4,828	(4,619)	(95.7) %
Financing sources	7,012	9,543	(2,531)	(26.5)
Less Expenditures	7,221	14,371	(7,150)	(49.8)
Excess	\$ 0	0	0	0.0 %

Capital Projects Fund

The Capital Projects Fund is used to account for the purchase or construction of fixed assets that are wholly or partly financed by transfers of taxes dedicated to highway projects, capital grants, or general long-term debt. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus.

During 1999, grants, interest, debt proceeds and transfers-in totaled \$520,616 and capital outlays were \$357,075 which resulted in an excess of revenues and other sources over expenditures of \$163,541 . The capital outlays consisted primarily of \$356,450 for general fixed assets and \$254 for component units' fixed assets. The Capital Projects Fund had a total fund balance at the end of the year of \$387,531 , of which \$54,523 is reserved for certain highway projects and \$333,008 is reserved for encumbrances.

Enterprise Fund

Enterprise funds are used to account for organizations engaged primarily or solely in selling goods or services to the general public on a continuing basis. All component units are accounted for as enterprise funds; therefore, operations are reported to show a net income or net loss on a flow of economic resources measurement focus. The Lottery and Games Fund operates a lottery and licenses charitable bingo, raffles and Monte Carlo parties. The Lottery and Games enterprise fund is summarized below.

Operating Revenues	Income		Interfund		Retained Earnings	
	Before Transfers		Transfers In (Out)		1999	1998
1999	1999	1998	1999	1998	1999	1998
85,463	64,301	81,401	(64,225)	(81,300)	3,228	3,152

Discretely Presented Component Units

Component units are legally separate organizations for which the elected officials of the District are financially accountable. All component units are accounted for as enterprise funds; therefore, operations are reported on a flow of economic resources measurement focus. The six component units are summarized below.

Component Unit	Operating Revenues	Income (Loss)		Transfers In		Retained Earnings	
	1999	Before Transfers		From Primary Government		(Deficit)	
	1999	1999	1998	1999	1998	1999	1998
Public Benefits Corporation	\$ 134,284	(24,995)	(23,403)	46,842	42,873	(103,190)	(125,037)
Water and Sewer	242,632	29,243	56,559	-	-	280,993	247,515
Convention Center	12,170	20,794	(5,627)	51,145	47,113	204,155	132,216
Sports Commission	6,072	(390)	1,400	-	-	8,878	9,268
Housing Finance	11,569	(8,868)	7,977	-	-	29,625	38,493
University	18,626	(54,108)	(42,532)	50,148	41,391	18,461	18,026
Total	\$ 425,353	(38,324)	(5,626)	148,135	131,377	438,922	320,481

The District of Columbia Health and Hospitals Public Benefit Corporation was created by D.C. Law 11-212 to manage and control the General Hospital and the community health clinics and certain services provided by the Department of Human Services. The corporation became operational October 1, 1997. The District of Columbia General Hospital is an acute care facility utilizing 250 beds of its 410-bed capacity and is a major provider of health services to indigent patients. In addition to inpatient care, the hospital serviced 90,612 outpatient visits and 52,444 emergency room visits in 1999, compared to 88,208 and 51,327 in 1998, respectively.

The Water and Sewer Authority operates a regional sewerage system and supplies potable water from the Potomac River to the District. The unit finances the Washington Aqueduct, which is operated by the U.S. Army Corps of Engineers. District waste treatment facilities process sewage for the District and local jurisdictions in suburban Maryland and northern Virginia. Through 1996, long-term capital financing was provided through participation in general obligation bonds and notes payable to the federal government. The District issued this debt and the unit repaid

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its share from its own operating revenues. Bonds issued by the Water and Sewer Authority after 1996 are not general obligations of the District and are payable solely from defined revenues and assets of the unit. However, the unit participates in new general obligation bonds that are issued by the District to refinance prior issuances in which the unit participated.

The Washington Convention Center, located midway between the Capitol and the White House, has 378,000 square feet of exhibit and meeting space on two levels. On October 2, 1998, the District broke ground on a new convention center that is scheduled to open in March 2003. At 2.1 million gross square feet, the new facility will be the sixth largest convention center in the United States. Bonds issued by the Convention Center are not general obligations of the District and are payable solely from defined revenues and assets of the unit.

The Sports Commission promotes the District as a sporting event site; coordinates development and construction of sporting facilities and related infrastructure; manages District owned facilities, including the Robert F. Kennedy Memorial Stadium and the National Guard Armory; and may own and operate a professional sports franchise. Bonds issued by the Commission are not general obligations of the District and are payable solely from defined revenues and assets of the unit.

The Housing Finance Authority issues bonds and uses the proceeds to finance residential mortgage, construction, and rehabilitation loans. Bonds issued by the Housing Finance Unit are not general obligations of the District and are payable solely from defined revenues and assets of the unit.

The University includes all activities of the University of the District of Columbia, which is a land-grant institution that provides low-cost courses leading to certificate, bachelor and advanced degrees in arts, sciences, teacher education, special career education and law.

The combined retained earnings of the component units was \$438,922 at September 30, 1999.

Trust Funds

Trust funds are used to account for property to which the District has legal title in order to administer it for the benefit of others. The principal portion of expendable trust funds may be expended and are reported on a flow of current financial resources measurement focus. Pension trust funds, however, must preserve their principal intact and are reported on a flow of economic resources measurement focus.

The two trust funds are summarized below.

Fund	Additions/ Operating Revenues	Deductions/ Expenditures		Net Increase/ Excess	
	1999	1999	1998	1999	1998
Unemployment Compensation	\$ 114,319	77,368	76,995	36,951	36,872
Pension	325,788	2,300	3,129	323,488	109,573
Total	<u>\$ 440,107</u>	<u>79,668</u>	<u>80,124</u>	<u>360,439</u>	<u>146,445</u>

The Unemployment Compensation Fund pays benefits to unemployed former employees of the District and federal governments and of private employers that do business in the District. At September 30, 1999, the fund had a total fund balance of \$220,662.

The Pension Trust Funds pay benefits to retired judges, police officers, fire fighters and public school teachers under the District Retirement Programs. These programs are contributory single employer defined benefit pension plans administered by the District. On October 1, 1997, all responsibility transferred to the federal government for the Judges plan and for the other employee groups, for service provided prior to July 1, 1997. For service provided after June 30, 1997, the police officers, fire fighters and public school teachers are covered by a continuation of the existing plan with certain modifications as mandated by the Replacement Plan Act of 1998. The District made its actuarially required contribution of \$35.1 million to the Police and Fire Fighters Plan and \$18.6 million to the Teacher's Plan during the year ended September 30, 1999. Other employees are covered by the Civil Service or Social Security

Retirement Systems, which are administered by the federal government, or by the section 401 defined contribution plan.

Debt Administration

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 general obligation debt to exceed 17% of the revenues of the fiscal year in which the debt is issued, as calculated in Exhibit S-11. The debt service percent is calculated using the highest fiscal year debt service divided by the total revenues. The debt service percent limitation was increased from 14 to 17 percent in fiscal year 1998 as a result of the National Capital Revitalization and Self-Government Improvement Act of 1997, accounting for the decrease in revenues from the repeal of the federal payment in lieu of taxes and the loss of court revenues. At September 30, 1999, the District's general obligation debt of \$3,133,582 excluding the Water and Sewer Authority, was \$2,500,000 below the legal debt limitation of approximately \$5,636,512.

Capital appreciation bonds are issued with a stated interest rate of zero percent. The interest is not paid until the bonds mature. To provide full disclosure, the interest is accreted over the lives of the bonds in the General Long-Term Liabilities Account Group.

The District has issued private activity bonds whose principal and interest are not general obligations of the District and are payable solely from defined revenues of private entities. These bonds provide economic incentive to construct, modernize, or enhance private entity facilities in the District, thereby supporting the economic base of the District. The bonds are not recorded as a liability of the District.

The following summary presents the outstanding long-term general obligations of the District at September 30, 1999 and 1998. No revenue, special assessment, or overlapping debt exists.

<u>Fund Type or Account Group</u>	<u>1999</u>	<u>1998</u>
Component unit bonds	\$ 107,662	114,122
General bonds	3,133,582	3,091,403
Total	<u>\$ 3,241,244</u>	<u>3,205,525</u>

The percentage of debt to assessed value (which equals estimated actual value) and the amount of debt per capita (in dollars) are useful indicators of the District's debt position. These data for the District at September 30, 1999 and 1998 were as follows.

<u>Indicator</u>	<u>1999</u>	<u>1998</u>
Debt to assessed value	7.6 %	7.4 %
Debt per capita	\$ 6,177	6,128

Through 1984, the District issued notes to the federal government for authorized capital projects. Starting in 1985, the District has issued general obligation bonds to finance capital projects, to refinance old debt and to eliminate an operating deficit. At year-end, there were 19 bond issues outstanding. The District has received a BBB rating from Standard & Poor's Corporation, a BBB rating from Fitch Investors Service, Inc. and a Baa3 rating from Moody's Investors Service, Inc. on its general obligation bond issues.

During the year, the District issued \$241,190 in "new money" bonds and \$685,715 in general obligation refunding bonds, for a total of \$926,905. The proceeds, including the \$18,583 bond premium, allowed the District to accomplish the following:

- a) *Restructure the District's outstanding debt to level debt amortization and reduce debt servicing costs.* The refund of certain bonds in the amount of \$572,280 produced a more level amortization of the District's debt. Prior to this, the District had more near-term amortization than industry norms. The refund of \$113,435 of outstanding debt at lower interest rates produced net present value savings of \$5,185;
- b) *Fund FY 1999 capital project expenditures* equal to debt proceeds in the amount of \$236,876, in accordance with the FY 1999 Budget and Financial Plan;

12 ★ DISTRICT OF COLUMBIA

- c) *Produce budget relief* in the coming years, in order to accommodate the tax cuts provided for in the FY 2000 Budget and Financial Plan.

During the year, the District issued and extinguished \$230,000 of general obligation tax revenue anticipation notes. The stated interest rate, net interest cost, and payment dates for principal and interest were as follows for each note:

<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Net Interest Cost</u>	<u>Payment Date</u>
Series 1999A \$ 50,000	5.06	5.39	11/19/98
Series 1999B \$180,000	3.75	3.49	09/30/99

Cash Management

Cash from all funds of the primary government, excluding the Financial Responsibility Authority, is combined unless prohibited by law. Any cash that is not needed for immediate disbursement is invested in obligations which are guaranteed fully by the federal government, such as mutual funds of federal government obligations or repurchase agreements collateralized by federal government obligations. The Financial Institutions Deposit and Investment Amendment Act of 1997 (D.C. Code 47-351.3) authorized the District to invest in certain obligations that may not be guaranteed by the federal government; however, the District has made no changes in investment policy. Deposits and investments, except for investments of the Housing Finance Unit, are collateralized with securities that are held by the District or by its agent in the District's name. The District earned \$12,034 on its investments in 1999 and \$12,211 in 1998, yielding average rates of 4.69% and 5.46%, respectively, exclusive of fiduciary funds.

Risk Management

The District retains the risk of loss arising out of the ownership of property or from some other cause, except health care and life insurance benefits for employees. Assets are not set aside to finance losses, which are recognized in the affected fund when they occur.

Budgetary Compliance

The following summary presents comparisons between appropriated actual amounts and appropriated budget amounts (as amended) of the General Fund for the year ended September 30, 1999.

	<u>GAAP Basis</u>	<u>Nonappro- priated</u>	<u>Appropriated (Budget Basis)</u>		
			<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues and sources	\$ 5,456,892	105,980	5,350,912	4,757,512	593,400
Expenditures and uses	5,370,465	244,012	5,126,453	4,514,111	(612,342)
Excess (Deficiency)	\$ 86,427	(138,032)	224,459	243,401	(18,942)

Independent Audit

District law (D.C. Code 47-119) requires an annual financial audit of the District by independent certified public accountants. The audit must be conducted in accordance with generally accepted auditing standards and the financial statements must be prepared in conformity with generally accepted accounting principles. The District has complied with these requirements and the independent auditors' report is included in the financial section of this report.

Award

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 for its comprehensive annual financial report for the year ended September 30, 1998. The Certificate of Achievement is a prestigious national award which recognizes conformance with the highest standards for the preparation of state and local government financial reports.

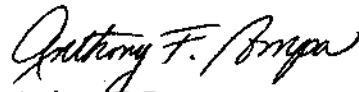
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The report must also satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The District has received a Certificate of Achievement for fifteen of the last seventeen years. The District believes that the current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements and it will be submitted to the GFOA for review.

Acknowledgments

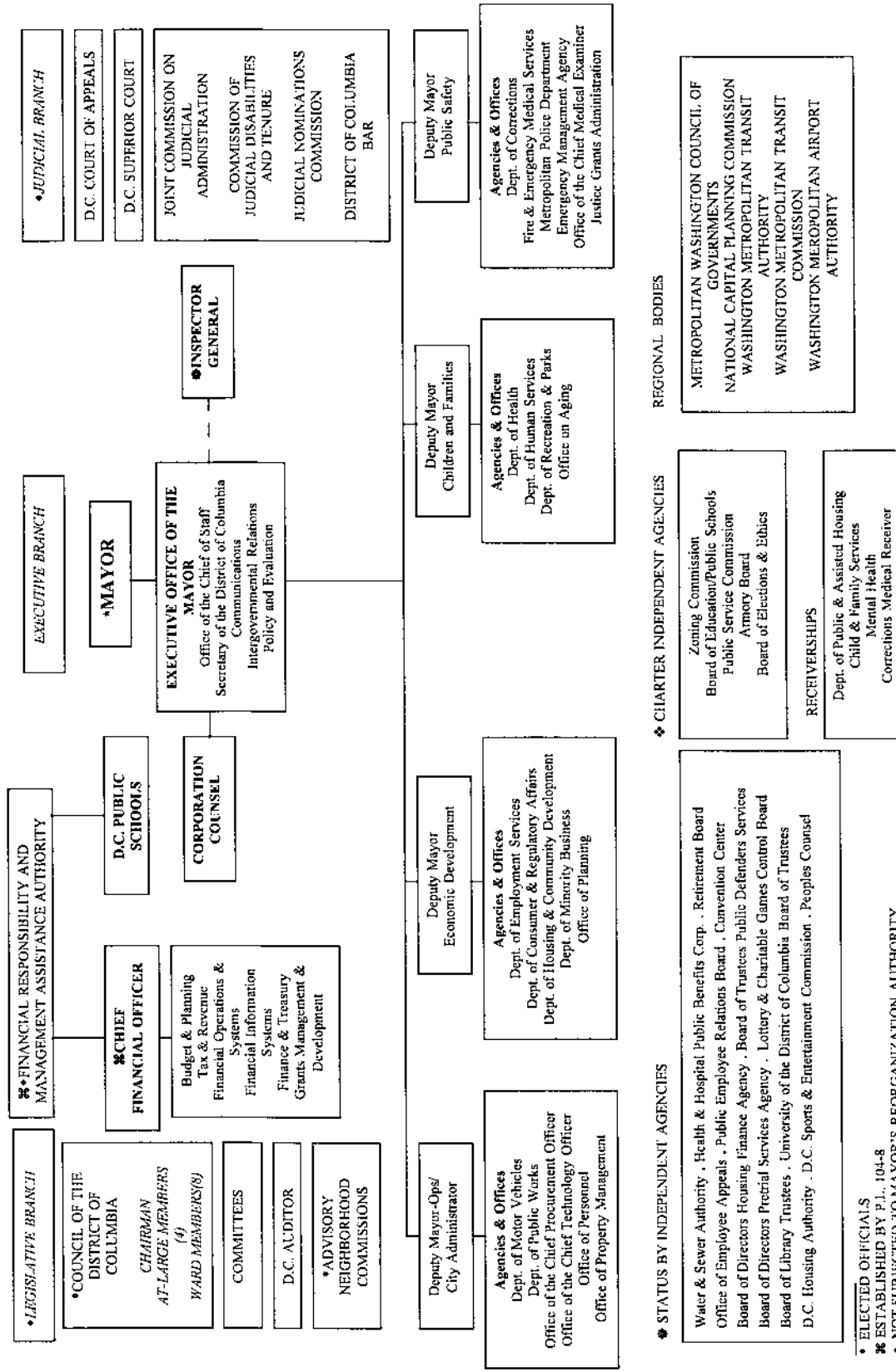
The preparation of the comprehensive annual financial report was made possible by the dedicated staff of the Office of Financial Operations and Systems. We would like to express our appreciation to each member of the staff who contributed to the preparation of this report and especially to Grace Crocker, Haig Gakavian, Bert Molina, Bill Slack, and their respective team members.

Respectfully submitted,



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

GOVERNMENT OF THE DISTRICT OF COLUMBIA
(Structural Organization)



- ELECTED OFFICIALS
- ★ ESTABLISHED BY P.L. 104-8
- ◆ NOT SUBJECT TO MAYOR'S REORGANIZATION AUTHORITY
- ◆ INDEPENDENT AGENCIES
- ◆ CHARTER INDEPENDENT AGENCIES

PRINCIPAL OFFICIALS

January 2000

Name	Position	First Elected Or Appointed	Term Expires
Chief Executive Officer			
Anthony A. Williams	Mayor	1999	2003
Council			
Linda W. Cropp	Chairman	1991	2002
Harold Brazil	At Large	1991	2001
David A. Catania	At Large	1997	2003
Phil Mendelson	At Large	1999	2003
Carol Schwartz	At Large	1997	2001
Jim Graham	Ward 1	1999	2003
John K. Evans	Ward 2	1991	2001
Kathleen Patterson	Ward 3	1995	2003
Charlene Drew Jarvis	Ward 4	1979	2001
Vincent Orange	Ward 5	1999	2003
Sharon Ambrose	Ward 6	1997	2003
Kevin P. Chavous	Ward 7	1993	2001
Sandy Allen	Ward 8	1997	2001
Chief Judges			
Annice M. Wagner	Court of Appeals	1994	2009
Eugene N. Hamilton	Superior Court	1993	2008
House of Representatives			
Eleanor Holmes Norton	Delegate	1991	2001
Executive Officers			
Valerie Holt	Chief Financial Officer		
Robert R. Rigsby	Corporation Counsel		
Abdusalam Omer	Chief of Staff		
Norman Dong	City Administrator/Deputy Mayor for Operations		
Eric Price	Deputy Mayor for Economic Development		
Carolyn Graham	Deputy Mayor for Children and Families		
Erik Christian	Deputy Mayor for Public Safety		
Beverly D. Rivers	Secretary of the District of Columbia		
Charles C. Maddox, Esq.	Inspector General		
Anthony F. Pompa	Deputy CFO, Financial Operations and Systems		
Otis Williams	Deputy CFO, Budget and Planning		
William Hall	Deputy CFO, Finance and Treasury		
Natwar M. Gandhi	Deputy CFO, Tax and Revenue		
Henry Debnam	Deputy CFO, Information Systems		
Financial Responsibility and Management Assistance Authority			
Alice M. Rivlin	Chairperson	1998	2001
Constance B. Newman	Vice Chairperson	1995	2001
Darius Mans	Member	1998	2001
Robert P. Watkins, III	Member	1998	2001
Eugene Kinlow	Member	1998	2001

Certificate of Achievement for Excellence in Financial Reporting

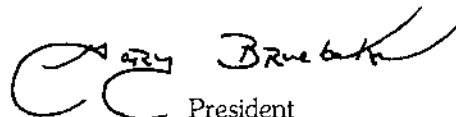
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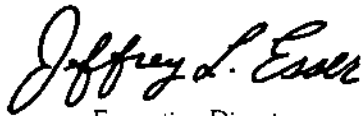
District of Columbia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 1998

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.




Cary Brueckner
President


Jeffrey L. Esler
Executive Director