NOTES TO THE BASIC FINANCIAL STATEMENTS

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September 30, 2015

(Dollar amounts expressed in thousands)

NOTE 1. 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

Component Units

A financial reporting entity consists of a primary government and its component units. Accordingly, for financial reporting purposes, 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 financial reporting entity are as follows:

- The organization is a legally separate entity.
- The District appoints a voting majority of the organization's board.
- There is a financial benefit/burden relationship between the District and the organization or the District is able to impose its will on the organization.

Organizations meeting the above criteria are included in the District's financial reporting entity as discretely presented component units. Entities which meet any one of the following in addition to the above criteria are considered to be blended component units of the District:

- The organization's governing body is substantively the same as the District's governing body and (1) there is a financial benefit or burden relationship between the District and the organization, or (2) management of the District has operational responsibility for the organization.
- The organization provides services entirely, or almost entirely, to the District, or otherwise exclusively or almost exclusively benefits the District even though it does not provide services directly to it.
- The organization's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with District resources.

Legally separate organizations that do not otherwise meet the criteria for inclusion as a component unit may be included in the financial reporting entity if it is determined that their exclusion would render the financial statements misleading. This determination is based on the nature and significance of the organization's relationship with the District.

Based on the application of the criteria outlined above, the District includes five discretely presented component units in its reporting entity: Health Benefit Exchange Authority, Housing Finance Agency, Not-for-Profit Hospital Corporation (d/b/a United Medical Center), University of the District of

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Columbia, and Washington Convention and Sports Authority (t/a Events DC). Each of these organizations is a legally separate entity with a governing board that is appointed by the Mayor, with the advice and consent of the Council. In addition, with respect to each of these entities, one or both of the following conditions exists: (a) there is a financial benefit or burden relationship between the District and the organization or (b) the District is able to impose its will on the organization. Each entity's relationship with the District is discussed briefly below:

- **Health Benefit Exchange Authority** – The District has the ability to impose its will on the Health Benefit Exchange Authority because the District is able to approve or modify the entity's budgets and may overrule, veto, or modify certain decisions made by the Authority's governing board (i.e., the awarding of contracts valued at $1 million or more.) In addition, the Council must approve or disapprove the rules adopted by the Authority; therefore, the District has the ability to modify or approve the rates or fees charged by the Authority.

- **Housing Finance Agency** – The District is able to impose its will on the Housing Finance Agency because the Council has the ability to modify the financing for Housing Finance Agency projects and, consequently, has the ability to affect the Agency's budget. In addition, the District has the authority to approve or modify rental rates and may overrule certain decisions made by the Agency's Board (i.e., contracts valued at $1 million or more.)

- **Not-For-Profit Hospital Corporation** – There is a financial benefit/burden relationship between the District and the Corporation because the District has assumed the obligation to provide financial support to the Corporation to help sustain the hospital's operations. In addition, the District is able to impose its will on the Corporation because the District has the ability to modify or approve the Corporation's budget.

- **University of the District of Columbia** – A financial benefit/burden relationship exists between the University and the District because the District provides financial support to the University in the form of subsidy payments. In addition, the District is able to impose its will on the University because the District has the ability to approve and/or modify the University's budget.

- **Washington Convention and Sports Authority** – There is a financial benefit/burden relationship between the Washington Convention and Sports Authority and the District because the District is legally obligated or has otherwise assumed the obligation to provide financial support to the Washington Convention and Sports Authority through the transfer of certain dedicated taxes which are linked directly to the hospitality sector. In addition, the District is able to impose its will on the Washington Convention and Sports Authority because the District has the ability to modify or approve the Washington Convention and Sports Authority's budget and the rates or fees charged by that entity.

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.

The financial statements of each discretely presented component unit may be obtained from the following locations and websites:

Health Benefit Exchange Authority
Executive Director
1225 Eye Street, N.W., Suite 400
Washington, DC 20005
http://hbx.dc.gov/

Housing Finance Agency
Executive Director
815 Florida Avenue, N.W.
Washington, DC 20001
http://www.dchfa.org/

Not-For-Profit Hospital Corporation
d/b/a United Medical Center
Chief Executive Officer
1310 Southern Avenue, S.E.
Washington, DC 20032
http://oig.dc.gov

University of the District of Columbia
President
Van Ness Campus
4200 Connecticut Avenue, N.W.
Washington, DC 20008
http://www.udc.edu

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Washington Convention and Sports Authority
t/a Events DC
General Manager
801 Mount Vernon Place, N.W.
Washington, DC 20001
http://eventsdc.com/

The District of Columbia Tobacco Settlement Financing Corporation (the Tobacco Corporation) was created by the Tobacco Settlement Financing Act of 2000 as a special purpose, independent instrumentality of the District government. The Tobacco Corporation, which is legally separate from the District, was established to purchase all of the District's rights, title, and interest in the Master Settlement Agreement executed by participating cigarette manufacturers, states and other jurisdictions. The Tobacco Corporation issued bonds in FY 2001 to finance the purchase of the District's securitized right, title and interest in the tobacco settlement revenues.

The Tobacco Corporation is a blended component unit because: (a) the District appoints the Tobacco Corporation's Board; (b) the District is legally entitled to and can otherwise access the Tobacco Corporation's resources, thereby establishing a benefit/burden relationship; (c) the District has the ability to modify or approve the Tobacco Corporation's budget, thereby, giving the District the ability to impose its will on the Tobacco Corporation; and (d) the Tobacco Corporation provides services entirely to the District.

Separate audited financial statements for the Tobacco Corporation are available at the Office of the Chief Financial Officer, Office of Finance and Treasury, 1101 4th Street, S.W., Suite 800, Washington, DC 20024.

Related Organizations

A related organization is an entity for which the District is accountable because the District appoints a voting majority of its governing board; however, the District is not *financially* accountable for the organization. The District reports two entities as related organizations: the District of Columbia Housing Authority (Housing Authority) and the District of Columbia Water and Sewer Authority (WASA), because the Mayor, with the consent and advice of the Council, appoints a majority of the voting members of these organizations' governing boards. However, the District's accountability for these organizations does not extend beyond these appointments.

Joint Venture

A joint venture is a legal entity or other organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain: (a) an ongoing financial interest or (b) an ongoing financial responsibility. *Joint control* means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients.

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 the counties of 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. However, condensed financial statements are presented as disclosures. Further information regarding this joint venture is presented in Note 12 found on page 131.

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C. 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 Position* – The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net 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 Position. The District reports net position in three distinct categories: (1) net investment in capital assets; (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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 proprietary 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 and deferred inflows of resources (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) initiatives to build affordable housing; (b) homeownership opportunities for low income families; and (c) preservation of existing federally assisted housing. The Housing Production Trust Fund is administered by the Department of Housing and Community Development.

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

Nonmajor Governmental Funds include four Special Revenue Funds: (1) Tax Increment Financing (TIF) Program Fund; (2) Tobacco Settlement Financing Corporation (TSFC) Fund; (3) PILOT Special Revenue Fund; and (4) Baseball Special Revenue Fund. Other Nonmajor Governmental Funds include the Debt Service Fund, and the Highway Trust Fund.

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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 mostly 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 proprietary funds 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, which consists 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, Federal agencies and 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 during a calendar year.

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

- *Pension and Other Postemployment Benefits Trust Funds* – used to report the activities of the District's retirement funds/systems, which accumulate financial resources for pension benefit payments to eligible District employees and 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 qualified college education expenses 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.

Prior Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include sufficient details 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, 2014, from which such summarized information was derived.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District's financial statements are prepared in accordance with 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 Position reports all assets, including receivables regardless of when collected, and capital assets, such as heavy trucks and infrastructure (i.e., highways and bridges), deferred outflows of resources, all liabilities regardless of when payment is due, deferred inflows

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of resources, and net position.

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, deferred outflows of resources, current liabilities, deferred inflows of resources, and fund balance are reported 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.

Under the modified accrual basis of accounting, revenues of the governmental funds are recognized in the year they become susceptible to accrual (both measurable and available) to pay current fiscal year liabilities. The District considers all revenues to be available if they are collected within 60 days of the end of the current fiscal year. Property taxes, individual and franchise taxes, sales taxes, federal grants and charges for services are significant revenues that are subject to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government. The District accrues income tax revenue net of estimated income tax refunds relating to the fiscal year, that will not be collected or paid until after the fiscal year end.

Service payment expenditures and liabilities such as debt service, compensated absences, claims and judgments, and special termination benefits are 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 Other Postemployment Benefits (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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on their respective statements of net position. Net position of the proprietary funds is segregated into net investment in capital assets, 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 position. Operating statements of pension and private purpose trust funds present additions and deductions in fiduciary net position.

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.

The Pension and OPEB Trust Funds recognize additions to net position, 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 position when participants' contributions are received.

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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 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 with all eligibility requirements met except for the timing requirement are recorded as deferred inflows of resources.

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 uses the electronic benefits transfer (EBT) system that allows program beneficiaries to charge their qualifying food purchases, thereby eliminating the need for paper stamps. Revenues and expenditures are reported in the federal and private resources fund when the underlying transaction (the food purchase) occurs.

Revenues Susceptible To Accrual

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

Revenues Not Susceptible To Accrual

Licenses, permits, fines, and forfeitures are recorded as revenue when received in cash because they are generally not measurable until received. However, fines that remain unpaid after the allowable grace period or after appeals are denied become susceptible to accrual.

E. BASIS OF BUDGETING AND BUDGETARY CONTROL POLICIES

Process

On or about March 30th 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 May 25th 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 of the United

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States for transmission by him to Congress. After public hearings, 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 found on page 49) include all approved reallocations and other budget changes. This statement reflects budget to actual comparisons at the function (or appropriation title) level as well as by agency. 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 title is also a violation of the D.C. Anti-Deficiency Act.

The Appropriations Act specifically identifies authorized expenditures but does not specify revenue amounts. The revenue budget is based primarily on the revenue estimates submitted to the President and Congress with the District's budget and is modified as new revenue estimates are issued. If a new revenue estimate indicates a decrease, the District reduces its planned expenditures or takes other steps to rebalance the budget.

By law, for budgeting purposes, the general fund includes the federal and private resources fund as presented in the Budgetary Comparison Statement in Exhibit 2-d found on page 49. 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 found on page 47 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 77.
- *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 77.

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 and other obligations cannot legally exceed the appropriated amount) is established by function, fund, and agency 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. Encumbered amounts lapse at year-end in the General Fund and may be re-appropriated and re-encumbered as part of the subsequent year's budget. However, encumbered amounts do not lapse at year-end in the Capital Projects Fund or the Special Revenue Funds.

Encumbered amounts at year-end have been included within the restricted fund balance in **Table N60a** – Schedule of FY 2015 Fund Balance found on page 130.

F. CASH AND INVESTMENTS

Cash and Cash Equivalents

Cash from the governmental and proprietary funds is pooled unless prohibited by law. The cash management pool is used as a demand deposit

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account by each participating fund. 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.

The District's cash management pool is considered a cash equivalent. 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 changes in interest rates have little or no impact on the value of the securities. For an investment to be considered a cash equivalent, it must have a maturity date no greater than three months after the date it was purchased.

Investments

Cash that is not needed for immediate disbursement is invested to generate investment income. 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. As of September 30, 2015, the District invested primarily in securities backed by the U.S. government which included obligations of Government Sponsored Entities (GSEs) that have the explicit and implicit guarantee of the U.S. 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 and Other Postemployment Benefits Trust Funds are authorized to invest monies consistent with the District's Investment Policy. Historically, these Funds' investments have been comprised of equities, balanced funds, and fixed income securities.

The Pension Trust Funds' investments are reported at fair value. All investments, with the exception of real assets, hedge funds, and private equity, are valued based on closing market prices or broker quotes. Securities not having a quoted market price are valued based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of investments in real assets, hedge funds or private equity, in the absence of a readily ascertainable market value, are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners.

Portfolio investments of the Private Purpose Trust Fund are valued at the closing net asset value per share (unit) of each underlying fund on the day of valuation. The stability of the principal portfolio is valued in accordance with the terms of the corresponding funding agreement, inclusive of accrued interest. Security transactions, normally in shares of the underlying funds, are accounted for on the trade date basis. Realized gains and losses are reported on the identified cost basis. Income and capital gains distributions, if any, from investments in the underlying funds are recorded on the ex-dividend date.

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.

G. 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.

Consistent with District practices, inventories of the proprietary funds are to be recorded at the lower of weighted average cost or market. The Not-For-Profit Hospital Corporation is the only component unit which reports inventory which is recorded at the lower of cost or market. Cost is determined using the first-in-first-out (FIFO) method.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. 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, deferred outflows of resources over liabilities, deferred inflows of resources from restricted assets is reported as part of the restricted net position 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 position 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.

I. PREPAID ITEMS

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

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

J. 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.

K. TRANSFERS AND OTHER TRANSACTIONS BETWEEN FUNDS

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

Activities 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 are classified as "Due To/From Primary Government" and "Due To/From Component Units" on the Statement of Net Position.

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 Position of the Proprietary Funds.

L. CAPITAL ASSETS

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

estimated fair market value on the date received. The cost of maintenance and repairs that do 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.

Intangible assets are legal rights which lack physical substance; have a useful life of more than one reporting year; meet the capitalization threshold; and are nonfinancial in nature. For financial reporting purposes, the District includes such assets in Construction-in-Progress (CIP) until completion.

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

Capitalization and Depreciation Policies

Capitalized assets have an original cost of $5 (five thousand) 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 N1** by class.

Table N1 – Estimated Useful Lives (by Asset Class)

	Useful life
Storm Drains	45 years
Infrastructure	20-40 years
Buildings	10-60 years
Equipment and Machinery	3-10 years
Furniture and Fixtures	5 years
Vehicles (and Other Mobile Equipment)	5-12 years
Library Books	5 years
Leasehold Improvements	10 years, not to exceed term of lease

M. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources represent the consumption of net position by the District that is applicable to a future reporting period. Deferred outflows of resources have a natural debit balance and therefore, increase net position in a manner similar to assets.

N. CAPITAL LEASES

In general, a lease is considered to be a capital lease if it meets any one of the following criteria:

- The lease transfers ownership of the property to the lessee at the end of the lease term.
- The lease contains an option to purchase the leased property at a bargain price.
- The lease term is equal to or greater than 75% of the estimated life of the leased property.
- The present value of rental and other minimum lease payments equals or exceeds 90% of the fair value of the leased property less any investment tax credit less executory cost retained by the lessor.

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.

O. COMPENSATED ABSENCES

Benefit Accumulation Policies

The District's policy allows employees to accumulate unused sick leave, with no maximum limitation. Annual leave (vacation) may be accumulated up to 240 hours at the end of a calendar year, 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.

Recording of Accrual for Accumulated Leave

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.

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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 retiring District employees who have accumulated 22 days of sick leave regardless as to whether they participate in the Civil Service Retirement System or the District Retirement Program.

The District estimates the potential sick leave credits (termination payments) 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.

P. 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.

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 five succeeding fiscal years, to exceed 12% of General Fund expenditures in any applicable fiscal year.

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

The District began paying principal on its 2002 Mandarin TIF Capital Appreciation Bonds (CABs) on July 1, 2002, and will make such payments annually until July 1, 2021. The CABs accrete to their full value at maturity. Interest is accreted and compounded semi-annually using rates ranging from 5.66% 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 accreted and recorded annually using rates ranging from 6.25% to 7.25%. Accreted interest is calculated throughout the maturity periods of the bonds and is recorded in the government-wide financial statements. The accreted value of such bonds is the current value, plus the interest that has been accumulating on the bonds.

Q. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent the acquisition of net position by the District that is applicable to a future reporting period. Deferred inflows of resources have a natural credit balance, and therefore, decrease net position much in the same manner as do liabilities.

R. ADOPTION OF NEW ACCOUNTING STANDARDS

During the fiscal year ended September 30, 2015, the District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 68, *Accounting and Financial Reporting for Pensions –An Amendment of GASB Statement No. 27*, replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain specific criteria.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This Statement establishes standards for measuring and recognizing liabilities/assets, deferred outflows of resources, deferred inflows of resources, and related expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Statement No. 68 also addresses note disclosure and required supplementary information requirements about pensions. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified as either single employers, agent employers, or cost-sharing employers.

- Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations (i.e., mergers, acquisitions, and transfers) and disposals of government operations. This Statement also requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date –An Amendment of GASB Statement No.68*, addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

  This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

Implementation of Statement No. 68 had a material impact on the District's fiscal year 2015 financial statements and the effect of the change is presented in Note 1Y found on page 78. Implementation of Statements No. 69 and 71 had no material impact on the District's fiscal year 2015 financial statements.

More detailed information regarding the requirements contained in these statements may be found at the following website: www.gasb.org.

S. NEW ACCOUNTING PRONOUNCEMENTS TO BE IMPLEMENTED IN THE FUTURE

The District will adopt by the required effective dates the following new accounting standards issued by the GASB:

- Statement No. 72, *Fair Value Measurement and Application*, provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value.

  Statement No. 72 establishes a hierarchy of inputs (comprised of three levels) to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

  The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2015, the District's fiscal year 2016.

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. This Statement also establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68 for pension plans and pensions that are within their respective scopes.
The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also stipulates that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2016, the District's fiscal year 2017.

- Statement No. 74, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*, replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

  The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet specific criteria presented in the statement. It also includes requirements related to financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

  The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2016, the District's fiscal year 2017.

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.
  This Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. In addition, this Statement establishes standards for recognizing and measuring liabilities/assets, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

  This Statement also details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. Statement No. 75 also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

  In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the specific criteria presented in this statement.

  The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2017, the District's fiscal year 2018.

- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement, which supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

transaction or other event is not specified within a source of authoritative GAAP.

The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2015, the District's fiscal year 2016.

- Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about: (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

  This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

  - Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
  - The gross dollar amount of taxes abated during the period.
  - Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

  The requirements of this statement are effective for financial statements for reporting periods beginning after December 15, 2015, the District's fiscal year 2017.

- Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans,* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of Statement 68.

  Statement 78 amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

  The requirements of this statement are effective for financial statements for reporting periods beginning after December 15, 2015, the District's fiscal year 2017.

The District has not determined the impact, if any, that the implementation of Statement Nos. 72 through 78 will have on its financial statements; except Statement No. 75, which is anticipated to have a material impact on its financial statements.

More detailed information regarding the requirements contained in these statements may be found at the following website: www.gasb.org.

T. NET POSITION AND FUND BALANCE

Assets plus deferred outflows of resources less liabilities less deferred inflows of resources equal "Net Position" 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 Position" is further categorized as:

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure,

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

into one component of net position. Accumulated depreciation and the outstanding balances of debt, net of unspent proceeds, that are attributable to the acquisition, construction, or improvement of these assets, reduce the balance in this category.

- *Restricted Net Position* - This category presents net position 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 position represents the portion of net position that must be held in perpetuity in accordance with donor stipulations.

- *Unrestricted Net Position* - This category represents net position 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.

- *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. Resources can only be committed if the formal action is issued on or before the end of the fiscal year. 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 highest level of decision-making authority, or a body or official to which the authority to assign amounts for specific purposes was delegated. These are resources where the constraints/restrictions are less binding than that for committed resources. Resources may only be assigned if the intended use is determined within 60 days after the end of the fiscal year.

- *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, it is not possible to report a positive unassigned fund balance; 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 then 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 6.00% of the previous fiscal year's General Fund Local

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expenditures less debt service costs. The 6.00% includes a contingency cash reserve of 4.00% and an emergency cash reserve of 2.00%, which are discussed further under Minimum Fund Balance Policies found on page 75.

As of September 30, 2015, the District's fund balance included the following categories (see **Table N60a** on page 130).

Nonspendable Fund Balance

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 Reserves – This portion of fund balance represents amounts that, in accordance with legislative mandate, are held in two funds: an emergency cash reserve fund and a 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 is available for future debt service obligations or cash requirements.

Budget – This portion of fund balance represents unused fiscal year 2015 budget reserve amounts that are restricted for specific purposes and available for such purposes 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 issuance of Tobacco Settlement Asset-Backed Bonds in fiscal years 2001 and 2006.

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

FEMS Settlement – This portion of fund balance is restricted consistent with the terms of a settlement reached between the District and unionized firefighters regarding labor practices.

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

Housing Production Trust – 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.

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.

Soccer Stadium – This portion of fund balance represents resources set aside for financing the infrastructure costs associated with the construction of the soccer stadium.

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 reserve amounts used must be replenished 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.

Commodities Cost Reserve – This portion of fund balance represents unexpended funds which were appropriated for fixed costs at the end of the fiscal year pursuant to the Commodities Cost Reserve Fund Act of 2005.

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.

WMATA Operations Fund – This portion of the fund is committed to support the implementation of the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washington Metropolitan Area Transit Authority Momentum Strategic Plan in accordance with Fiscal Year 2015 Budget Support Emergency Act of 2014 (BSA 20-0377).

Subsequent Years Expenditures – This portion of the fund balance represents amount to be used to finance certain policy initiatives and other expenditures included in the FY 2016 budget approved by the District Council.

Other Special Purposes – This portion of fund balance is committed to activities financed by specific sources of revenues as authorized by formal action of the District Council.

Assigned Fund Balance

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

FY 15/16 Supplemental – This portion of fund balance is assigned to supplement fiscal year 2016 agency budgets in accordance with Fiscal Year 2015 and Fiscal Year 2016 Revised Budget Request Adjustment Emergency Act of 2015 (ACT 21-153), which was enacted after fiscal year-end 2015.

Subsequent Years' Expenditures – This portion of fund balance represents amounts set aside to finance certain policy initiatives and other expenditures pending formal approval of the District Council.

Minimum Fund Balance Policies

Restricted Fund Balances

Through Congressional mandate, the District is required to maintain cash reserves totaling 6.00% of the previous fiscal year's General Fund expenditures (local portion) less debt service cost. The 6.00% is comprised of a contingency cash reserve of 4.00% and an emergency cash reserve of 2.00%. These reserves are reported as restricted cash and restricted net position 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 5.00% 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 4.00% 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 4.00% 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 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 2.00% 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 2.00% required balance, whichever is less, must

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be replenished by the end of the second fiscal year following each such allocation.

Committed Fund Balances

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 the current 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 the current fiscal year.

If either the fiscal stabilization reserve or the cash flow reserve is 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 unassigned 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. POSTEMPLOYMENT BENEFITS

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 Funds. The District of Columbia Retirement Board (DCRB or Board) administers the District's Retirement Funds, which consist of two single-employer defined benefit pension plans: (1) the District of Columbia Teachers' Retirement Fund or TRF, and (2) the District of Columbia Police Officers' and Firefighters' Retirement Fund or POFRF.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District Retirement Funds and additions to/deductions from the District Retirement Funds' fiduciary net position have been determined on the same basis as they are reported by DCRB. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Further information regarding the District Retirement Funds is presented in Note 9 on page 119.

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 75% of the cost of health insurance, and 30% of the cost of life insurance for eligible retirees. Additional information regarding the OPEB contribution policy, including the District's premium for retiree's spouse and dependent health insurance coverage, is presented in Note 10, found on pages 126 through 129.

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 funds the OPEB plan on an actuarial basis.

As of September 30, 2015, there were 995 OPEB Plan participants receiving such benefits. The participants were comprised of 765 teachers, police, and firefighters, and 230 general District retirees. During fiscal year 2015, $7.1 million was paid from the OPEB plan for the associated insurance carrier premiums and other administrative costs.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, deferred outflows of resources, liabilities, deferred inflows of resources and the disclosure of contingent assets and liabilities at the date of the basic financial statements. The use of estimates may also affect the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from the estimates used.

W. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes reconciliation between fund balances - total governmental funds versus net position - governmental activities as reported in the government-wide statement of net position. This reconciliation is presented in exhibit 2-a found on page 46.

The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances of governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. This reconciliation is presented in exhibit 2-c found on page 48.

X. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

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

	(Dollars in $000s)	
	GENERAL FUND	**FEDERAL AND PRIVATE RESOURCES**
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	$ 364,669	$ 17,433
Basis differences:		
Inventory is recorded using the purchase method for budgetary purposes and the consumption method on a GAAP basis	(12,933)	(5,984)
Transfers/Reclassifications	2,077	(3)
Fund balance released from restrictions - a funding source for budgetary purposes but not revenue on a GAAP basis	(60,410)	(8,716)
Federal pass-through contribution (D.C. Federal Pension Fund and SNAP)	-	711,479
Federal pass-through expenditures (D.C. Federal Pension Fund and SNAP)	-	(711,479)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES - GAAP BASIS	**$ 293,403**	**$ 2,730**

The federal pass through contribution/expenditures are comprised of: on-behalf payment to D.C. Federal Pension Fund ($487,492) and payments to eligible low income families under the Supplemental Nutrition Assistance Program (SNAP) ($223,987).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Y. RESTATEMENT

Primary Government

Implementation of New Accounting Standard – GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*

Due to the implementation of GASB Statement No. 68, beginning net position of the Primary Government increased by $477,193. This change represents a recordation of net pension liability and net pension asset related to the District of Columbia Teachers' Retirement Fund (TRF) and the District of Columbia Police Officers' and Firefighters' Retirement Fund (POFRF), collectively referred to as District Retirement Funds.

The effect of the implementation of the new accounting standard was as follows:

	October 1, 2014
Net position, as previously reported	$ 3,833,663
Accounting policy change	477,193
Net position, as restated	**$ 4,310,856**

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. In accordance with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (D.C. Law 12-56), which became effective on March 18, 1998, substantially all of the $4,308,052 in deposits within the custody of the District as of September 30, 2015, were insured or collateralized with securities held by the District or by its agent in the District's name. As of September 30, 2015, the carrying amount of cash for the primary government including the fiduciary funds was $3,993,224 and the carrying amount of cash (deposits) for the component units was $314,828.

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) 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 District Retirement Funds, the OPEB Trust Fund and the D.C. Library Trust Fund) consisted primarily of certificates of deposit and repurchase agreements. See **Table N7a** on page 83 for details.

The District of Columbia Retirement Board (DCRB) is authorized to manage and control the investment of the District Retirement Funds' assets. DCRB may invest in fixed income, equity securities and various other types of investments. As prescribed in D.C. Code §1-907.01 (2001 ED), DCRB 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 D.C. Code §1-907.01 (2001 ED).

The fair values of the investments held in the control of DCRB as of September 30, 2015, are presented in **Table N2**.

Table N2 – Fair Values of Investments: District Retirement Funds

	(Dollars in $000s)	
	2015	2014
Cash and short-term investments	$ 75,492	$ 27,400
Investments at fair value:		
Domestic equity	1,393,360	1,477,647
International equity	1,683,172	1,922,262
Fixed income	1,875,532	1,872,920
Real estate	395,430	354,593
Private equity	708,607	648,346
Total cash and investments at fair value	**$ 6,131,593**	**$ 6,303,168**

NOTE 2. CASH AND INVESTMENTS

The District's Annuitants' Health and Life Insurance Employer Contribution Trust Fund (OPEB Trust Fund) also held investments as of September 30, 2015. Cash and cash equivalents are maintained in six investment accounts. **Table N3** presents the Fund's cash and cash equivalents that were held in investment accounts as of September 30, 2015. **Table N4** presents the aggregate fair values of the Fund's investments based on quoted market prices as of September 30, 2015.

Table N3 – Cash and Cash Equivalents Held in Investment Accounts: OPEB Trust Fund

	(Dollars in $000s)	
Fund	**2015**	**2014**
Cash Account	$ 8,175	$ 88,819
Brandywine Large Cap	4,221	7,416
ClearBridge Mid Cap	2,001	1,846
Bernstein Strategic Core	20,141	17,784
Bernstein Global Plus	1,393	1,227
FMW Large Cap Growth	9,728	7,296
Total cash and cash equivalents held in investment accounts	**$ 45,659**	**$124,388**

Table N4 – Aggregate Fair Values of Investments: OPEB Trust Fund

	(Dollars in $000s)	
Funds	**2015**	**2014**
Bernstein Strategic Core	$ 133,532	$131,613
Brandywine Large Cap Value	147,830	162,517
FMW Large Cap Growth	139,916	134,719
Bernstein Global Plus	134,093	73,639
ClearBridge Mid Cap - PRI	107,923	101,015
SSgA Bond Index	77,066	74,839
Barclays International	92,541	86,217
State Street Emerging Market Equity	67,833	33,862
Blue Bay Emerging Market - Debt	21,129	21,731
Gresham Commodities Fund	44,001	41,703
Royce FD	49,404	64,389
Access Capital ETI - PRI	30,319	15,728
Total Aggregate Fair Value	**$1,045,587**	**$941,972**

Table N5 presents the debt instruments which were held by the District Retirement Funds' Investment Pool as of September 30, 2015.

Table N5 – Debt Instruments Held by the District Retirement Funds' Investment Pool as of September 30, 2015

	(Dollars in $000s)			
Investment Type	**Fair Value**	**% of Segment**	**Duration**	**Rating***
US Agency	$ 25,623	1.37%	4.12	AA+
Asset Backed	4,934	0.26%	2.44	AAA
Bank Loans	129,633	6.91%	4.69	NR
CMBS	16,447	0.88%	4.66	AA
Corporate	443,721	23.66%	5.42	BBB-
Foreign	369,210	19.69%	4.54	A
Mortgage Pass-Through	243,503	12.98%	3.54	AA+
Municipal	8,310	0.44%	11.27	AA-
Unclassified	1,904	0.10%	1.63	AA+
US Treasury	616,117	32.85%	6.61	AA+
Yankee	9,350	0.50%	6.88	B-
Other	6,780	0.36%	N/A	NR
Total Fixed Income	**$1,875,532**	**100%**		

* Using quality ratings provided by Standard & Poor's
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 DCRB on behalf of the District Retirement Funds, broadly diversifies the investment of District funds so as to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so.

The OPEB Trust Fund's investments are uninsured and unregistered and are held by the counterparty in the Plan's (or Fund's) name.

The types of risks to which the District (including the District Retirement Funds and the OPEB Trust Fund) 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 greater sensitivity to fair value changes that are related to market interest rates. As a means of limiting its exposure to fair value losses resulting 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, maturities are limited as follows:

NOTE 2. CASH AND INVESTMENTS

Type of Investment	Maturity	Maximum Investment
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	Five years	20%
Federally Insured or Collateralized Certificates of Deposit	N/A	30%
Money Market Mutual Funds	N/A	100%
Bank Deposits	N/A	100%

N/A - Not Applicable

DCRB monitors the interest rate risk inherent in the District Retirement Funds' portfolio by measuring the weighted average duration of the 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. Duration measures the sensitivity of the price of a fixed income investment to a change to interest rates expressed as a number of years. As a general rule, the risk and return of the District Retirement Funds' 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.

The OPEB Trust Fund addresses interest rate risk through a process that focuses on the review of investment managers and fund returns. The Fund also uses an independent consultant to review assets and recommend any appropriate changes. The average duration for Sanford Bernstein US Core Plus was 5.25 years and Global XUS Plus was 6.74 years for the fiscal year ended September 30, 2015. The average duration for Access Capital was 3.79 years as of September 30, 2015, and the duration of the SSgA Bond Index Fund was 5.59 years as of September 30, 2015. The duration of the Blue Bay Emerging Market Fund was 5.81 years as of September 30, 2015.

- *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 as 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; (d) money market mutual funds, the fund be rated AAAm or AAAm-G or the equivalent by a credit rating agency; and (e) repurchase agreements, the counterparty has a long-term credit rating of at least AA- or the equivalent from a Nationally Recognized Statistical Rating Organization (NRSRO) and does not have a "negative outlook" associated with such rating, has been in operation for at least five years, and is reputable among market participants.

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

The average quality of the OPEB Trust Fund's bond holdings in each investment manager's portfolio should be maintained at "A" or better. The OPEB Trust Fund does not invest more than 15% of the Fund's assets in securities rated below "A". As of September 30, 2015, the average quality rating of the SSgA was Aa2, Access Capital was AAA, and Sanford Bernstein portfolios were Core AA-, and Global Plus A+.

NOTE 2. CASH AND INVESTMENTS

- *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 2015 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.

  The District Retirement Funds had no custodial credit risk exposure during the fiscal year. All investments managed and controlled by DCRB in fiscal year 2015 were collateralized. Investments held by the custodian on behalf of DCRB and the District Retirement Funds were held in an account in the name of DCRB and the District Retirement Funds. Any funds not invested at the end of the day were placed in overnight investments in DCRB's name.

  The OPEB Trust Fund investments are uninsured, unregistered, and are held by the counterparty in the Fund's name. The counterparty is the party that pledges collateral or repurchase agreement securities to the government or that sells investments to or buys them for the OPEB Trust Fund.

- *Concentration of Credit Risk* – The District's investment policy does not allow for an investment in any single issuer that is in excess of five percent of the District's total investment portfolio with the following exceptions:

U.S. Treasury:	100% maximum
Each Federal Agency:	40% maximum
Each Repurchase Agreement Counterparty:	25% maximum
Each Money Market Mutual Fund:	25% maximum

  As of September 30, 2015, the District was in compliance with this policy.

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

  As a general policy of DCRB, 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.

  As of September 30, 2015, the District had exposure to foreign currency risk with respect to investments held by DCRB on behalf the District Retirement Funds and the OPEB Trust Fund. At the end of fiscal year 2015, the District Retirement Funds held investments that were denominated in a currency other than the United States dollar, as presented in **Table N6a**.

  The OPEB Trust Fund does not have a formal policy for limiting its exposure to changes in exchange rates. **Table N6b** presents the OPEB Trust Fund's investments that were denominated in a currency other than the United States dollar.

NOTE 2. CASH AND INVESTMENTS

Table N6a – District Retirement Funds' Investments Denominated in Foreign Currency

	Asset Class (in $000s)				
	Cash	Equities	Fixed Income	Private Equity	Total
Australian Dollar	$ (652)	$ -	$ 6,107	$ -	$ 5,455
Canadian Dollar	492	2,273	20,124	-	22,889
Danish Krone	-	9,088	-	-	9,088
Euro	16,076	290,358	15,347	261,330	583,111
Hong Kong Dollar	-	32,050	-	-	32,050
Japanese Yen	532	220,725	-	-	221,257
Mexican Peso	172	-	-	-	172
Pound Sterling	1	54,215	928	-	55,144
Singapore Dollar	-	687	-	-	687
South African Rand	-	1,040	-	-	1,040
Swedish Krona	-	30,338	-	-	30,338
Swiss Franc	-	74,634	-	-	74,634
Total Foreign Currency	**$ 16,621**	**$ 715,408**	**$ 42,506**	**$ 261,330**	**$ 1,035,865**

Table N6b – OPEB Trust Fund Investments Denominated in Foreign Currency

	(Dollars in $000s)		
	Short Term and Cash	Convertible and Fixed Income	Total
Australian Dollar	$ 5	$ 3,929	$ 3,934
Brazilian Real	31	1,213	1,244
Canadian Dollar	142	17,382	17,524
Euro Currency	300	47,137	47,437
Japanese Yen	13,879	27,416	41,295
New Zealand Dollar	87	-	87
Pound Sterling	9	17,370	17,379
Singapore Dollar	-	291	291
South African Rand	15	262	277
Swedish Krona	-	1,037	1,037
Total Foreign Currency	**$ 14,468**	**$ 116,037**	**$ 130,505**

NOTE 2. CASH AND INVESTMENTS

Table N7a – Cash and Investments Detail

	(Dollars in $000s)	Total Carrying Value
INVESTMENTS		
Primary Government:		
U. S. government securities	$ 3,422	
Certificates of deposit	70,100	
Mortgage-backed securities	7,669	
Guaranteed investment contracts	2,147	
Repurchase agreements	11,155	
Alternative investments	1,111	
Total Primary Government		$ 95,604
Fiduciary Funds:		
Commodities	44,001	
Equity securities	3,942,791	
Fixed income securities	2,396,458	
Real estate	395,430	
Private equity	708,607	
Total Fiduciary Funds		7,487,287
Component Units:		
Certificates of deposit	25,698	
U. S. government securities	142,142	
Fixed income securities	5,609	
Corporate securities	2,371	
Investment contracts	15,040	
Equities	17,211	
Money market	209,906	
Alternative investments	15,584	
Total Component Units		433,561
Total reporting entity investments		**$ 8,016,452**
CASH BALANCES		
Primary government		$ 3,809,952
Fiduciary Funds		183,272
Component units		314,828
Total cash balances		**$ 4,308,052**
Total Cash and Investment Balances		**$ 12,324,504**

NOTE 2. CASH AND INVESTMENTS

Table N7b – Reconciliation of the District's Cash and Investment Balances

(Dollars in $000s)

	Exhibit 1-a			Exhibit 4-a				
	Primary Government	Component Units	Total (Exhibit 1-a)	Pension/OPEB Trust Funds	Private Purpose Trust Fund	Agency Funds	Total (Exhibit 4-a)	Total Cash and Investment Balances
Cash and cash equivalents	$ 1,740,119	$ 138,346	$ 1,878,465	$ -	$ -	$ -	$ -	$ 1,878,465
Investments	-	134,175	134,175	-	-	-	-	134,175
Cash and cash equivalents (restricted)	2,069,833	176,482	2,246,315	121,151	-	62,121	183,272	2,429,587
Investments (restricted)	95,604	299,386	394,990	7,101,688	385,599	-	7,487,287	7,882,277
Total	$ 3,905,556	$ 748,389	$ 4,653,945	$ 7,222,839	$ 385,599	$ 62,121	$ 7,670,559	$ 12,324,504

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 N8 presents the fair value balances and notional amounts of the District's derivative instruments outstanding as of September 30, 2015, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the fiscal year 2015 financial statements.

Table N8 – Derivative Instruments Outstanding as of September 30, 2015

(Dollars in $000s)

	Changes in Fair Value		Fair Value at September 30, 2015		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities:					
Cash flow hedges:					
Floating to fixed interest rate swaps:					
2014B (formerly 2008C) Swap	Deferred outflows	$8,447	Swap	($45,076)	$224,300
2007 AWC Swap	Deferred outflows	274	Swap	(7,221)	62,520
2004B Swap	Deferred outflows	4	Swap	(1,274)	19,525
Derivative instrument liabilities, at end of year				($53,571)	
Floating to floating interest rate swaps:					
2001C/D Basis Swap	Investment revenue	$146	Swap	$605	$166,770
Derivative instrument assets, at end of year				$605	

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.

NOTE 2. CASH AND INVESTMENTS

Objective and Terms of Hedging Derivative Instruments

Table N9 presents the objective and terms of the District's hedging derivative instruments outstanding as of September 30, 2015, along with the credit rating of the associated counterparty.

Table N9 – Objectives and Terms of Hedging Derivative Instruments Outstanding as of September 30, 2015

(Dollars in $000s)

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-Fixed Interest Rate Swaps:						
2014B (formerly 2008C) Swap	Hedge of changes in cash flows on the Series 2014B Bonds (formerly 2008C Bonds)	$ 224,300	11/13/2002	6/1/2027	Pay fixed rate of 3.615%; receive 67% of 1-month LIBOR	A3/A-/A
2007 AWC Swap	Hedge of changes in cash flows on the Series 2007 AWC PILOT Revenue Bonds	$ 62,520	9/20/2007	12/1/2021	Pay fixed rate of 4.463%; receive the rate that matches the rate paid on the underlying bonds (SIFMA) plus 0.70%	Aa2/AA-/AA
2004B Swap	Hedge of changes in cash flows on the Series 2004B General Obligation Bonds	$ 19,525	12/8/2004	6/1/2016 6/1/2020	Pay fixed rates of 4.794% and 5.121%; 4.794% and 5.121%; receive the rate that matches the rate on the underlying bonds (Muni CPI Index)	Aa3/A+/AA-
Pay Floating Basis Swaps:						
2001 C/D Basis Swap	Reduces basis risk by providing for a closer match between the underlying variable rate bonds and the variable rate swap receipts from the counterparty	$ 166,770	6/2/2003	6/1/2029	Pay 67% of LIBOR; receive variable rate as a percentage of the actual LIBOR reset each month ranging from 60% to 90% of LIBOR	Aa3/A+/AA-

NOTE 2. CASH AND INVESTMENTS

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, 2015, were as presented in **Table N9**.

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 as of September 30, 2015, was $605 ($605 thousand). 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 the obligations 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.

As of September 30, 2015, the fair value of the investments in derivative instruments subject to interest rate risk was $605 ($605 thousand). These investments had maturities of more than 10 years.

The District 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). As of September 30, 2015, the notional amount of the 2001C/D Swap was $166,770. 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. As of September 30, 2015, this interest rate swap had a fair value of $605 ($605 thousand).

Basis Risk

Basis risk is the risk that the interest rate paid by the District on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable Counterparty. The District has mitigated its basis risk on all its hedges by ensuring a match between the variable rates paid on the hedged variable rate bonds and the variable rates received on the swaps. The interest paid on the Series 2014 B Bonds is based on a percentage of LIBOR as is the variable swap rate received. The interest paid on the Series 2007 AWC Bonds is tax-exempt and the swap variable rate received is based on SIFMA Swap Index which is tax-exempt as well. The interest paid on the Series 2004 Bonds is based on the Muni CPI Index as is the variable swap rate received from the associated swaps. Consequently, as of September 30, 2015, the District had no exposure to basis risk.

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.

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

NOTE 2. CASH AND INVESTMENTS

District was not exposed to rollover risk during fiscal year 2015.

District of Columbia Retirement Funds' Derivatives

During fiscal year 2015, the District's Retirement Funds, in accordance with the policies of DCRB and through the District's 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. **Table N10a** presents the types of derivatives in which the District Retirement Funds have invested, the purpose of each derivative holding, and a brief description of the methodologies used to manage the associated risks.

Table N10a – District Retirement Funds' Derivative Holdings

Type of Derivative	Purpose	Management of Credit Risk	Management of Market Risk
To-Be-Announced Market Trades (TBAs or Dollar Rolls)	Used as an alternative to holding mortgage-backed securities outright to raise the potential yield and reduce transaction cost	By limiting transactions to primary dealers	Note: Risk not significantly different from market risk for mortgage-backed securities
Foreign Currency Forwards, Futures Contracts, and Foreign Currency Options	Used to hedge the Retirement Funds' exposure to particular currencies when significant adverse short-term movement in exchange rate levels is expected	By limiting transactions to counterparties with short-term credit ratings of A1 or P1 (investment grade ratings) or by trading on organized exchanges	Risk is limited to the purchase cost
Equity Index Futures	Used to gain exposure to equity markets in a more efficient and liquid manner than by directly investing in all of the underlying investment securities	By dealing with member firms of futures exchanges	Risks due to movements in the equity markets underlying the contracts used; notional amounts of contracts not included in the derivative holdings
Exchange-Traded and Over-the-Counter Bond Futures and Options	Used to gain exposure to fixed income markets in a more efficient and liquid manner than by purchasing the underlying bonds	By limiting transactions to counterparties with investment grade ratings or by trading with member firms of organized exchanges	Risk is limited to purchase cost
Warrants and Rights	Used to gain equity exposure and enhance performance Warrants are held for the same fundamental reasons as the original common stock and/or bond holdings	Risks are monitored and managed by external investment managers	Risk is limited to purchase cost
Swaps	Used to manage interest rate fluctuations, protect against borrower default, or gain market exposure without having to own the asset	By using credit default swaps	Use of credit default swaps limits exposure to other types of risk

NOTE 2. CASH AND INVESTMENTS

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

Additional information regarding the Retirement Funds' derivative holdings is presented in the Funds' separately issued audited financial statements which may be obtained from the District of Columbia Retirement Board, 900 7th Street, N.W., Washington, DC 20001 or by accessing the following website: http://dcrb.dc.gov/.

Table N10b presents a list of the District's Retirement Funds' derivatives aggregated by type as of September 30, 2015.

Table N10b – District Retirement Funds Derivative Investments Aggregated by Type

	(Dollars in $000s)				
	Changes in Fair Value (4)		Fair Value at September 30, 2015 (5)		
Type of Derivative	Classification	Amount (1)	Classification	Amount (2)	Notional (3)
Credit Default Swaps Bought	Investment Revenue	$ (72)	Swaps	$ -	$ -
Credit Defaut Swaps Written	Investment Revenue	52	Swaps	-	-
Fixed Income Futures Long	Investment Revenue	519	Futures	-	-
Fixed Income Futures Short	Investment Revenue	(135)	Futures	-	-
Fixed Income Options Bought	Investment Revenue	(32)	Options	-	-
Fixed Income Options Written	Investment Revenue	70	Options	-	-
Foreign Currency Options Written	Investment Revenue	2	Options	-	-
FX Forwards	Investment Revenue	(49)	LT Instruments	-	-
Pay Fixed Interest Rate Swaps	Investment Revenue	(520)	Swaps	-	-
Receive Fixed Interest Rate Swaps	Investment Revenue	236	Swaps	-	-
Warrants	Investment Revenue	372	Common Stock	-	-
Grand Totals		$ 443		$ -	

(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 futures and options contracts; negative values refer to short positions
(4) Excludes futures margin payments
(5) DCRB had no derivatives in the investment portfolio as of September 30, 2015

C. SECURITIES LENDING

District statutes and DCRB 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 District Retirement Funds' securities to qualified broker-dealers and banks pursuant to a form of loan agreement.

In April 2015, DCRB, acting on behalf of the District Retirement Funds, discontinued its participation in State Street's securities lending program. As a result of several factors, the District Retirement Funds' securities lending revenues declined to a nominal level in recent years. Also in 2015, the DCRB on behalf of the District Retirement Funds made the decision to transition custodial services from State Street to Northern Trust. As a result, DCRB made the decision to discontinue the securities lending program in order to manage the operational risks associated with the planned transition. DCRB, acting on behalf of the District Retirement Funds, may participate in securities lending through its new custodian bank in the future.

For the first six months of fiscal year 2015, the master custodian, at the direction of DCRB, loaned a portion of the District's Retirement Funds' public equity and fixed income securities secured, for which it received: collateral in the form of United States and foreign currency cash, securities issued or guaranteed by the United States government, and the sovereign debt of foreign countries

NOTE 2. CASH AND INVESTMENTS

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.

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

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

The Quality D Fund is not registered with the Securities and Exchange Commission. The master custodian, and consequently the investment vehicles it sponsors (including the Quality D Fund), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Funds' position in the Quality D Fund is not the same as the value of the District's 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 2015. As of September 30, 2015, the fair value of securities on loan, associated collateral, and invested cash collateral was $0.

At times, the market value of the shares in the Quality D Fund purchased with cash collateral by the lending agent was less than the cost. As of September 30, 2015, there were no unrealized losses.

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 2015 was recorded on a cash basis which approximated the accrual basis. For the year ending September 30, 2015, securities lending income was $87 and securities lending expense was $19, resulting in net securities lending income of $68.

NOTE 3. RESTRICTED ASSETS

As of September 30, 2015, restricted assets of the primary government, component units, and fiduciary funds totaled $10,311,864 as summarized in **Table N11**.

Table N11 – Summary of Restricted Assets

(Dollars in $000s)

	Governmental Funds/Governmental Activities: General	Federal & Private Resources	Housing Production Trust Fund	General Capital Improvements	Non-Major	Total
Bond Escrow Accounts	$ 397,557	$ -	$ -	$ -	$ -	$ 397,557
Capital Project	-	-	-	244,156	67,917	312,073
Emergency Cash Reserve	122,083	-	-	-	-	122,083
Contingency Cash Reserve	244,166	-	-	-	-	244,166
Others	78,880	116,020	178,993	-	354,340	728,233
Total	**$ 842,686**	**$ 116,020**	**$ 178,993**	**$ 244,156**	**$ 422,257**	**$ 1,804,112**

	Proprietary Funds/Business-Type Activities: Lottery & Games	Unemployment Compensation	Total	Fiduciary Funds	Component Units
Bond Escrow Accounts	$ -	$ -	$ -	$ -	$ 207,954
Unpaid Prizes	3,422	-	3,422	-	-
University Endowment	-	-	-	-	12,601
Benefits	-	357,903	357,903	7,670,559	-
Purpose restrictions	-	-	-	-	249,242
Other	-	-	-	-	6,071
Total	**$ 3,422**	**$ 357,903**	**$ 361,325**	**$ 7,670,559**	**$ 475,868**

The bond escrow accounts in the general fund include bond escrow for capital lease payment of $5,105.

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 N12**.

Table N12 – Receivables

(Dollars in $000s)

	General	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Lottery & Games	Unemployment Compensation	Fiduciary Funds
Gross Receivables:								
Taxes	$ 321,475	$ -	$ -	$ -	$ 3,522	$ -	$ -	$ -
Accounts and other	224,679	10,017	270	8,630	30,557	5,549	40,911	8,370
Federal	3,744	466,552	-	84,743	-	-	795	21,451
Total gross receivables	549,898	476,569	270	93,373	34,079	5,549	41,706	29,821
Less-allowance for uncollectibles	81,470	-	-	6,136	-	199	30,551	-
Total net receivables	$ **468,428**	$ **476,569**	$ **270**	$ **87,237**	$ **34,079**	$ **5,350**	$ **11,155**	$ **29,821**

NOTE 4. RECEIVABLES, INTERFUND TRANSFERS/BALANCES

B. INTERFUND TRANSFERS

Other than the transfers between the Lottery and Games Control Board and the General Fund which are reported on the Statement of Activities, all other interfund transfers are eliminated in the Government-Wide Financial Statements. **Table N13** shows a summary of interfund transfers for the fiscal year ended September 30, 2015.

Table N13 – Summary of Interfund Transfers

TRANSFER FROM (Out)	TRANSFER TO (In)	PURPOSE	AMOUNT (in $000s)
General Fund	Highway Trust Fund	Motor fuel taxes dedicated to the Highway Trust Fund	$25,256
General Fund	Highway Trust Fund	Right of Way fees imposed for Highway Trust Fund projects	14,954
Lottery and Games	General Fund	DC Lottery excess revenues, after operating cost	55,586
General Fund	Capital Improvements Fund	PAYGO - Projects financed by the General Fund	113,758
General Fund	Capital Improvements Fund	Right of Way fees imposed for Local Transportation projects	22,487
Capital Improvements Fund	General Fund	Capital Improvements Fund transfer to address potential budget shortfall	34,027
PILOT Special Revenue Fund	General Fund	Excess collections above PILOT debt service requirements	1,026
Tax Increment Financing Fund	General Fund	Excess collections above TIF debt service requirements	22,796
Federal and Private Resources Fund	General Fund	Revenues generated from indirect cost recovery	1,466
Baseball Special Revenue Fund	Baseball Debt Service Fund	Funds for baseball debt service payments	32,281
Capital Improvements Fund	Housing Production Trust Fund	Debt service monies refunded to Housing Production Trust Fund	20,099
Capital Improvements Fund	PILOT Special Revenue Fund	Revenues dedicated to PILOT for development of the Capper Carrollsburg Project	15,000
		TOTAL INTERFUND TRANSFERS	**$ 358,736**

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 as of September 30, 2015, are shown in **Table N14**. All interfund balances within the Governmental Funds are eliminated in the Government-Wide Financial Statements.

Table N14 – Summary of Due To /Due From and Interfund Balances

	(Dollars in $000s)			
	Primary Government/ Component Units		Interfund	
Fund or Component Unit	**Receivables**	**Payables**	**Receivables**	**Payables**
General	$ 16,695	$ 13,463	$ 276,005	$ 15,570
Federal & Private Resources	-	10,400	24,696	155,538
Housing Production Trust	-	-	6,318	-
General Capital Improvements	142	12,065	-	98,542
Nonmajor-Highway Trust	-	-	-	564
Nonmajor-Baseball Special Revenue	665	-	4,529	17,934
Nonmajor-PILOT Special Revenue	-	-	999	1,026
Nonmajor - Tax Increment Financing	-	1,491	3,189	-
Unemployment Compensation	-	-	536	25,503
Pension Trust	-	-	-	1,456
Agency Fund	-	314	-	139
Health Benefit Exchange Authority	9,287	694	-	-
Not For Profit Hospital Corporation	147	-	-	-
Washington Convention and Sports Authority	11,258	1,703	-	-
University of the District of Columbia	17,041	15,105	-	-
Total	**$ 55,235**	**$ 55,235**	**$ 316,272**	**$ 316,272**

The above balances represent the impact of transactions among the funds and component units which will be settled during fiscal year 2016.

NOTE 5. CAPITAL ASSETS

Capital Outlays

Capital outlays reported in the General Capital Improvements and Highway Trust Funds totaled $1,196,394 during the fiscal year ended September 30, 2015. As construction progresses, capital expenditures which meet the criteria to be capitalized as set forth in Note 1L, are capitalized as Construction in Progress (CIP) in the governmental activities column of the government-wide financial statements. Upon completion of the project, all project costs are transferred from CIP into the appropriate "in-service" capital asset account.

A. GOVERNMENTAL ACTIVITIES: CAPITAL ASSETS BY CLASS

Table N15 presents the changes in the governmental activities capital assets by class for the primary government.

Table N15 – Changes in the Governmental Activities: Capital Assets by Asset Class

	(Dollars in $000s)				
Asset Class	Balance October 1, 2014	Additions	Transfers/ Dispositions	Transfers from CIP	Balance September 30, 2015
Non-depreciable:					
Land	$ 929,519	$ -	$ (1,231)	$ 5,547	$ 933,835
Construction in progress	1,243,462	887,787	-	(805,631)	1,325,618
Total non-depreciable	**2,172,981**	**887,787**	**(1,231)**	**(800,084)**	**2,259,453**
Depreciable:					
Infrastructure	5,478,182	-	-	351,147	5,829,329
Buildings	7,428,019	-	(5,484)	373,307	7,795,842
Equipment	1,653,314	17,848	(184,198)	75,630	1,562,594
Total depreciable	**14,559,515**	**17,848**	**(189,682)**	**800,084**	**15,187,765**
Less accumulated depreciation for:					
Infrastructure	(2,361,063)	(143,569)	-	-	(2,504,632)
Buildings	(1,662,619)	(142,242)	335	-	(1,804,526)
Equipment	(1,298,762)	(105,336)	183,062	-	(1,221,036)
Total accumulated depreciation	**(5,322,444)**	**(391,147)**	**183,397**	**-**	**(5,530,194)**
Total depreciable, net	**9,237,071**	**(373,299)**	**(6,285)**	**800,084**	**9,657,571**
Net governmental activities capital assets	**$ 11,410,052**	**$ 514,488**	**$ (7,516)**	**$ -**	**$ 11,917,024**

NOTE 5. CAPITAL ASSETS

B. GOVERNMENTAL ACTIVITIES: CAPITAL ASSETS BY FUNCTION

Table N16 presents the changes in the governmental activities capital assets by function for the primary government.

Table N16 – Governmental Activities: Capital Assets by Function

	(Dollars in $000s)				
Function	Balance October 1, 2014	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2015
Governmental direction and support	$ 2,466,194	$ 5,151	$ 238,888	$ 30,947	$ 2,741,180
Economic development and regulation	532,201	3,914	(17,048)	28,037	547,104
Public safety and justice	1,102,971	4,286	(53,949)	88,326	1,141,634
Public education system	3,565,681	2,633	(268,915)	244,874	3,544,273
Human support services	1,497,848	1,291	(49,421)	48,673	1,498,391
Public works	6,324,139	573	(40,468)	364,774	6,649,018
Construction in progress	1,243,462	887,787	-	(805,631)	1,325,618
Total	**$ 16,732,496**	**$ 905,635**	**$ (190,913)**	**$ -**	**$ 17,447,218**

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 N17**.

Table N17 – Governmental Activities: Capital Assets Accumulated Depreciation by Function

	(Dollars in $000s)			
Function	Balance October 1, 2014	Additions	Transfers/ Dispositions	Balance September 30, 2015
Governmental direction and support	$ 932,190	$ 76,060	$ 30,252	$ 1,038,502
Economic development and regulation	50,137	4,538	(10,446)	44,229
Public safety and justice	450,478	51,471	(52,361)	449,588
Public education system	777,864	73,060	(95,776)	755,148
Human support services	411,484	25,795	(18,830)	418,449
Public works	2,700,291	160,223	(36,236)	2,824,278
Total	**$5,322,444**	**$ 391,147**	**$ (183,397)**	**$ 5,530,194**

NOTE 5. CAPITAL ASSETS

D. BUSINESS-TYPE ACTIVITIES: CAPITAL ASSETS

Business-Type Activities Capital Assets are presented in **Table N18**.

Table N18 – Business-Type Activities: Capital Assets

(Dollars in $000s)

Asset Class	Balance October 1, 2014	Additions	Dispositions/ Adjustments	Balance September 30, 2015
Lottery:				
Depreciable:				
Equipment	$ 3,812	$ 33	$ -	$ 3,845
Total	**3,812**	**33**	-	**3,845**
Total depreciable	**3,812**	**33**	-	**3,845**
Less accumulated depreciation for:				
Equipment	(3,542)	(134)	-	(3,676)
Total accumulated depreciation	(3,542)	(134)	-	(3,676)
Net capital assets	**$ 270**	**$ (101)**	**$ -**	**$ 169**

E. DISCRETELY PRESENTED COMPONENT UNITS: CAPITAL ASSETS

A summary of capital assets by class for the discretely presented component units is shown in **Tables N19 and N20**.

Table N19 – Capital Assets by Class for the Discretely Presented Component Units

(Dollars in $000s)

Asset Class	Balance October 1, 2014	Additions	Transfers/ Dispositions	CIP Transfers in (out)	Balance September 30, 2015
Non-depreciable:					
Land	$ 20,989	$ -	$ -	$ -	$ 20,989
Artwork	2,741	-	-	-	2,741
Construction in progress	55,115	2,334	-	(48,656)	8,793
Total non-depreciable	**78,845**	**2,334**	-	**(48,656)**	**32,523**
Depreciable:					
Buildings and improvements	1,033,539	45,193	-	31,351	1,110,083
Equipment	294,165	32,111	(514)	17,305	343,067
Total depreciable	**1,327,704**	**77,304**	**(514)**	**48,656**	**1,453,150**
Less accumulated depreciation for:					
Buildings and improvements	(360,314)	(36,116)	-	-	(396,430)
Equipment	(207,417)	(13,836)	514	-	(220,739)
Total accumulated depreciation	**(567,731)**	**(49,952)**	**514**	-	**(617,169)**
Total depreciable, net	759,973	27,352	-	48,656	835,981
Net capital assets	**$ 838,818**	**$ 29,686**	**$ -**	**$ -**	**$ 868,504**

NOTE 5. CAPITAL ASSETS

Table N20 – Capital Assets by Component Unit

(Dollars in $000s)

Component Units	Capital Assets				Accumulated Depreciation				Net Capital Assets	
	October 1, 2014	Additions	Transfers/ Dispositions	September 30, 2015	October 1, 2014	Additions	Transfers/ Dispositions	September 30, 2015	Balance October 1, 2014	Balance September 30, 2015
University of the District of Columbia	$ 301,080	$ 43,207	$ -	$ 344,287	$ (144,380)	$ (4,540)	$ -	$ (148,920)	$ 156,700	$ 195,367
Washington Convention and Sports Authority	973,475	4,894	-	978,369	(391,654)	(31,890)	-	(423,544)	581,821	554,825
Health Benefit Exchange Authority	44,964	18,174	-	63,138	(2,774)	(6,305)	-	(9,079)	42,190	54,059
Housing Finance Agency	6,289	7	-	6,296	(4,071)	(212)	-	(4,283)	2,218	2,013
Not-for-Profit Hospital Corporation	80,741	13,356	(514)	93,583	(24,852)	(7,005)	514	(31,343)	55,889	62,240
Total	$ 1,406,549	$ 79,638	$ (514)	$ 1,485,673	$ (567,731)	$ (49,952)	$ 514	$ (617,169)	$ 838,818	$ 868,504

NOTE 5. CAPITAL ASSETS

F. CONSTRUCTION IN PROGRESS

Construction in progress by function for governmental activities capital assets is shown in **Table N21**.

Table N21 – Construction in Progress by Function

	(Dollars in $000s)			
Function and Sub-function	**Balance October 1, 2014**	**Additions/ Adjustments**	**Transfers from CIP/Disposition**	**Balance September 30, 2015**
PRIMARY GOVERNMENT				
Governmental Direction and Support				
Finance	$ 15,063	$ (2,321)	$ (339)	$ 12,403
Legislative	566	513	(160)	919
Administrative	66,452	68,903	(81,420)	53,935
Executive	512	94	-	606
Total	82,593	67,189	(81,919)	67,863
Public Safety and Justice				
Police	34,835	8,367	(38,879)	4,323
Fire	2,079	13,277	(9,883)	5,473
Corrections	8,825	16,285	(23,620)	1,490
Total	45,739	37,929	(72,382)	11,286
Economic Development and Regulation				
Community Development	56,484	1,033	(25,427)	32,090
Economic Regulation	880	2,575	(1,121)	2,334
Total	57,364	3,608	(26,548)	34,424
Public Education System				
Schools	340,876	359,097	(215,318)	484,655
Culture	8,958	15,968	(6,342)	18,584
Total	349,834	375,065	(221,660)	503,239
Human Support Services				
Health and Welfare	46,240	51,790	(813)	97,217
Recreation	20,912	44,742	(47,859)	17,795
Human Relations	-	179	-	179
Total	67,152	96,711	(48,672)	115,191
Public Works				
Environmental	640,780	307,285	(354,450)	593,615
Total	640,780	307,285	(354,450)	593,615
Totals	**$ 1,243,462**	**$ 887,787**	**$ (805,631)**	**$ 1,325,618**

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

This section discloses financing programs that are limited obligations and other similar debt instruments that provide capital financing for third parties that are not part of the District's reporting entity. The District has no obligation for these instruments beyond the repayment of resources provided by a third party or the remittance of incremental revenues collected.

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, 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. 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, 2015, the aggregate outstanding principal amount for these conduit debt obligations was approximately $5 billion.

Such amounts are not reflected as liabilities of the District in the accompanying government-wide statement of net position as of September 30, 2015.

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, 2015, the aggregate outstanding principal amount for Enterprise Zone Facility Bonds was $44.4 million.

Such amounts are not reflected as liabilities of the District in the accompanying government-wide statement of net position as of September 30, 2015.

C. TAX INCREMENT FINANCING (TIF) NOTES

Tax increment financing (TIF) is an economic development tool used to facilitate the financing of business investment activities within a locality. The sole source of repayment of the TIF Notes is the incremental sales and/or real property tax revenues from the associated project or TIF area. Therefore, 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. TIF Notes are not obligations of the District and are not included as long-term debt of the District.

Fort Lincoln Retail Project

In November 2011, the District issued Phase I and Phase II TIF Notes for the Fort Lincoln Retail Project in the total amount of $10,000. The $6,700 Phase I TIF Note was fully repaid on December 1, 2014. The $3,300 Phase II TIF Note remains in escrow pending completion of Phase II of the retail project.

Downtown Retail Priority Area: National Crime and Punishment Museum, Madame Tussauds, Forever 21, and Clyde's

Since March 2006, the Mayor has executed several TIF Notes under the Downtown Retail Priority Area Program.

Table N22 presents a summary of the original loan amounts of the Downtown Retail Priority Area TIF Notes which remained outstanding as of September 30, 2015.

Table N22 – Downtown Retail Priority Area TIF Notes

Issuance Date	Description	Dollar Value/ Amount (in $000s)	Terms/Other Comments
September 2008	National Crime and Punishment Museum TIF Note	$3,000	Matures on October 1, 2018; Interest Rate: 5.50%
December 2008	Madame Tussauds TIF Note	$1,300	Matures on December 1, 2018; Interest Rate: 4.50%
February 2011	Forever 21 TIF Note	$4,985	Matures on February 1, 2021; Interest Rate: 6.00%
May 2011	Clyde's TIF Note	$4,472	Matures on December 1, 2021; Interest Rate: 5.50%

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

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 6.73% and matures on August 15, 2047. The 2007B note was issued in the amount of $6,430 at a fixed interest rate of 6.58% 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 the Mandarin Oriental Hotel.

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 has a maturity date of June 1, 2035.

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.

D. PAYMENT IN LIEU OF TAXES REVENUE NOTES

The District issues Payment in Lieu of Taxes Revenue Notes pursuant to the provisions of the District of Columbia Home Rule Act (D.C. Code § 1-201.01, et seq), the Payment in Lieu of Taxes Act of 2004 (D.C. Code §1-308.01, et seq. (2001 ed.)), collectively referred to as the "PILOT Act", and the Payment in Lieu of Taxes Revenue Bonds Southwest Federal Center Approval Resolution of 2006 (Collectively, the "Resolution"), to assist project developers with financing, refinancing or reimbursing certain development costs. These PILOT Revenue Notes are non-recourse to the District and do not constitute a pledge of or involve the full faith and credit or taxing power of the District. Accordingly, such notes are not obligations of the District and are not reported as liabilities of the District in the accompanying government-wide statement of net position as of September 30, 2015.

Table N23 presents a summary of the original amounts of the PILOT Revenue Notes.

Table N23 – PILOT Revenue Notes

Issuance Date	Description	Dollar Value Amount (in $000s)	Terms/Other Comments
August 2011	Rhode Island Metro Plaza Project, Series 2010	$ 7,200	Matures on September 30, 2032; Interest Rate: 5.78%
August 2010	Foundry Lofts Project Series 2010	$ 5,660	Matures on January 1, 2038; Interest Rate: 5.16%

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 will mature on September 30, 2032 and has an interest rate of 5.78%. The note is to be repaid from PILOT revenues from the Rhode Island PILOT Area.

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.

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

E. GROUND LEASE AGREEMENT RELATED TO THE WASHINGTON CONVENTION CENTER HEADQUARTERS (HQ) HOTEL

Pursuant to an agreement dated October 26, 2010, the District and the Washington Convention and Sports Authority (WCSA), as landlords, leased land to HQ Hotel, LLC (tenant) for a period of 97 years in connection with the development and operation of a convention center hotel. The lease payments are structured to repay the District and WCSA for their costs of acquiring the land and structures for the hotel. All lease payments are dedicated to the repayment of the WCSA bonds that were issued to support the hotel. The land is to be continuously used for the operation of a hotel, including any associated ancillary uses and amenities.

Under the agreement, Marriott HQ Hotel, LLC is to pay rent to the District and WCSA as follows:

- Rental payments to the District are to begin on June 1, 2017. Over the lease period, HQ Hotel, LLC is to pay the District the net present value of $69.7 million, which shall be paid in advance in monthly installments, consistent with the basic rent schedule established for each year of the lease. The first monthly installment will be $46,823 (not in thousands).
- With respect to WCSA, payments began on October 1, 2014. Over the lease period, HQ Hotel, LLC is to pay WCSA the net present value of $30.5 million, which shall be paid in advance in monthly installments, consistent with the basic rent schedule established for each year of the lease. As of the September 30, 2015, the monthly installment was $197,416 (not in thousands).

F. NONEXCHANGE FINANCIAL GUARANTEES

Credit Enhancement Facility Agreements

In accordance with Section 603(e)(3)(c)(iii) of the Student Loan Marketing Association Reorganization Act of 1996 (20 U.S.C. 1155(e)(3)(iii)) and D.C. Code §2-301.05a, the District, through its Office of the State Superintendent for Education (OSSE), Office of Public Charter School Financing and Support, provides enhanced credit, lease guarantees, and access to financial assistance to eligible public charter schools for the acquisition, renovation, and/or construction of school facilities. As of September 30, 2015, the total outstanding guaranteed amount under credit enhancement facility agreements was $2.5 million.
In the event that a public charter school defaults on its monetary obligations associated with its credit enhancement facility agreement, the District (OSSE) may at its sole discretion, cure the default on the school's behalf. Provisions are included in each credit enhancement facility agreement for the school to repay the District for any amounts paid on its behalf or associated costs incurred in fulfilling the guarantee. During fiscal year 2015, the District did not make any payments in connection with the credit enhancement facility agreements. In addition, as of September 30, 2015, no liability has been recorded in connection with these agreements because based on an assessment of relevant qualitative factors, these guarantees do not meet the "more likely than not" criterion. As such, the District has determined that it is not more likely than not that amounts will be paid under the outstanding guarantees.

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

Table N24 presents additional information regarding these guarantees.

Table N24 – Summary of OSSE Credit Enhancement Facility Agreements

School	Type of Obligation Guaranteed	Beneficiary	Guarantee Amount	Effective Date	Termination Date	Outstanding Amount at 9/30/2015 (in $000s)
Next Step Public Charter School	Guarantee of lease payments of the school's tenant as credit enhancement to induce lender to provide loan to finance a portion of the acquisition costs for the school's facilities	Next Step Public Charter School	$500	12/19/2011	Earlier of: (1) when the beneficiary's tenant, Career Academy Public Charter School, has achieved two consecutive years of minimum annual lease payments of $486 ($486 thousand) and minimum enrollment of 180 students, or (2) five years from the date of execution of the credit enhancement guarantee agreement	$500
Paul Public Charter School	Guarantee to support the financing of facility construction and acquisition costs related to the renovation and expansion of the school's campus	Bank of America	500	4/2/2014	Five years from the date of the credit enhancement closing	500
Mundo Verde Bilingual Public Charter School	Guarantee of collection to induce United Bank to purchase the revenue bonds issued to finance a portion of the school's costs of acquiring and renovating Cook Elementary School	United Bank	1,000	1/14/2014	Earlier of: (1) the payment in full of all amounts owed to the lender under the loan agreement, note, and deed of trust, or (2) on the fifth anniversary of the date of execution of the guarantee	1,000
Two Rivers Public Charter School	Guarantee to facilitate funding for the costs of renovation and construction of Two Rivers Public Charter School property	SunTrust Bank	500	3/5/2015	Earlier of: (1) the payment in full of all amounts owed to the lender under the loan agreement, note, and deed of trust, or (2) on the fifteenth business day after the second anniversary of the date of execution of the guarantee	500
					TOTAL OUTSTANDING GUARANTEED AMOUNT	**$ 2,500**

Tax Increment Financing and the Downtown TIF Area

Tax increment financing (TIF) is a tool that is used by the District to help finance the costs of economic development business investment activities within the city. TIF Notes are special limited obligations of the District, secured by the incremental sales and/or real property tax revenues derived from the associated project. The District is not obligated to make any payments under TIF Note agreements other than through the remittance of incremental revenues to a paying agent.

For certain projects, the District secured the TIF Notes by also pledging to use a portion of the incremental tax revenues from the District's Downtown TIF area if necessary.

Table N25a presents the projects, the TIF arrangements, and the estimate of future outflows as of September 30, 2015, under each TIF.

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

Table N25a – Projects with Financial Guarantee Funded by Incremental Tax Revenues from the Downtown TIF Area

Project	Type of Financing	Date Issued	Maturity Date	Amount (in $000s)	Estimate of Future Outflows at 9/30/2015* (in $000s)
Verizon Center	TIF Notes	December 2007	08/15/2047	$ 50,000	$ 3,481
Howard Theatre	TIF Notes	May 2011	05/26/2021	4,000	350
Total					**$ 3,831**

* Release of incremental taxes related to the specific project

District of Columbia Collateral Support Program

Pursuant to the Small Business Jobs Act of 2010 (Public Law 111-240), the District sponsors the District of Columbia Collateral Support Program (DCCSP), a Small Business Credit Initiative, which is funded by the U.S. Department of Treasury. Administered by the Department of Insurance, Securities and Banking (DISB), the DCCSP provides capital to small businesses with insufficient collateral for a loan by depositing cash collateral with lenders. In turn, the lenders extend loans to eligible businesses that otherwise might not qualify for such loans due to a collateral value shortfall. Participating lenders including federally chartered banks, insured credit unions and community financial institutions are required to sign a participation agreement with DISB. Eligible borrowers must obtain Certified Business Certification, a designation granted by the District Department of Small and Local Business Development, and also meet the DCCSP eligibility requirements. The DCCSP allows small businesses to use the proceeds, among other approved business needs, to purchase equipment and inventory, fund expansion and renovation costs, start-up costs, leasehold improvements and refinancing.

At the expiration of the maturity date of the term loan, or the termination date of the line of credit, the security interest granted by the cash collateral deposit agreement is automatically terminated and all funds and other investment property representing the cash collateral is to be disbursed to DISB. In the event that the borrower defaults on its monetary obligations associated with the cash collateral deposit agreement, the participating lender may apply up to 100 percent of the cash collateral to the remaining default principal balance. Provisions are included in each cash collateral deposit agreement for the lender to first pursue and exhaust all applicable collection efforts prior to drawing from the cash collateral account associated with the DCCSP.

During fiscal year 2015, the District did not make any payments in connection with the District of Columbia Collateral Support Program. In addition, as of September 30, 2015, no liability has been recorded in connection with these cash collateral deposit agreements because based on an assessment of relevant qualitative factors, these guarantees do not meet the "more likely than not" criterion. As such, the District has determined that it is not more likely than not that amounts will be paid under the outstanding guarantees. As of September 30, 2015, the total outstanding guaranteed amount under cash collateral agreements by DCCSP was $5.5 million.

Table N25b presents additional information regarding these guarantees.

NOTE 6. CONDUIT DEBT AND OTHER FINANCING PROGRAMS

Table N25b – District of Columbia Collateral Support Program Financial Guarantees

Borrower	Type of Financing	Guarantee Amount (in $000s)	Effective Date	Lender	Termination/ Maturity Date	Outstanding Amount at 9/30/2015 (in $000s)
Brougton Construction Company, LLC	Line of Credit	$ 750	4/1/2013	Industrial Bank	3/31/2017	$ 750
Forney Enterprises, Inc.	Term Loan	423	4/15/2013	Industrial Bank	5/15/2018	423
Forney Enterprises, Inc.	Line of Credit	500	4/15/2013	Industrial Bank	3/31/2017	500
Bacon Funeral Home, Inc.	Term Loan	645	4/29/2013	Industrial Bank	5/29/2018	645
Brougton Construction Company, LLC	Line of Credit	150	4/11/2014	Industrial Bank	3/31/2017	150
Absolute Builders	Term Loan	72	7/1/2014	Bank of Georgetown	8/1/2016 with option for extension until March 2017	72
Baked by Yael, LLC	Term Loan	188	9/15/2014	Revere Bank	9/15/2021	188
Big City Foods III, LLC	Term Loan	120	9/24/2014	Industrial Bank	9/24/2019	120
Joon Hokim, Inc.	Term Loan	139	9/29/2014	Premara Bank	10/05/2019	139
JPN Masonry, LLC	Term Loan and Line of Credit	484	1/22/2015	City First Bank	1/22/2016 with option for extension until March 2017	484
Solar Solution, LLC	Line of Credit	300	3/18/2015	Industrial Bank	3/31/2017	300
Savage and Associates Law Group, PC	Line of Credit	125	4/13/2015	Bank of Georgetown	3/31/2017	125
Ivy and Coney, LLC	Term Loan	100	4/15/2015	Revere Bank	4/15/2020	100
Elite Physical Therapy & Wellness Center, Inc.	Term Loan and Line of Credit	61	4/27/2015	Industrial Bank	4/27/2019	61
Baked by Yael, LLC	Term Loan	25	6/8/2015	Revere Bank	6/8/2022	25
First Choice Masonry, Inc.	Line of Credit	982	8/13/2015	Bank of Georgetown	3/31/2017	982
Jubilee Housing, Inc.	Line of Credit	450	8/27/2015	United Bank	3/31/2017	450
TOTAL OUTSTANDING GUARANTEED AMOUNT						**$ 5,514**

NOTE 7. SHORT – TERM LIABILITIES

TAX REVENUE ANTICIPATION NOTES

The District issued $400,000 in Tax Revenue Anticipation Notes (TRANs) on November 18, 2014. 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 during the first quarter of a fiscal year is a short term financing method used to provide for seasonal cash flow needs in anticipation of the receipt of revenues for that fiscal year. Operational and other costs are covered by the proceeds from the TRANs until periodic taxes, grants, and other revenues are received. These notes, which were issued as fixed-rate notes with an interest rate of 1.50%, matured on September 30, 2015, and the District paid the notes in their entirety by the statutorily required deadline of September 30, 2015.

NOTE 7. SHORT – TERM LIABILITIES

Table N26 presents the changes in short-term liabilities during fiscal year 2015.

Table N26 – Changes in Short-Term Liabilities

	(Dollars in $000s)			
Account	**Balance October 1, 2014**	**Additions**	**Deductions**	**Balance September 30, 2015**
Governmental Activities				
Tax Revenue Anticipation Notes	$ -	$ 400,000	$ (400,000)	$ -

NOTE 8. LONG – TERM LIABILITIES

A. LONG-TERM LIABILITIES OUTSTANDING

Long-term liabilities for the District's governmental activities and the business-type activities for the year ended September 30, 2015 are presented in **Table N27**.

Table N27 – Summary of Long-Term Liabilities Outstanding as of September 30, 2015

Governmental Activities:

	Outstanding
General Obligation (GO) Bonds:	
Series 1998B, issued on April 16, 1998, in the amount of $451,635; final maturity date: June 1, 2021; interest rates ranging from 4.50% to 6.00%	$52,515
Series 2004B, issued on December 8, 2004, in the amount of $38,250; final maturity date: June 1, 2020; interest rate: MUNI-CPI Rate	19,525
Series 2005B, issued on December 15, 2005, in the amount of $116,475, to redeem or defease a portion of the District's outstanding general obligation bonds (Series 1994B,1997A, 1998A, 1998B and 2001B) and to pay the costs and expenses of issuing and delivering the Series 2005B Bonds; final maturity date: June 1, 2027; interest rates ranging from 4.00% to 5.25%	28,835
Series 2007A, issued on June 1, 2007, in the amount of $576,475, to finance capital project expenditures and pay the costs and expenses of issuing and delivering the bonds; final maturity date: June 1, 2036; interest rates ranging from 3.00% to 4.75%	576,475
Series 2007B, issued on June 7, 2007, in the amount of $251,155, to redeem or defease a portion of the District's outstanding general obligation bonds (Series 2001B, 2003A, 2003B, and 2005A) and pay the costs and expenses of issuing and delivering the Series 2007B Bonds; final maturity date: June 1, 2030; interest rates ranging from 4.50% to 5.25%	251,155
Series 2007C, issued on December 19, 2007, in the amount of $333,840, to finance capital projects expenditures and pay the costs and expenses of issuing and delivering the Series 2007C Bonds; final maturity date: June 1, 2033; interest rates ranging from 4.00% to 5.00%	265,660

NOTE 8. LONG – TERM LIABILITIES

	Outstanding
Series 2008E, issued on August 27, 2008, in the amount of $327,905, to finance capital project expenditures and pay the costs and expenses of issuing and delivering the Series 2008E Bonds; final maturity date: June 1, 2033; interest rates ranging from 4.00% to 5.00%	$259,585
Series 2008F, issued on August 27, 2008, in the amount of $151,615, to refund $150,585 of outstanding 1998A and 1998B Bonds and pay the costs and expenses of issuing and delivering the Series 2008F Bonds; final maturity date: June 1, 2025; interest rates ranging from 3.00% to 5.00%	118,080
Series 2010A, Build America Bonds, issued on December 22, 2010, in the amount of $181,330, to finance capital projects' expenditures and pay the costs and expenses of issuing and delivering the Series 2010A Bonds; final maturity date: June 1, 2023; interest ranging from 1.91% to 5.92%	122,580
Series 2013A, issued on December 18, 2013, in the amount of $495,425, to finance capital projects' expenditures under the District's capital improvements plan, and pay the costs and expenses of issuing and delivering the Series 2013A Bonds; final maturity date: June 1, 2030; interest rates ranging from 2.00% to 5.00%	472,195
Series 2014A, issued on June 26, 2014, in the amount of $99,985, to finance all or a portion of the costs of certain capital projects of the District; final maturity date: June 1, 2039; interest rate: variable equal to an adjusted SIFMA rate (0.38% as of September 30, 2015)	99,985
Series 2014B, issued on June 26, 2014, in the amount of $224,315 of which $224,300 was to refund all of the District's outstanding Multimodal General Obligation Refunding Bonds, Series 2008C, and $15,000 to fund new capital projects; maturity date June 1, 2027; variable rate bonds bearing interest at varying monthly rates (0.55% as of September 30, 2015)	224,315
Series 2014C, issued on October 23, 2014, in the amount of $379,355, to finance capital projects' expenditures under the District's capital improvements plan and pay the costs and expenses of issuing and delivering the Series 2014C Bonds; final maturity date: June 1, 2026; interest rates ranging from 3.00% to 5.00%	379,355
Series 2014D, issued on October 23, 2014, in the amount of $136,190, to refund all of the District's outstanding multimodal General Obligation Refunding Bonds, Series 2008A, Series 2008D; and pay the costs and expenses of issuing and delivering the Series 2014D Bonds; final maturity date: June 1, 2023; interest rates ranging from 1.00% to 5.00%	126,320
Series 2015A, issued on June 24, 2015, in the amount of $500,000, to finance capital projects' expenditures under the District's capital improvements plan; and pay the costs and expenses of issuing and delivering the Series 2015A Bonds; final maturity date: June 1, 2040; interest rate: 5.00%	500,000
Series 2015B, issued on June 24, 2015, in the amount of $34,190, to refund a portion of the District's outstanding General Obligation Refunding Bonds, Series 2005B; and pay the costs and expenses of issuing and delivering the Series 2015B Bonds; final maturity date: June 1, 2027; interest rate: 5.00%	34,190
Total General Obligation Bonds	**$3,530,770**

NOTE 8. LONG – TERM LIABILITIES

	Outstanding
Qualified Zone Academy Bonds:	
Qualified Zone Academy Bonds, issued on December 21, 2001, in the amount of $4,665; final maturity date: December 1, 2015 (non-interest bearing)	$256
Qualified Zone Academy Bonds, issued on December 28, 2005, in the amount of $3,191; final maturity date: December 28, 2020 (non-interest bearing)	1,065
Qualified Zone Academy Bonds, issued on May 29, 2008, in the amount of $2,360; final maturity date: December 1, 2017 (non-interest bearing)	708
Qualified Zone Academy Bonds, issued on June 30, 2010, in the amount of $4,140; final maturity date: December 1, 2024 (non-interest bearing)	2,762
Total Qualified Zone Academy Bonds	**$4,791**
Income Tax Secured Revenue Bonds:	
Series 2009A, issued in March 2009, in the amount of $491,645, to provide funds for capital projects and pay for financing costs; final maturity date: December 1, 2034; interest rates ranging from 4.00% to 5.50%	$434,635
Series 2009B, issued in March 2009, in the amount of $309,685, to refund outstanding debt (Series 2000A, 2000B, 2003C and 2003D general obligation bonds) and pay for financing costs; final maturity date: December 1, 2029; interest rates ranging from 4.00% to 5.25%	241,300
Series 2009C, issued in September 2009, in the amount of $270,455, to refund the District's Series 1999A and Series 1999B general obligation bonds and pay for financing costs; final maturity date: December 1, 2028; interest rates ranging from 3.00% to 5.00%	107,640
Series 2009D, issued in December 2009, in the amount of $129,620, to provide funds for capital projects, pay for financing costs, and fund capitalized interest on the Series 2009D Bonds; final maturity date: December 1, 2017; interest rates ranging from 2.50% to 5.00%	60,595
Series 2009E Build America Bonds, issued in December 2009, in the amount of $501,290 to provide funds for capital projects, pay for financing costs, and fund capitalized interest on the 2009E bonds; maturity date: December 1, 2034; interest rates ranging from 4.34% to 5.59%	501,290
Series 2010A, issued in March 2010, in the amount of $694,300, to refund the following outstanding general obligation bonds: Series 1998B, Series 1999A, Series 2001B, Series 2001C, Series 2001D, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2005A, Series 2007C, Series 2008E and Series 2008F and pay for the financing costs of the Series 2010A Bonds; final maturity date: December 1, 2031; interest rates ranging from 3.00% to 5.00%	694,300
Series 2010B, issued in March 2010, in the amount of $14,040, to terminate an interest rate swap agreement related to the Series 2002D General Obligation Bonds which were refunded by the issuance of the Series 2010A Bonds and pay the costs of issuance associated with the 2010 Bonds; final maturity date: December 1, 2017; interest rate of: 4.05%	14,040
Series 2010D Qualified School Construction Bonds, issued in June 2010, in the amount of $32,945, to pay for the costs of Qualified School Construction projects and financing cost; final maturity date: December 1, 2026; interest rate: 5.00%	32,945

NOTE 8. LONG – TERM LIABILITIES

	Outstanding
Series 2010F Build America Bonds, issued in December 2010, in the amount of $342,615, to pay for costs of capital projects and the costs and expenses of issuing and delivering the Series 2010F Bonds; final maturity date: December 1, 2035; interest rates ranging from 4.71% to 5.58%	$342,615
Series 2011A, issued in September 2011, in the amount of $138,470, to pay for costs of capital projects and the costs and expenses of issuing and delivering the Series 2011A Bonds; final maturity date: December 1, 2036; interest rates ranging from 1.00% to 5.00%	130,285
Series 2011B-E, $241,735, issued in November 2011 to: (a) refund $63,335 of the remaining outstanding principal amount of Series 2010C, Income Tax Secured Revenue Refunding Bonds; and $31,930 of Series 2010E Income Tax Secured Revenue Refunding Bonds; (b) refund GO Bonds Series 2003A and 2003B; and (c) pay the costs and expenses of issuing and delivering the Series 2011B-C-D-E Bonds; final maturity dates: Series 2011B (December 1, 2015), Series 2011C (December 1, 2012), Series 2011D (December 1, 2013) and Series 2011E (December 1, 2017); interest rates: variable equal to an adjusted SIFMA rate (0.52% as of September 30, 2015)	160,910
Series 2011F-G Bonds, $400,720, issued in December 2011 to pay for costs of capital projects and costs and expenses of issuing and delivering the Series F-G Bonds; final maturity date: December 1, 2036; interest rate ranging from 2.00% to 5.00%	371,330
Series 2012A-B Bonds, $314,110, issued in May 2012 to refund a portion of the District's GO Bonds, Series 2002C, 2004A and 2005A and pay the costs and expenses of issuing and delivering the Series 2012A-B Bonds; final maturity date: December 1, 2027; interest rate ranging from 2.00% to 5.00%	295,475
Series 2012C-D Bonds, $775,770, issued on November 28, 2012, to pay costs associated with capital projects, bond issuance costs, and refund the outstanding PILOT Revenue Bond Anticipation Notes (Arthur Capper/Carrollsburg Public Improvement Issue); final maturity date: December 1, 2037; interest rates ranging from 2.00% to 5.00%	741,420
Series 2014A, issued on September 10, 2014, in the amount of $155,665 to currently refund the District's outstanding Certificates of Participation, Series 2003 and to advance refund the District's outstanding Certificates of Participation, Series 2006 and pay the costs and expenses of issuing and delivering the Series 2014A Bonds; final maturity date: December 1, 2025; interest rates ranging from 1.00% to 5.00%	138,200
Series 2014B, issued on November 25, 2014, in the amount of $60,875 to currently refund the District's Income Tax Secured Revenue Refunding Bonds, Series 2013A matured December 1, 2014 and pay the costs and expenses of issuing and delivering the Series 2014B Bonds; final maturity date: December 1, 2017; variable equal to an adjusted SIFMA rate (0.52% as of September 30, 2015)	60,875
Total Income Tax Secured Revenue Bonds	**$4,327,855**
Tobacco Settlement Asset-Backed Bonds:	
Series 2001, issued on February 1, 2001, in the amount of $521,105; final maturity on May 15, 2040; interest rate ranging from 5.20% to 6.75%	$368,140

NOTE 8. LONG – TERM LIABILITIES

	Outstanding
Series 2006, issued on August 30, 2006, in the amount of $248,264; final maturity on June 15, 2055; interest rate ranging from 6.25% to 7.25%	$248,264
Total Tobacco Settlement Asset-Backed Bonds	**$616,404**
Tax Increment Financing (TIF) Bonds:	
Tax Increment Revenue Refunding Bonds (Gallery Place Project, Series 2012), issued on June 21, 2012, in the amount of $52,365 to: (a) refund the Gallery Place Project Tax Increment Revenue Bonds, Series 2002 and (b) pay the costs and expenses of issuing and delivering the Series 2012 Bonds; final maturity: June 1, 2031; interest rates ranging from 3.00% to 5.00%	$46,730
Mandarin Oriental Hotel TIF Bonds, issued on April 1, 2002, in the amount of $45,995; final maturity: July 1, 2022; interest rate yields ranging from 4.26% to 5.48%	15,515
City Market at O Street TIF Bonds, issued on November 17, 2011, in the amount of $38,650; final maturity: June 1, 2041; interest rate ranging from 3.00% to 5.13%	38,650
Total Tax Increment Financing (TIF) Bonds	**$100,895**
Ballpark Revenue Bonds:	
Series 2006A, issued on May 15, 2006, $154,835 (Taxable) to finance a portion of the cost of construction of the District's baseball stadium; final maturity date: February 1, 2036; interest rate ranging from 5.96% to 6.17%	$152,115
Series 2006B-1, issued on May 15, 2006, $379,665 (Tax-Exempt) to finance a portion of the cost of construction of the District's baseball stadium; final maturity date: February 1, 2036; interest rate ranging from 4.00% to 5.50%	315,245
Total Ballpark Revenue Bonds	**$467,360**
Federal Highway Grant Anticipation Revenue Bonds (GARVEE):	
Series 2011, issued on February 16, 2011, in the amount of $82,610, to: (a) finance a portion of the 11th Street Bridge Project, (b) pay certain costs of issuing the Series 2011 Bonds, and (c) fund the Senior Lien Bonds Debt Service Reserve Subaccount; final maturity date: December 1, 2027; interest rates ranging from 2.00% to 5.25%	$65,780
Series 2012, issued on October 10, 2012, in the amount of $42,935, to: (a) finance Phase II of the 11th Street Bridge Project, and (b) pay costs of issuing the Series 2012 Bonds; maturity date: December 1, 2027; interest rates ranging from 2.00% to 5.00%	38,615
Total Federal Highway Grant Anticipation Revenue Bonds (GARVEE)	**$104,395**
Deed Tax Revenue Bonds (Housing Production Trust Fund Program):	
Series 2007A, issued on May 31, 2007, in the amount of $34,105, to finance, refinance and reimburse a portion of the costs of redeveloping, constructing, acquiring, furnishing and equipping the Northwest One New Communities Project and pay the costs of issuance of the Series 2007A Bonds; final maturity date: June 1, 2037; interest rates ranging from 4.00% to 5.00%	$29,120

NOTE 8. LONG – TERM LIABILITIES

	Outstanding
Series 2010A-C, issued on August 24, 2010, in the amount of $53,190 to: (a) finance, refinance and reimburse a portion of the costs of the New Communities Initiatives, (b) satisfy the debt service reserve requirement, and (c) pay costs of issuance of the Series 2010 Bonds; final maturity date: June 1, 2040; interest rates ranging from 3.50% to 5%	$48,730
Series 2012A-B, issued on December 6, 2012, in the amount of $39,585 to: (a) fund portions of the New Communities Projects, (b) fund a deposit to the Debt Service Reserve Fund, and (c) pay cost of issuing the Series 2012 Bonds; final maturity date: June 1, 2042; interest rates ranging from 3.00% to 5.00%	37,715
Total Deed Tax Revenue Bonds (Housing Production Trust Fund Program)	**$115,565**
PILOT Revenue Bonds and Notes:	
Anacostia Waterfront Corporation (AWC) PILOT Revenue Bonds, issued in September 2007, in the amount of $111,550, to finance, refinance and reimburse the AWC for development costs associated with park and infrastructure projects along the Anacostia River waterfront; final maturity date: December 1, 2021; interest rate: 4.46%	$62,520
Southeast Federal Center PILOT Revenue Note (The Yards Project) Series 2014, issued in December 2014, in the amount of $34,800, to reimburse Forest City SEFC, LLC for public infrastructure associated with the phased development of The Yards, an approximately 42 acre site located in the southeast quadrant of the District; final maturity date: December 1, 2037; interest rate: 0.75% of the LIBOR 30-day index plus 1.70%. The note is structured as a 5-year interest-only draw-down note, with interest paid on drawn funds and has a mandatory repurchase date of December 18, 2019 when it will be extended or refinanced. Total draw-downs as of September 30, 2015 is $9,452	7,682
Southwest Waterfront Project Revenue Bonds (The Wharf Project) Series 2015 issued in September 2015, in the amount of $145,445, to finance construction of public infrastructure at the Southwest Waterfront (the Wharf), a 24 acre mixed use project in Southwest Washington; final maturity date: June 1, 2040; interest rates ranging from 2.82% to 5.04%	145,445
Total PILOT Revenue Bonds and Notes	**$215,647**
Total Bonds and Notes	**$9,483,682**
Other Long-Term Liabilities:	
225 Virginia Avenue lease	$92,646
Premium on long-term debt	586,507
Equipment financing program	86,717
Accreted interest	207,315
Capital leases	5,105
Long term tax refunds	88,442
Long term payroll accrual	10,686
Annual leave	160,949
Disability compensation	127,537
Grant disallowances	70,000
Claims and judgments	201,309
OPEB liability	10,006
Total Other Long-Term Liabilities	**$1,647,219**
Total Long-Term Liabilities – Governmental Activities	**$11,130,901**

NOTE 8. LONG – TERM LIABILITIES

Business-type Activities:

	Outstanding
Obligation for unpaid prizes, D.C. Lottery and Charitable Games Control Board	$3,422
Compensated Absences	439
Total Long-Term Liabilities – Business-Type Activities	**$3,861**

B. ANNUAL DEBT SERVICE REQUIREMENTS

Tables N28 through N42 present annual debt service requirements to maturity for the District's outstanding long-term liabilities as of September 30, 2015:

Table N28 – Debt Service Requirements to Maturity – General Obligation Bonds

(Dollars in $000s)

Year Ending	General Obligation Bonds		
September 30	Principal	Interest	Total
2016	$ 133,280	$ 167,822	$ 301,102
2017	130,055	163,061	293,116
2018	121,340	156,777	278,117
2019	125,690	150,553	276,243
2020	167,280	144,059	311,339
2021-2025	710,945	604,975	1,315,920
2026-2030	653,180	442,975	1,096,155
2031-2035	882,700	261,652	1,144,352
2036-2040	606,300	58,866	665,166
Total	**$3,530,770**	**$2,150,740**	**$5,681,510**

Table N29 – Debt Service Requirements to Maturity – Qualified Zone Academy Bonds

(Dollars in $000s)

Year Ending September 30	QZAB Principal
2016	$ 946
2017	690
2018	690
2019	454
2020	454
2021-2025	1,557
Total	**$ 4,791**

Table N30 – Debt Service Requirements to Maturity– Income Tax Secured Revenue Bonds

(Dollars in $000s)

Year Ending	Income Tax Secured Revenue Bonds		
September 30	Principal	Interest	Total
2016	$ 88,155	$ 207,562	$ 295,717
2017	119,275	203,389	322,664
2018	202,600	197,433	400,033
2019	178,045	189,872	367,917
2020	150,435	182,457	332,892
2021-2025	1,121,000	772,487	1,893,487
2026-2030	1,285,140	457,825	1,742,965
2031-2035	932,305	177,047	1,109,352
2036-2038	250,900	14,348	265,248
Total	**$4,327,855**	**$2,402,420**	**$6,730,275**

Table N31 – Debt Service Requirements to Maturity – Tobacco Settlement Asset-Backed Bonds

(Dollars in $000s)

Year Ending	Tobacco Bonds		
September 30	Principal	Interest	Total
2016	$ 27,750	$ 24,369	$ 52,119
2017	22,740	22,594	45,334
2018	23,600	21,116	44,716
2019	25,755	19,582	45,337
2020	28,070	17,908	45,978
2021-2025	161,760	59,702	221,462
2026-2030	78,465	5,296	83,761
2046-2050	159,733	1,697,592	1,857,325
2056-2060	88,531	2,478,469	2,567,000
Total	**$ 616,404**	**$4,346,628**	**$4,963,032**

NOTE 8. LONG – TERM LIABILITIES

Table N32 – Debt Service Requirements to Maturity – Gallery Place TIF Bonds

(Dollars in $000s)

Year Ending September 30	Gallery Place Principal	Interest	Total
2016	$ 1,975	$ 2,337	$ 4,312
2017	2,075	2,238	4,313
2018	2,180	2,134	4,314
2019	2,290	2,025	4,315
2020	2,400	1,911	4,311
2021-2025	13,930	7,628	21,558
2026-2030	17,775	3,779	21,554
2031-2035	4,105	205	4,310
Total	**$ 46,730**	**$ 22,257**	**$ 68,987**

Table N33 – Debt Service Requirements to Maturity – Mandarin Oriental Hotel TIF Bonds

(Dollars in $000s)

Year Ending September 30	Mandarin Oriental Hotel Principal	Interest	Total
2016	$ 1,878	$ 2,626	$ 4,504
2017	1,761	2,744	4,505
2018	1,650	2,859	4,509
2019	1,544	2,960	4,504
2020	1,448	3,057	4,505
2021-2022	7,234	1,779	9,013
Total	**$ 15,515**	**$ 16,025**	**$ 31,540**

Table N34 – Debt Service Requirements to Maturity – City Market at O Street TIF Bonds

(Dollars in $000s)

Year Ending September 30	City Market at O Street Principal	Interest	Total
2016	$ 220	$ 1,877	$ 2,097
2017	300	1,871	2,171
2018	350	1,862	2,212
2019	450	1,851	2,301
2020	550	1,836	2,386
2021-2025	4,655	8,773	13,428
2026-2030	7,530	7,354	14,884
2031-2035	9,550	5,334	14,884
2036-2040	12,215	2,666	14,881
2041-2045	2,830	145	2,975
Total	**$ 38,650**	**$ 33,569**	**$ 72,219**

Table N35 – Debt Service Requirements to Maturity – Ballpark Revenue Bonds

(Dollars in $000s)

Year Ending September 30	Ballpark Bonds Principal	Interest	Total
2016	$ 7,925	$ 24,816	$ 32,741
2017	8,850	24,370	33,220
2018	9,835	23,880	33,715
2019	10,875	23,336	34,211
2020	11,980	22,734	34,714
2021-2025	79,325	102,277	181,602
2026-2030	120,125	75,826	195,951
2031-2035	175,205	36,337	211,542
2036-2040	43,240	1,123	44,363
Total	**$467,360**	**$ 334,699**	**$ 802,059**

NOTE 8. LONG – TERM LIABILITIES

Table N36 – Debt Service Requirements to Maturity - Federal Highway Grant Anticipation Revenue Bonds (GARVEE)

	(Dollars in $000s)		
Year Ending	Federal Highway Grant Anticipation Revenue Bonds		
September 30	Principal	Interest	Total
2016	$ 6,975	$ 4,795	$ 11,770
2017	7,250	4,523	11,773
2018	7,550	4,222	11,772
2019	7,905	3,871	11,776
2020	8,255	3,514	11,769
2021-2025	47,765	11,073	58,838
2026-2028	18,695	1,051	19,746
Total	**$ 104,395**	**$ 33,049**	**$137,444**

Table N37 – Debt Service Requirements to Maturity – Deed Tax Revenue Bonds (Housing Production Trust Fund Program)

	(Dollars in $000s)		
Year Ending	Housing Production Trust		
September 30	Principal	Interest	Total
2016	$ 2,600	$ 5,222	$ 7,822
2017	2,725	5,100	7,825
2018	2,850	4,972	7,822
2019	2,990	4,839	7,829
2020	3,140	4,689	7,829
2021-2025	18,075	21,046	39,121
2026-2030	22,680	16,432	39,112
2031-2035	28,105	11,014	39,119
2036-2040	28,155	4,527	32,682
2041-2042	4,245	257	4,502
Total	**$ 115,565**	**$ 78,098**	**$193,663**

Table N38 – Debt Service Requirements to Maturity – Anacostia Waterfront Corporation PILOT Revenue Bonds

	(Dollars in $000s)		
Year Ending	Anacostia Waterfront Corporation		
September 30	Principal	Interest	Total
2016	$ 7,845	$ 2,705	$ 10,550
2017	8,200	2,351	10,551
2018	8,570	1,981	10,551
2019	8,960	1,594	10,554
2020	9,360	1,190	10,550
2021-2022	19,585	988	20,573
Total	**$ 62,520**	**$ 10,809**	**$ 73,329**

Table N39 – Debt Service Requirements to Maturity – The Yards PILOT Revenue Note

	(Dollars in $000s)		
Year Ending	The Yards Project		
September 30	Principal	Interest	Total
2016	$ -	$ 145	$ 145
2017	-	145	145
2018	-	145	145
2019	-	145	145
2020	7,682	36	7,718
Total	**$ 7,682**	**$ 616**	**$ 8,298**

NOTE 8. LONG – TERM LIABILITIES

Table N40 – Debt Service Requirements to Maturity – Southwest Waterfront Project Revenue Bonds

(Dollars in $000s)

Year Ending	The Wharf Project		
September 30	Principal	Interest	Total
2016	$ -	$ 4,940	$ 4,940
2017	-	6,636	6,636
2018	-	6,636	6,636
2019	-	6,636	6,636
2020	4,330	6,636	10,966
2021-2025	24,525	30,990	55,515
2026-2030	30,255	25,691	55,946
2031-2035	37,950	17,989	55,939
2036-2040	48,385	7,557	55,942
Total	**$ 145,445**	**$ 113,711**	**$ 259,156**

Table N41 – Debt Service Requirements to Maturity – 225 Virginia Avenue Lease

(Dollars in $000s)

Year Ending	225 Virginia Avenue, LLC		
September 30	Principal	Interest	Total
2016	$ 3,116	$ 6,158	$ 9,274
2017	3,333	5,941	9,274
2018	3,565	5,709	9,274
2019	3,813	5,461	9,274
2020	4,078	5,195	9,273
2021-2025	25,067	21,301	46,368
2026-2030	35,096	11,272	46,368
2031-2032	14,578	878	15,456
Total	**$ 92,646**	**$ 61,915**	**$ 154,561**

Table N42 – Debt Service Requirements to Maturity – Equipment Financing Program

(Dollars in $000s)

Year Ending	Equipment Financing		
September 30	Principal	Interest	Total
2016	$ 34,763	$ 1,521	$ 36,284
2017	24,170	878	25,048
2018	16,417	440	16,857
2019	9,295	152	9,447
2020	2,072	18	2,090
Total	**$ 86,717**	**$ 3,009**	**$ 89,726**

NOTE 8. LONG – TERM LIABILITIES

Table N43 presents aggregate debt service requirements and net receipts/payments on the associated hedging derivative instruments as of September 30, 2015. 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. Information on the District's derivative instruments is presented in Note 2, found on page 84.

Table N43 – Aggregate Debt Service Requirements and Net Receipts/Payments on Hedging Derivative Instruments

	(Dollars in $000s)			
Year Ending September 30	**Principal**	**Interest**	**Hedging Derivatives, Net**	**Total**
2016	$ 18,085	$ 1,728	$ 10,988	$ 30,801
2017	8,380	1,652	10,219	20,251
2018	8,760	1,589	9,912	20,261
2019	9,155	1,525	9,635	20,315
2020	19,030	1,456	9,213	29,699
2021-2025	146,750	4,272	26,440	177,462
2026-2028	92,350	491	3,291	96,132
Total	**$ 302,510**	**$ 12,713**	**$ 79,698**	**$ 394,921**

NOTE 8. LONG – TERM LIABILITIES

C. LONG TERM DEBT ACTIVITY DURING FISCAL YEAR 2015

Table N44 presents long-term debt activity for the year ended September 30, 2015:

Table N44 – Long Term Debt Activity

	(Dollars in $000s)				
	September 30, 2014	Additions	Reductions	September 30, 2015	Due Within One Year
Governmental activities:					
General obligation bonds (including QZAB)	$ 2,796,671	$ 1,049,735	$ (310,845)	$ 3,535,561	$ 134,226
Income tax secured revenue bonds	4,465,820	60,875	(198,840)	4,327,855	88,155
Tobacco settlement asset-backed bonds	631,294	-	(14,890)	616,404	27,750
Tax increment financing bonds	104,809	-	(3,914)	100,895	4,073
Ballpark revenue bonds	474,420	-	(7,060)	467,360	7,925
Federal highway grant anticipation revenue bonds (GARVEE)	111,110	-	(6,715)	104,395	6,975
Deed tax revenue bonds (housing production trust fund program)	118,055	-	(2,490)	115,565	2,600
PILOT revenue bonds	70,030	154,897	(9,280)	215,647	7,845
225 Virginia Avenue lease	95,559	-	(2,913)	92,646	3,116
Premium on long-term debt	479,391	155,540	(48,424)	586,507	53,402
Equipment financing program	102,491	25,590	(41,364)	86,717	34,763
Accreted interest	180,484	26,831	-	207,315	-
Capital leases	8,162	-	(3,057)	5,105	3,268
Long-term tax refunds	-	88,442	-	88,442	-
Long-term payroll accrual	-	10,686	-	10,686	-
Annual leave	154,348	9,597	(2,996)	160,949	159,114
Disability compensation	129,001	20,389	(21,853)	127,537	-
Grant disallowances	132,203	-	(62,203)	70,000	-
Claims and judgments	159,192	113,740	(71,623)	201,309	-
OPEB liability	10,006	-	-	10,006	-
Total long-term liabilities	$ 10,223,046	$ 1,716,322	$ (808,467)	$ 11,130,901	$ 533,212
Business-type activities:					
Obligation for unpaid prizes	$ 6,282	$ -	$ (2,860)	$ 3,422	$ 1,160
Compensated absences	398	41	-	439	-
Long-term liabilities	$ 6,680	$ 41	$ (2,860)	$ 3,861	$ 1,160

NEW BOND AND NOTE ISSUANCES

General Obligation Bonds

- In October 2014, the District issued $379,355 in General Obligation Bonds, Series 2014C and $136,190 in General Obligation Refunding Bonds, Series 2014D. These Bonds are general obligations of the District and as such, the full faith and credit of the District is pledged to the payment of principal 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 interest on the Bonds and any other outstanding general obligation parity bonds when due.

The proceeds of the Series 2014C Bonds were used to: (1) finance capital project expenditures under the District's capital improvements plan, and (2) pay the costs and expenses of issuing and delivering the Series 2014C Bonds. The proceeds of the Series 2014D Bonds were used, together with other available funds of the District, to: (1) refund all of the District's outstanding Multimodal General Obligation Refunding Bonds (Variable Rate Demand Obligations), Series 2008A and Multimodal General Obligation Refunding Bonds (Variable Rate Demand Obligations), Series 2008D, and (2) pay the costs and expenses of issuing and delivering the Series 2014D Bonds.

The interest rates pertaining to the Series 2014C Bonds range between 3.00% and 5.00%. The interest

NOTE 8. LONG – TERM LIABILITIES

rates related to the Series 2014D Bonds range between 1.00% and 5.00%.

- In June 2015, the District issued $500,000 in General Obligation Bonds, Series 2015A and $34,190 in General Obligation Refunding Bonds, Series 2015B. These Bonds are general obligations of the District and as such, the full faith and credit of the District is pledged to the payment of principal 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 interest on the Bonds and any other outstanding general obligation parity bonds when due.

  The proceeds of the Series 2015A Bonds were used to: (1) finance capital project expenditures under the District's capital improvements plan, and (2) pay the costs and expenses of issuing and delivering the Series 2015A Bonds. The proceeds of the Series 2015B Bonds were used to: (1) refund a portion of the District's outstanding General Obligation Refunding Bonds, Series 2005B and (2) pay the costs and expenses of issuing and delivering the Series 2015B Bonds.

  The interest rates pertaining to the Series 2015A Bonds range between 4.00% and 5.00%. The interest rate related to the Series 2015B Bonds is 5.00%.

Income Tax Secured Revenue Bonds

In November 2014, the District issued $60,875 in Income Tax Secured Revenue Refunding Bonds, Series 2014B. The proceeds of the Series 2014B Bonds were used to: (a) currently refund $60,260 of the District's Income Tax Secured Revenue Refunding Bonds, Series 2013A maturing on December 1, 2014, and (b) pay the costs and expenses of issuing and delivering the Series 2014B Bonds.

The Series 2014B Bonds bear interest at a variable rate equal to the Adjusted SIFMA rates, which equal the SIFMA rates plus the per annum spread for each maturity.

PILOT Revenue Note (The Yards Project)

In December 2014, the District issued its $34,800 PILOT Revenue Note (the Yards Project), Series 2014. The proceeds of the Series 2014 Note are being used to fund public infrastructure costs associated with the phased development of an approximately 42 acre site located in the southeast quadrant of the District, known as The Yards. The variable rate obligation utilizes a draw-down structure and is repaid with PILOT revenues from multiple buildings located on the site.

The Series 2014 Note bears interest at 0.75% of the LIBOR 30-day index plus 1.70%. The note is structured as a five-year interest-only note, with interest paid on drawn funds. Any and all excess PILOT revenues are available to pay down principal. The note is expected to be extended or refinanced after five years.

Southwest Waterfront Project Revenue Bonds (The Wharf Project)

In September 2015, the District issued $145,445 in Southwest Waterfront Project Revenue Bonds (The Wharf Project) Series 2015. The proceeds of the Series 2015 Bonds provide funding for infrastructure and public space associated with Phase I development of an approximately 24 acre site located in the southwest quadrant of the District, known as The Wharf. The fixed rate obligation is repaid with TIF and PILOT revenues generated within the site. The Bonds are further guaranteed by incremental taxes of the Downtown TIF Area.

The interest rates pertaining to the Series 2015 Bonds range between 2.82% and 5.04%. Future issuances are authorized up to an additional $52,555, and are expected to be issued within the next two years.

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 was 4.97% in fiscal year 2015. The weighted average interest rate on the District's variable rate bonds for fiscal year 2015 was 0.52%.

PLEDGED TAX REVENUES FOR DEBT SERVICE ON INCOME TAX SECURED REVENUE BONDS

During fiscal year 2015, the District collected $2,316,727 in Income and Business Franchise Taxes. Of this amount, $324,413, or 14%, was held in the Fund for the payment of debt service on outstanding Income Tax Secured Revenue Bonds in fiscal year 2016. The anticipated debt service amount for fiscal year 2016 is $295,717. Therefore, total available tax revenues collected and set aside in the Fund in fiscal year 2015 covers the total amount of anticipated debt service for fiscal year 2016 as presented in **Table N45**:

NOTE 8. LONG – TERM LIABILITIES

Table N45 – Debt Service Coverage Ratio (Income Tax Secured Revenue Bonds)

Available Tax Revenues Collected in FY 2015 (Dollars in $000s)			
Individual Income		$	1,868,468
Business Franchise			448,259
Total		**$**	**2,316,727**
Amount Held in Escrow for FY 2016 Debt Service	(a)	$	324,413
FY 2016 Debt Service Amount	(b)	$	295,717
Rate of Coverage (c)=(a)/(b)			**110%**

In fiscal year 2015, debt service on the Income Tax Secured Revenue Bonds totaled $343,513. The debt service coverage ratio was 6.74 to 1: Total available taxes of $2,316,727, divided by FY 2015 debt service of $343,513.

REFUNDINGS AND BOND DEFEASANCES

On October 23, 2014, the District issued $136,190 in General Obligation Refunding Bonds, Series 2014D. The proceeds of the 2014D Bonds were used to currently refund $59,930 of the District's outstanding Multimodal General Obligation Variable Rate Demand Bonds, Series 2008A, maturing in 2034 and $95,840 of the District's Multimodal General Obligation Variable Rate Demand Bonds, Series 2008D, maturing in 2034. Proceeds from the issuance were also used to pay cost and expenses of issuing and delivering the Series 2014D Bonds. This current refunding extended the put feature from December 2014 to December 2017 and produced no economic gain or loss.

On November 25, 2014, the District issued $60,875 in Income Tax Secured Refunding Bonds, Series 2014B. The proceeds of the 2014B Bonds were used to currently refund $60,260 of the District's Income Tax Secured Revenue Bonds, Series 2013A, maturing on December 1, 2014 and pay the cost of issuing and delivering the Bonds. The Series 2014B Bonds have three maturities: 2015 ($2,715), 2016 ($7,135) and 2017 ($51,025). This current refunding was executed to refinance one variable-rate issue with a fixed rate issue to reduce risks. This transaction produced no economic gain or loss.

On June 24, 2015, the District issued $34,190 in General Obligation Refunding Bonds, Series 2015B. The proceeds of the 2015B Bonds were used to currently refund a portion of the District's outstanding General Obligation Refunding Bonds, Series 2005B, maturing in 2025, 2026, and 2027, in the amounts of $8,255, $19,395 and $6,540 respectively. This refunding provided the District with $7,907 of present value (PV) savings.

As of September 30, 2015, the total amount of defeased debt outstanding held by the escrow agent was $37,230. This amount has been removed from the government-wide financial statements.

GENERAL OBLIGATION DIRECT PURCHASE BOND PROGRAM

On October 25, 2012, the District converted its outstanding Series 2008 General Obligation Variable Rate Demand Obligations (VRDO), substituting the direct-pay letters of credit with direct purchase obligations. The Series 2008A and Series 2008D Bonds were issued in SIFMA Index mode and the Series 2008C Bonds in LIBOR Index mode as authorized under the Sixth and Seventh Supplemental Trust Indentures, respectively. The Sixth and Seventh Supplemental Indentures are by and between the District of Columbia and Wells Fargo Bank, N.A., as trustee, dated October 1, 2012. Each series had an initial put date by the purchaser of October 26, 2015, as well as additional term out provisions.

On June 26, 2014 the District issued Multimodal General Obligation Bonds, Series 2014A and Multimodal General Obligation Refunding Bonds, Series 2014B, to finance capital projects and currently refund the District's outstanding principal of $224,300 General Obligation Series 2008C Bonds. The Series 2014A Bonds were issued in SIFMA Index Mode and the Series 2014B Bonds were issued in LIBOR Index mode as authorized under the Eighth Supplemental Indenture by and between the District of Columbia and Wells Fargo Bank, N.A., as trustee, dated June 1, 2014. Each series had an initial put date by the purchaser of June 23, 2017, as well as additional term out provisions.

The Series 2014A and Series 2014B Bonds were initially purchased by Banc of America Preferred Funding Corporation and were held at Banc of America Preferred Funding Corporation as of September 30, 2015.

On October 23, 2014, $59,930 of General Obligation Direct Purchase Bonds, Series 2008A and $95,840 of General Obligation Direct Purchase Bonds, Series 2008D were fully refunded by the District of Columbia General Obligation Refunding Bonds, Series 2014D.

NOTE 8. LONG – TERM LIABILITIES

Table N46 provides an overview for each of the direct purchase obligation refunding(s).

Table N46 – General Obligation Direct Purchase Bonds

Series	Par Outstanding (in $000s)	Final Maturity	Reset Mode/ Payment Frequency	Direct Purchase Bank	Direct Purchase Agreement Date	Direct Purchase Expiration Date
2014A	$ 99,985	6/1/2039	7-Day Reset / Monthly Pay	Banc of America Preferred Funding Corporation	10/25/2012	6/23/2017
2014B	224,315	6/1/2027	Monthly Reset/Monthly Pay	Banc of America Preferred Funding Corporation	10/25/2012	6/23/2017
Total	$ 324,300					

D. OTHER LONG-TERM LIABILITIES

Equipment Financing Program

The District began its Master Equipment Lease Purchase Program in 1998 as a means of providing tax-exempt financing for assets with short-term to intermediate-term useful lives. District agencies use this program to procure 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, 2015, the District had financed approximately $526 million of its capital equipment needs through the Master Equipment Lease Purchase Program since inception, and had approximately $86.7 million in principal outstanding. Payments are made on a quarterly basis. During the year, the average interest rate used to finance equipment through this program was 2.17%.

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, 2015, MUSL purchased for the Lottery, U.S. government securities totaling $3,560 to fund future installment payments to winners. The market value of these securities as of September 30, 2015, was $3,422. 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 position.

E. COMPONENT UNITS

Washington Convention and Sports Authority (WCSA)

On September 28, 1998, WCSA 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 advance refund all of the Series 1998A Bonds in the aggregate principal amount of $480,600. 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.

Between June 2006 and July 2009, the Council passed a series of legislative Acts, which authorized the financing, construction and development of a privately owned and operated headquarters hotel for the Convention Center.

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 3.10% to 7.00%. The proceeds are to

NOTE 8. LONG – TERM LIABILITIES

be used to fund as needed a portion of the costs of acquiring, developing, constructing, and equipping the Convention Center Hotel project. A portion of the proceeds was also used to defease to the earliest optional redemption date that portion of WCSA's outstanding Senior Lien Dedicated Tax Revenue and Refunding Bonds, Series 2007A maturing on December 1, 2036 in the aggregate principal amount of $25,400. In addition, net proceeds from the issuance of the Series 2010 Bonds were used to purchase U.S. government securities which were deposited in an irrevocable trust to provide debt service payments until the Series 2007A bonds are called or mature. Consequently, 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.

Table N47 presents the debt service requirements to maturity for principal and interest for WCSA's outstanding bonds.

Table N47 – Washington Convention and Sports Authority Debt Service Requirements to Maturity

(Dollars in $000s)

	Washington Convention and Sports Authority		
Year Ending September 30	**Principal**	**Interest**	**Total**
2016	$ 18,900	$ 32,165	$ 51,065
2017	19,760	31,248	51,008
2018	20,655	30,283	50,938
2019	21,600	29,244	50,844
2020	23,425	28,094	51,519
2021-2025	134,740	121,411	256,151
2026-2030	185,085	81,424	266,509
2031-2035	95,320	41,180	136,500
2036-2040	87,670	16,177	103,847
2041	14,645	-	14,645
Total	**$ 621,800**	**$ 411,226**	**$1,033,026**

Housing Finance Agency

The Housing Finance Agency (HFA) issues bonds primarily to finance the Agency's housing programs. Such bonds 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 the Agency from investments, mortgage loans, and mortgage-backed securities in connection with the related developments.

Bonds issued by 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 program of the District. All mortgage revenue bonds for multifamily projects financed to date have been issued by the Agency as standalone pass-through financings with no direct economic recourse to the Agency as issuer.

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

<u>Bond Issuances in Fiscal Year 2015</u>

During fiscal years 2010 through 2014, HFA issued certain multifamily revenue bonds in a draw-down mode. Consequently, out of the total amount of bonds closed, only a portion may get drawn during any given reporting period.

For more information on HFA's long term debt activity during fiscal year 2015, refer to the Agency's separately issued financial statements for that year.

NOTE 8. LONG – TERM LIABILITIES

Table N48 presents the debt service requirements to maturity for principal and interest for the Housing Finance Agency's outstanding bonds.

Table N48 – Housing Finance Agency Debt Service Requirements to Maturity

(Dollars in $000s)			
Year Ending September 30	**Principal**	**Interest**	**Total**
2016	$ 34,674	$ 34,543	$ 69,217
2017	95,801	33,475	129,276
2018	15,488	32,377	47,865
2019	15,031	31,720	46,751
2020	15,877	31,029	46,906
2021-2025	92,530	143,358	235,888
2026-2030	93,141	121,154	214,295
2031-2035	175,081	90,919	266,000
2036-2040	122,608	64,443	187,051
2041-2045	110,738	41,147	151,885
2046-2050	170,122	10,693	180,815
2051-2055	16,194	618	16,812
2056-2060	396	8	404
Subtotal	**957,681**	**635,484**	**1,593,165**
Add:			
Unamortized Bond Premium - Net	2,337	-	2,337
Total	**$ 960,018**	**$ 635,484**	**$1,595,502**

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 Funds.

Civil Service Retirement System

Plan Description

The District contributes to the CSRS, a defined benefit, contributory 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 Funds, 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 2015, there were 1,863 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.

Funding Policy

CSRS-covered employees contribute 7.00% of their base pay (annual salary) to CSRS and the District matches the contributions made by employees. Contribution requirements of those participating in the CSRS 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, 2015, 2014, and 2013, were $10,240, $11,030, and $11,472, respectively.

NOTE 9. RETIREMENT PROGRAMS

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/wages of District employees, up to but not exceeding the applicable social security wage base, which was $118,500 (not in thousands) for 2015, in addition to the District's matching contribution of 6.20% FICA taxes on behalf of the District employees. Moreover, the District also pays a 1.45% payroll tax for Medicare with an additional 1.45% being withheld from each employee's salary/wages.

Beginning January 1, 2013, Additional Medicare Tax applies to an individual's Medicare wages that exceed a threshold amount based on the taxpayer's filing status. Employers, including the District, are responsible for withholding the 0.90% Additional Medicare Tax on an individual's wages paid in excess of $200,000 in a calendar year. An employer is required to begin withholding Additional Medicare Tax in the pay period in which wages paid to an employee in the calendar year exceed $200,000. There is no employer match for the Additional Medicare Tax.

District contributions to the Social Security System for FICA, for the years ended September 30, 2015 and 2014, were $81,295 and $75,062, respectively. In addition, District contributions for Medicare for fiscal years 2015 and 2014 were $32,470 and $30,007, respectively.

District Retirement Funds

General Information about the Pension Plans

Plan Description: The District of Columbia Retirement Board (DCRB or Board) administers the District Retirement Funds (D.C. Code §4-601, 11-1561, 31-120), which consist of two single-employer defined benefit pension plans, one established for the District's teachers (the District of Columbia Teachers' Retirement Fund or TRF), and the other for the District's police officers and firefighters (the District of Columbia Police Officers' and Firefighters' Retirement Fund or POFRF). Each plan provides retirement, death and disability benefits, and annual cost of living adjustments to plan members and beneficiaries. 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 of the District of Columbia (the Council) for the Teachers' Plan. 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.)).

DCRB issues a publicly available financial report which includes financial statements and required supplementary information for the plans. This report can be obtained from the Executive Director, District of Columbia Retirement Board, 900 7th Street, N.W., 2nd Floor, Washington, DC 20001 or online at: http://dcrb.dc.gov.

Benefits provided:

- The District of Columbia Teachers' Retirement Fund: Permanent, temporary, part-time and probationary teachers and certain other employees of the District of Columbia public day schools are automatically enrolled in the Teachers' Retirement Fund on their date of employment. Certain D.C. Public Charter School employees are also eligible to participate. D.C. Code § 38-2021.01 et seq. (2001 Ed.) establishes benefit provisions which may be amended by the Council. For employees hired before November 1, 1996, the annual retirement benefit is the average salary, as defined, multiplied by 1.50% for each of the first five years of service, plus 1.75% for each of the second five years; plus 2.00% for each additional year over 10 years. For employees hired on or after November 1, 1996, the annual retirement benefit is the average salary, as defined, multiplied by 2.00% for each year of service. The average salary is the highest average consecutive 36 months of pay.

  The annuity may be further increased by crediting unused sick leave as of the date of retirement. Participants receiving retirement benefits receive an annual benefit increase proportional to changes in the Consumer Price Index; however, the annual increase may not exceed 3.00% for participants hired on or after November 1, 1996. Participants who have five years of school service and who become disabled and can no longer perform their jobs satisfactorily may be eligible for disability retirement. Voluntary retirement is available for teachers who have a minimum of five years of school service and who achieve certain age and length of service requirements. Employees who are involuntarily separated other than for cause and who

NOTE 9. RETIREMENT PROGRAMS

have five years of school service, may be eligible for retirement at any age with 25 years of service or at age 50 with 20 years of service. An involuntary retirement benefit is reduced if at the time of its commencement the participant is under the age of 55.

- The District of Columbia Police Officers' and Firefighters' Retirement Fund: A participant becomes a member when he/she begins work as a police officer or firefighter in the District. Retirement and disability benefit provisions for District of Columbia police officers and firefighters are established by the "Policemen and Firemen's Retirement and Disability Act" (D.C. Code § 5-701 et seq. (2001 Ed.)).

Members hired before February 15, 1980 are eligible for optional retirement with full benefits at any age with 20 years of departmental service, or for deferred retirement at age 55 with five years of departmental service. The annual basic retirement benefit equals 2.50% of average base pay, which is defined as the highest average consecutive 12 months of base pay, multiplied by departmental service through 20 years; plus 3.00% of average base pay multiplied by average base pay times departmental service over 20 years; plus 2.50% of average base pay multiplied by years of other creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the member's average base pay. Members terminated after five years of police or fire service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. Retirement benefits are increased by the same percentage in base pay granted to active participants. Members with a service-related disability receive a disability retirement benefit of 2.50% of average base pay multiplied by the number of years of creditable service. A minimum annual disability retirement benefit of 66.67% of average base pay and a maximum annual disability retirement benefit of 70% of average base pay apply. Members with a non-service related disability and at least five years of departmental service receive a disability retirement benefit of 2.00% of average base pay multiplied by the number of years of creditable service. A minimum annual disability retirement benefit of 40% of average base pay and a maximum annual disability retirement benefit of 70% of average base pay apply.

Members hired on or after February 15, 1980 and before November 10, 1996 are eligible for optional retirement with full benefits at age 50 with at least 25 years of departmental service, or after age 55 with five years of departmental service. The annual basic retirement benefit equals 2.50% of average base pay, which is defined as the highest average consecutive 36 months of base pay, multiplied by the number of years of creditable service through 25 years; plus 3.00% of average base pay multiplied by the number of years of departmental service over 25 years; plus 2.50% of average base pay multiplied by the number of years of other creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the member's average base pay. Members separated from the Police or Fire Department after five years of departmental service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired or terminated vested members. Members who retired after February 15, 1980 receive annual benefit increases proportional to changes in the Consumer Price Index.

Members hired on or after November 10, 1996 are eligible for retirement at any age, with at least 25 years of departmental service or after age 55 with five years of departmental service. The annual basic retirement benefit equals 2.50% of average base pay, which is defined as the highest average consecutive 36 months of base pay, multiplied by creditable service; however, the aggregate annual basic retirement benefit may not exceed 80% of the average base pay. Members separated after five years of departmental service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. Members receive annual benefit increases proportional to changes in the Consumer Price Index, however, the increase is capped at 3.00%. Members with a service-related disability receive a disability retirement benefit of 70% of base pay multiplied by the percentage of disability. A minimum annual disability retirement benefit of 40% of base pay applies. Members with a non-service related disability and at least five years of departmental service receive a disability retirement benefit of 70% of base pay multiplied by the percentage of disability. A minimum annual disability retirement benefit of 30% of base pay applies.

Table N49a presents the number of plan members that were covered by the benefit terms as of September 30, 2014 and 2015.

NOTE 9. RETIREMENT PROGRAMS

Table N49a – District Retirement Funds' Plan Members Covered by Benefit terms

TRF *	2015	2014
Inactive plan members (Retirees and survivors receiving benefits - post June 30, 1997)	3,718	3,601
Active plan members	4,866	4,499
Vested Terminations	1,152	969
Total	**9,736**	**9,069**
POFRF *	**2015**	**2014**
Inactive plan members (Retirees and survivors receiving benefits - post June 30, 1997)	2,609	2,365
Active plan members	5,537	5,551
Vested Terminations	319	257
Total	**8,465**	**8,173**

* Numbers not in thousands

Contributions: The District is required to contribute the amounts necessary to finance the Plan benefits of its members through annual contributions at actuarially determined amounts in accordance with the provisions of the Replacement Act. The amount of the District contributions for fiscal years 2015 and 2014 were equal to the amounts computed, if any, by the District of Columbia Retirement Board's independent actuary. **Table N49b** presents required amounts contributed by the District to the District Retirement Funds for fiscal years 2015 and 2014. Plan members contribute by salary deductions at rates established by D.C. Code § 5-706 (2001 Ed.). Members contribute 7.00% (or 8.00% for Teachers, Police Officers and Firefighters hired on or after November 1, 1996 and November 10, 1996, respectively) of annual gross salary, including any differential for special assignment and longevity, but excluding overtime, holiday, or military pay. Contribution requirements of members are established by D.C. Code § 5-706 and requirements for District of Columbia government contributions to the Fund are established by D.C. Code § 1-907.02 (2001 Ed.), which may be amended by the Council.

Table N49b - District Retirement Funds' Contributions

Fiscal Year Ended	(in $000s) TRF	
	TRF	**POFRF**
9/30/2015	$ 39,513	$ 103,430
9/30/2014	31,636	110,766

Net Pension Liability

The District's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014. **Table N50** presents the aggregate amounts of the District Retirement Funds as of September 30, 2015.

Table N50 – District Retirement Funds' Aggregate Amounts

	(in $000s)	
Description	**TRF**	**POFRF**
Total pension liabilities	$ 1,950,811	$ 4,383,413
Pension net position	1,670,638	4,461,998
Deferred outflows of resources	146,989	386,434
Deferred inflows of resources	6,863	2,347
Pension expense	69,489	228,023
Net pension liabilities (Assets)	280,173	(78,585)

Actuarial Assumptions: The total pension liability was determined based on an actuarial valuation as of October 1, 2014, then updated using actuarial assumptions presented in **Table N51**, applied to all periods included in the measurement and rolled forward to the measurement date of September 30, 2015. **Table N51** presents the actuarial assumptions used to determine the total pension liability.

NOTE 9. RETIREMENT PROGRAMS

Table N51 – Summary of Actuarial Assumptions Used to Determine Total Pension Liability

	TRF	POFRF
Inflation	3.50%	3.50%
Salary increases	4.45 - 8.25%, including wage inflation of 4.25 percent	4.25 - 9.25%, including wage inflation of 4.25%
Investment rate of return	6.50%, net of pension plan investment expense, and including inflation	6.50%, net of pension plan investment expense, and including inflation
Mortality	Pre-retirement and post-retirement mortality rates were based on the RP 2000 Combined Mortality Table projected to 2015 with Projection Scale AA set back three years for females. Post-disability mortality rates were based on the RP 2000 Disabled Mortality Table set back 1 year for males and set back 5 years for females.	Pre-retirement and post-retirement mortality rates were based on the RP 2000 Combined Mortality Table projected to 2015 with Projection Scale AA set forward 1 year for females.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of the most recent actuarial experience study for the period October 1, 2006 to September 30, 2010, dated November 7, 2011.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. **Table N52** presents target allocation and best estimates of arithmetic real rates of return for each major asset class.

Table N52 – Summary of Target Allocation and Long-Term Expected Real Rate of Return by Asset class

	District Retirement Funds	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic Equity	22.00%	5.10%
Foreign Equity (Developed)	20.00%	5.00%
Foreign Equity (Emerging)	8.00%	6.90%
Investment Grade Bonds	15.00%	0.20%
TIPs	3.00%	1.40%
High Yield Bonds	3.00%	3.70%
Foreign Bonds (Developed)	2.00%	1.00%
Emerging Markets Debt (Local)	2.00%	3.50%
Real Estate	5.00%	4.60%
Infrasturcture	2.00%	5.70%
Private Equity	8.00%	7.30%
Hedge Funds	10.00%	3.40%
Total	**100%**	

Discount Rate: The discount rate used to measure the total pension liability was 6.50%.The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the District contributions will be made in accordance with the Board's funding policy adopted in 2012. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9. RETIREMENT PROGRAMS

Table N53 presents changes in the District's Net Pension Liability for the year ended September 30, 2015.

Table N53 – Changes in Net Pension Liability

	Increase (Decrease) (in $000s)					
	Teachers' Retirement Fund			Police Officers' and Firefighters' Retirement Fund		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 9/30/14	$ 1,856,034	$ 1,745,961	$ 110,073	$ 4,000,863	$ 4,588,129	$ (587,266)
Changes for the year						
Service Cost	53,297	-	53,297	192,114	-	192,114
Interest	118,378	-	118,378	257,943	-	257,943
Difference between expected and actual experience	(7,246)	-	(7,246)	(2,477)	-	(2,477)
Contributions - employer	-	39,513	(39,513)	-	103,430	(103,430)
Contributions - employees	-	31,621	(31,621)	-	33,679	(33,679)
Net Investment Income	-	(72,647)	72,647	-	(187,283)	187,283
Benefit payments incuding refunds of employee contributions	(69,652)	(69,652)	-	(65,030)	(65,030)	-
Administrative Expenses	-	(4,543)	4,543	-	(11,939)	11,939
Other Income	-	385	(385)	-	1,012	(1,012)
Net Changes	94,777	(75,323)	170,100	382,550	(126,131)	508,681
Balances at 9/30/15	**$ 1,950,811**	**$ 1,670,638**	**$ 280,173**	**$ 4,383,413**	**$ 4,461,998**	**$ (78,585)**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*: Table N54** presents the net pension liability of the Plans, for TRF and POFRF, respectively, calculated using the discount rate of 6.50%, as well as the Plans' net pension liability, calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

Table N54 – Sensitivity of Net Pension Liability to Changes in the Discount Rate

	(in $000s)		
	1% Decrease (5.50%)	**Current Discount Rate (6.50%)**	**1% Increase (7.50%)**
Teachers' Plan's Net Pension Liability (Asset)	$ 598,302	$ 280,173	$ 23,315
Police Officers' and Firefighters' Plan's Net Pension Liability (Asset)	$ 698,746	$ (78,585)	$ (704,007)

Pension Plans Fiduciary Net Position: Detailed information about the Plans' fiduciary net position is available in the separately issued District Retirement Funds financial statements and required supplementary information issued by the District of Columbia Retirement Board.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions: For the year ended September 30, 2015, the District recognized pension expense of $69,489 and $228,023 for TRF and POFRF, respectively. **Table N55** presents deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2015.

NOTE 9. RETIREMENT PROGRAMS

Table N55 – District Retirement Funds' Deferred Outflows of Resources and Deferred Inflows of Resources

	(in $000s)			
	TRF		POFRF	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 6,863	$ -	$ 2,347
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on plan investments	146,989	-	386,434	-
Total	**$ 146,989**	**$ 6,863**	**$ 386,434**	**$ 2,347**

Table N56 presents deferred outflows of resources and deferred inflows of resources that will be recognized in pension expenses in future periods.

Table N56 – Schedule of Future Pension Expenses

	(in $000s)	
	TRF	POFRF
Year ended September 30:		
2016	$ 34,327	$ 96,239
2017	34,327	96,239
2018	35,132	96,239
2019	36,340	96,239
2020	-	(322)
2021-2022	-	(547)

Payable to the Pension Plans

The District's contributions for fiscal years 2015, 2014, and 2013 were equal to the fund's independent actuary's recommendation; therefore, there were no outstanding amounts due to the plans as of September 30, 2015.

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 2015, there were 16,462 employees participating in the Section 401(a) plan. New hires do not contribute to the plan and are eligible to participate after one year of service.

The District contributes 5.00% of base salaries for eligible employees each pay period. This contribution rate is 5.50% 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, 2015, 2014, and 2013, District contributions to the plan were $54,174, $50,274, and $44,884, respectively.

This plan also covers employees of the D.C. Housing Authority and the Health Benefit Exchange 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 separate defined contribution plans.

C. DEFERRED COMPENSATION PLANS

Internal Revenue Code Section 403(b) 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(b) 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 $18 ($18 thousand) of their annual compensation for calendar year 2015. Employees with 15 years of service or more were

NOTE 9. RETIREMENT PROGRAMS

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 such catch up contributions was $6 ($6 thousand) in 2015. District employees contributed $18,728 to this annuity plan in fiscal year 2015. 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 $18 ($18 thousand) or 100% of includable compensation in calendar year 2015. 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, $36 ($36 thousand); or (b) the annual contribution limit for the year plus underutilized amounts from prior taxable years. An additional deferral of $6 ($6 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. As of September 30, 2015, there were 10,586 employees participating in the Section 457 plan. District employees contributed $48,744 to this plan in fiscal year 2015. 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 supplementary information for the Plan. This report may be obtained from the following location:

Office of Finance and Treasury
D.C. Treasurer
1101 4th Street, S.W., Suite 800
Washington, DC 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 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.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Investments are reported at fair value with realized and unrealized gains and losses included in the Statement of Changes in Plan Net Position. 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 2015, the District contributed \$91.4 million to the plan and retiree (participant) contributions totaled \$410,780 (\$410.8 thousand). Cost sharing arrangements for annuitants vary depending on whether the employee was a General Employee, Teacher, Police Officer or Firefighter. For General Employees and Teachers, annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the annuitant is 75%, reduced by an additional 2.50% for each year of creditable service over 10 years up to a maximum of 20 such additional years. Thus, the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 30 or more years of creditable District service, the District pays 75% of the cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan.

Covered family members of General Employee and Teacher annuitants with at least 10 years of creditable District service but less than 30 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the covered family member is 80%, reduced by an additional 1.00% for each year of creditable District service over 10 years up to a maximum of 20 such additional years. Thus, the District's contribution shall not exceed 40% of the cost of the selected health benefit plan for covered family members of an annuitant with 30 or more years of creditable District service and the family members of an annuitant with 30 or more years of creditable District service pays up to 60% of the cost of the selected health benefit plan.

For Police Officers and Firefighters, annuitants with at least 10 years of creditable District service but less than 25 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the annuitant is 70%, reduced by an additional 3.00% for each year of creditable service over 10 years up to a maximum of 15 such additional years. Thus, the District's contribution shall not exceed 75% of the cost of the selected health benefit plan. For annuitants with 25 or more years of creditable District service or police officer or firefighter annuitants who are injured in the line of duty, the District pays 75% of cost of the selected health benefit plan and the annuitant pays 25% of the cost of the selected health benefit plan. Special rules apply for Police and Firefighters who were hired before November 10, 1996.

Covered family members of Police Officers and Firefighter annuitants with at least 10 years of creditable District service but less than 25 years of creditable District service pay a percentage of their health insurance premiums and the District pays the remainder. The percentage paid by the covered family members is 75%, reduced by an additional 3.00% for each year of creditable District service over 10 years. However, the portion paid by the covered family member is never less than 40%, and the District's contribution shall not exceed 60% of the cost of the selected health benefit plan; the family member pays 40% of the cost of the selected health benefit plan for covered family members of police officer or firefighters who were hired before November 10, 1996.

The participant pays \$.0455 per \$1,000 (\$1 thousand) 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.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 N57 presents the actuarial assumptions used in determining the District's annual required contribution. **Table N58** presents the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB asset or obligation to the plan.

Table N57 – Actuarial Assumptions Used in Developing Annual Required Contribution to OPEB Plan

Valuation Date	September 30, 2014 (projected from September 30, 2012 census)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, closed
Remaining Amortization Period	28 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Discount Rate	7.00%
Rate of Salary Increases	3.75% (plus merit scale)
Rate of Medical Inflation	8.00% (pre-Medicare) or 6.50% (post-Medicare), grading to 4.00% over 70 years

Table N58 – Annual OPEB Cost, Actual Plan Contributions, and Changes in Net OPEB Obligations

	FY 2015 (in $000s)	FY 2014 (in $000s)	FY 2013 (in $000s)
Annual required contribution	$91,400	$86,600	$85,200
Interest on net OPEB obligation	$700	$700	$2,200
Adjustment to annual required contribution	($700)	($600)	($1,900)
Annual OPEB cost (expense)	$91,400	$86,700	$85,500
Contributions made	$91,400	$86,600	$107,800
Change in net OPEB asset/(obligation)	$0	($100)	$22,300
Net OPEB asset/(obligation) – beginning of year	($10,006)	($9,906)	($32,206)
Net OPEB asset/(obligation) – end of year	($10,006)	($10,006)	($9,906)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the two preceding years are shown in **Table N59.**

Table N59 - Annual OPEB Cost, Percentage of Annual OPEB Cost Contributed, Net OPEB Obligation (Fiscal Years 2013 through 2015)

Fiscal Year Ended	Annual OPEB Cost (millions)	% Of Annual OPEB Cost Contributed	Net OPEB Obligation (millions)
09/30/15	$91.4	100%	$10
09/30/14	$86.7	99.90%	$10
09/30/13	$85.5	126.10%	$9.9

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

e) Funded Status and Funding Progress

Using the most recent (September 30, 2014) actuarial valuation results, the September 30, 2014 estimated actuarial liability is $1,188,300 and the actuarial value of the assets is $1,036,600 resulting in an estimated unfunded actuarial accrued liability (UAAL) of $151,700. The estimated covered payroll is $1,484,300 and the ratio of the unfunded liability to covered payroll is 10.20%. The Plan is 87.20% funded.

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.

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.

The Entry Age Normal Actuarial cost method was used to prepare the September 30, 2014 actuarial valuation. The actuarial assumptions included a 7.00% investment rate of return, a discount rate of 7.00%; a 3.75% salary increase and a medical trend rate ranging between 8.00% (pre-Medicare) and 6.50% (post-Medicare) grading to 4.00% over 70 years. Fixed dollar amounts in the health care benefits (deductibles, co-pays, benefit maximums, etc.) are assumed to increase periodically to keep pace with the medical trend. The amortization method applied was the Level Percent Closed Method. The remaining amortization period as of September 30, 2014, was 28 years and the asset valuation method used was Market Value. The actual performance of the Fund's investments was unfavorable in comparison to the projected rate of return of 7.00% used in the actuarial valuation. The Fund as a whole had a negative rate of return of -5.24% with net investment loss of ($59,588) during fiscal year 2015.

NOTE 11. FUND BALANCE/NET POSITION

Fund balances as of September 30, 2015, are shown in **Table N60a**.

Table N60a – Schedule of FY 2015 Fund Balance

(Dollars in $000s)

	General Fund	Federal & Private Resources	Housing Production Trust	General Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable						
Inventory	$ 12,734	$ 3,752	$ -	$ -	$ -	$ 16,486
Total Nonspendable Fund Balance	12,734	3,752	-	-	-	16,486
Restricted for:						
Emergency and Contingency Cash Reserves	366,249	-	-	-	-	366,249
Debt Service - Bond Escrow	397,557	-	-	-	-	397,557
Budget	24,598	-	-	-	-	24,598
Purpose Restrictions	144,146	163,463	-	-	-	307,609
Payment-in-Lieu of Taxes	-	-	-	-	124,202	124,202
Tobacco Settlement	-	-	-	-	81,309	81,309
Capital Projects	-	-	-	35,805	-	35,805
FEMS Settlement	47,000	-	-	-	-	47,000
Tax Increment Financing Program	23,747	-	-	-	60,975	84,722
Housing Production Trust	-	-	185,496	-	-	185,496
Highway Projects	-	-	-	-	66,515	66,515
Baseball Special Revenue	-	-	-	-	104,107	104,107
Soccer Stadium	23,099	-	-	-	-	23,099
Total Restricted Fund Balance	1,026,396	163,463	185,496	35,805	437,108	1,848,268
Committed to:						
Fiscal Stabilization Reserve	174,856	-	-	-	-	174,856
Cash Flow Reserve	443,763	-	-	-	-	443,763
Budget Support Act	10,216	-	-	-	-	10,216
Commodities Cost Reserve	19,477	-	-	-	-	19,477
Dedicated Taxes	23,417	-	-	-	-	23,417
WMATA Operations Fund	57,477	-	-	-	-	57,477
Subsequent Years Expenditures	184,110	-	-	-	-	184,110
Other Special Purposes	133,789	-	-	-	-	133,789
Total Restricted Fund Balance	1,047,105	-	-	-	-	1,047,105
Assigned to:						
Contractual Obligations	17,760	-	-	-	-	17,760
FY 15/16 Supplemental	28,288	-	-	-	-	28,288
Subsequent Years' Expenditures	34,779	-	-	-	-	34,779
	80,827	-	-	-	-	80,827
Total Fund Balance	**$ 2,167,062**	**$ 167,215**	**$ 185,496**	**$ 35,805**	**$ 437,108**	**$ 2,992,686**

NOTE 11. FUND BALANCE/NET POSITION

Net position as of September 30, 2015, is shown in **Table N60b.**

Table N60b – Schedule of FY 2015 Net Position, Proprietary and Fiduciary Funds

	(Dollars in $000s)		
	Lottery & Games	Unemployment Compensation Fund	Fiduciary Funds
Net Position			
Invested in capital assets	$ 169	$ -	$ -
Restricted	-	312,483	7,594,743
Unrestricted	4,271	-	-
Total Net Position	**$ 4,440**	**$ 312,483**	**$ 7,594,743**

NOTE 12. JOINT VENTURE AND TRANSACTIONS WITH COMPONENT UNITS

A. 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 non-operating 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, 2015, is shown in **Table N61a.**

Table N61a – Summary of Grants Provided to WMATA

	(Dollars in $000s)	
Type	Local	Capital
Operating grants	$322,215	$ -
School Transit Subsidy	13,488	-
Capital grants	-	139,230
Total	**$335,703**	**$139,230**

WMATA issues separate audited financial statements which can be requested from the General Manager, Washington Metropolitan Area Transit Authority, 600 5th Street, N.W., Washington, DC 20001. **Table N61b** 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 N61b – Summary of Financial Statements for WMATA as of and for the year ended June 30, 2015

Financial Position (in $000s)

Total assets	$ 13,309,235
Total deferred outflows of resources	230,235
Total liabilities	(2,986,268)
Total deferred inflows of resources	(333,694)
Net position	**$ 10,219,508**

Operating Results (in $000s)

Operating revenues	$ 898,644
Operating expenses	(2,547,453)
Nonoperating revenues, net	844,335
Revenue from capital contributions	4,138,387
Change in net position	**$ 3,333,913**

Change in Net Position (in $000s)

Net position, beginning of year (Restated)	$ 6,885,595
Change in net position	3,333,913
Net position, end of year	**$ 10,219,508**

NOTE 12. JOINT VENTURE AND TRANSACTIONS WITH COMPONENT UNITS

B. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

During fiscal year 2015, the most significant transactions between the District and its component units were in the form of subsidies. The amount of subsidies, including capital contributions paid by the District to its component units were as follows: Washington Convention and Sports Authority, $116,448; Not-for-Profit-Hospital Corporation, $27,792; and the University of the District of Columbia, $116,237. The District did not provide subsidies to the Health Benefit Exchange Authority and the Housing Finance Agency.

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, 2015, totaled $554,342, comprised of $487,492 in on-behalf payments to the DC Federal Pension fund and $66,850 as contribution to cover costs imposed by the Federal Government.

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. As of September 2015, 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. Since 2002, the District had expended a total of $152,262 or 98% of the federal funding received for purposes of emergency preparedness. The District did not expend any additional amounts of federal funding for such purposes during fiscal year 2015.

C. 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. SNAP expenditures totaled $222,659 and $223,987 in fiscal years 2014 and 2015, respectively.

D. GRANTS

In addition to SNAP, 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, and other pass-through grants.

The federal government also provides capital grants, which are used for the purchase or construction of capital assets. Federal grants and contributions are shown by function on the government-wide financial statements.

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 $3,057 in fiscal year 2015.

B. OPERATING LEASES

Operating leases are not recorded in the statement of net position. 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 $132,648 in fiscal year 2015.

C. SCHEDULE OF FUTURE MINIMUM LEASE COMMITMENTS

Table N62 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 as of September 30, 2015.

Table N62 – Schedule of Future Minimum Lease Payments

	(Dollars in $000s)		
	Primary Government		
	Capital	Operating Leases	
Year Ending September 30	Leases	Facilities	Equipment
2016	$ 3,507	$ 85,858	$ 3,249
2017	1,874	79,203	2,141
2018	-	77,900	1,125
2019	-	70,379	964
2020	-	63,139	53
2021-2025	-	227,259	-
2026-2030	-	45,165	-
2031-2035	-	11,306	-
2036-2040	-	1,027	-
2041-2045	-	973	-
2046-2049	-	927	-
Minimum lease payments	**$ 5,381**	**$ 663,136**	**$ 7,532**
Less - imputed interest	(276)		
Present value of payments	**$ 5,105**		

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. Claim expenditures and liabilities are reported in the government-wide financial statements when it is probable that a 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, 2015. 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 as of September 30, 2015, probable cumulative expenditures that may be disallowed by grantor agencies totaled $70,000. Accordingly, an accrual for such expenditures has been recorded in the government-wide financial statements.

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. As of September 30, 2015, the aggregate fair value of all hedging derivative instruments with these collateral posting provisions was ($53,571) as indicated in **Table N8**. The District's general obligation credit rating is AA/Aa1/AA; therefore, no collateral had been posted as of September 30, 2015.

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 as of September 30, 2015.

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 $54,050.

In fiscal year 2015, there was a $15,190 net reduction in the accrual related to pending or unresolved property tax appeals made by District property owners in fiscal year 2015.

A summary of the changes in the accrued liability for claims and judgments reported in the government-wide financial statements is shown in **Table N63.**

Table N63 - Summary of Changes in Claims and Judgments Accrual

	(Dollars in $000s)	
Description	**Fiscal Year 2015**	**Fiscal Year 2014**
Liability at October 1	$ 159,192	$ 207,481
Add: Claims incurred		
Lawsuits	80,565	22,278
Property tax appeals	33,175	19,777
Less: Claims payments/adjustments		
Lawsuits	(23,258)	(64,986)
Property tax appeals	(48,365)	(25,358)
Liability at September 30	**$ 201,309**	**$ 159,192**

NOTE 15. COMMITMENTS AND CONTINGENCIES

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 N64**.

Table N64 – Summary of Changes in Disability Compensation Accrual

	(Dollars in $000s)	
Description	**Fiscal Year 2015**	**Fiscal Year 2014**
Liability at October 1	**$ 129,001**	**$ 129,251**
Claims incurred/adjustments	20,389	19,411
Less-benefit payments	(21,853)	(19,661)
Liability at September 30	**$ 127,537**	**$ 129,001**

NOTE 16. SUBSEQUENT EVENTS

A. TAX REVENUE ANTICIPATION NOTES

In December 2015, the District issued $250,000 in General Obligation Tax Revenue Anticipation Notes (TRANs). The issuance of such notes is a short term financing method used to provide for seasonal cash flow needs. Proceeds from this issuance are to be used to finance general governmental expenses of the District in anticipation of the collection or receipt of revenues for fiscal year 2016.

The TRANs are general obligations of the District secured by the District's full faith and credit and are payable from all funds of the District not otherwise legally committed. In addition, the TRANs constitute continuing obligations until paid in accordance with their terms. The District has covenanted to deposit certain receipts into a TRANs Escrow Account, a segregated special purpose account, for the purpose of paying the principal of and interest on the TRANs when due.

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

Date of Deposit	Amount of Deposit
September 1, 2016	20% of the outstanding principal amount
September 21, 2016	60% of the outstanding principal amount
September 29, 2016	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 1.50%, and will mature on September 30, 2016.

B. INCOME TAX SECURED REVENUE REFUNDING BONDS

In November 2015, the District issued $95,575 in Income Tax Secured Revenue Refunding Bonds, Series 2015A. The proceeds of the Series 2015A Bonds were used to: (a) currently refund $39,900 of the District's Income Tax Secured Revenue Refunding Bonds, Series 2011B (Adjusted SIFMA Rate) maturing on December 1, 2015, (b) currently refund $55,220 of the District's Income Tax Secured Revenue Refunding, Series 2011E (Adjusted SIFMA Rate) maturing December 1, 2015 and (c) pay the costs and expenses of issuing and delivering the Series 2015A Bonds.

The Series 2015A Bonds bear interest at a variable rate equal to the Adjusted SIFMA rates, which equal the SIFMA rate plus 0.12% (12 basis points).

NOTE 16. SUBSEQUENT EVENTS

C. COMPONENT UNITS

Housing Finance Agency

Subsequent to the end of fiscal year 2015, the following events occurred at the Housing Finance Agency (HFA):

Multifamily (Conduit Bond) Program, New Issuances:

- On October 20, 2015, $19,500 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2015 were issued in a draw-down mode to finance the Atlantic Gardens Project.
- On October 20, 2015, $12,600 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2015 were issued in a draw-down mode to finance the Atlantic Terrace Project.
- On October 30, 2015, $17,700 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2015 were issued in a draw-down mode to finance the SOME Conway Center FA Project.
- On October 30, 2015, $8,300 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2015 were issued to finance the SOME Conway Center TTEE Project.
- On December 21, 2015, $6,550 of District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds, Series 2015 were issued in draw-down mode to finance the Bowen Flats Project.
- Between October 1, 2015 and January 15, 2016, $43,856 in multifamily mortgage revenue bonds were issued through draws on the draw-down bonds.

Single Family New Issue Bond Program Redemptions and Maturities:

- On December 1, 2015, $80 in District of Columbia Housing Finance Agency Collateralized Single Family Housing Revenue Bonds 1988 Series E-4 were redeemed through prepayments.
- On December 1, 2015, $3,245 in 1996 Single Family Revenue Bonds were redeemed.
- On December 1, 2015, $110 in District of Columbia Housing Finance Agency Single Family Housing Revenue Bonds, Series 2009 A-1 were redeemed through sinking fund maturity and $760 were redeemed through prepayments.

Multifamily New Issue Bond Program Redemptions and Maturities:

- Between October 1, 2015 and December 1, 2015, $1,315 in Multifamily NIBP mortgage revenue bonds were redeemed.

Multifamily (Conduit Bond) Program, Redemptions and Maturities:

- Between October 1, 2015 and January 15, 2016, $30,269 in multifamily mortgage revenue bonds were redeemed or matured.